AUDIT AND RISK COMMITTEE

NOTICE
There will be a meeting of the Audit and Risk Committee on 9 May 2024 at 1730 hours in the Boardroom and on Teams.

AGENDA			
Agenda Item		**Paper**	**Lead**
01	Apologies for Absence	N	PS
02	Declaration of any potential Conflicts of Interest in relation to any Agenda items	N	PS
03	Minutes of Previous Meeting – 15 February 2024	Y	TF
04	Matters Arising from the Previous Meeting		
	Matters for Discussion		
05	Audit Scotland 5.1 SLC External Audit Plan 2023-24 5.2 Draft 2023-24 Annual Audit Plan	Y	AK
06	Henderson Loggie 6.1 SLC Internal Audit Progress 2023-24 6.2 Marketing and Communications Audit 6.3 Purchasing/Creditors Audit **(to be issued separately on Friday 3rd)**	Y	DA
07	7.1 Rolling Audit Recommendations Commentary 7.2 Rolling Audit Recommendations Monitor	Y	EMcK
08	Risk Management – Risk Register 8.1 Commentary on SLC Strategic Risk Register 8.2 SLC Strategic Risk Register 8.3 Regional Strategic Risk Register Audit **(to be issued separately on Friday 3rd)**	Y	EMcK
09	9.1 National Fraud Initiative 2022/23 completion 9.2 NFI Security Policy	Y	EMcK
10	VAT on Utilities – Azets Review January 2024	Y	EMcK
	Reserved Items for Discussion/Information		
11	Pension Update This item is not for publication as the background has already been fully Minuted and discussion of the detail might disclose Protected Personal Data of identifiable individuals or groups of individuals.	Y	GMc
12	Cyber Security This item is not for publication, given that cyber security is a commercially sensitive subject area.	Y	CS

	Matters for Decision		
13	Governance Rolling Review	Y	PS
	Matters for Information		
14	Audit Scotland Technical Bulletin	Y	EMcK
15	Summation of Actions and Date of Next Meeting		PS
16	Any Other Business		

Key:

PS, Governance Professional: Peter Scott

TF, Chair of Audit & Risk Committee: Tom Feely

GMc, Head of Human Resources: Gary McIntosh

CS, Head of Management Information Systems: Chris Sumner

EMcK, Vice Principal Finance Resources and Sustainability: Elaine McKechnie

AUDIT & RISK COMMITTEE	

MINUTES	
ARC Committee on 15 February 2024 at 1730 hours in the Board Room at South Lanarkshire College and on TEAMS	

Present	**In Attendance**
Tom Feely (Chair)	Stella McManus
Peter Sweeney	Elaine McKechnie
	Scott Coutts (Chair of FRC)
	Andrew Kerr
	Ciaran O'Brien
	Scott Gray (TU Observer)
	Gary McIntosh

AGENDA ITEM	
1	**Apologies for Absence** Anne Doherty, Fiona Whittaker, Paul Hutchinson It was noted by the Committee that in terms of Section 2 of the Standing Orders of the Board of Management, the meeting was not quorate. As a result, the meeting proceeded with the agenda and noted that any decisions would be made by members at the Board Meeting scheduled for 7 March 2023.
2	**Declaration of any potential Conflicts of Interest in relation to any Agenda items** None made.
3	**Minutes of Previous Meeting – 27 November 2023** It being noted that the Douglas Morrison and Scott Coutts were omitted from the attendance and that Fiona Whittaker's name appeared multiple times, thereafter duly **approved**.
4	**Matters Arising from the Previous Meeting** None.
	Matters for Approval
5	**Risk Management – Risk Register** **5.1 Commentary on SLC Strategic Risk Register** The Committee considered the report and noted the movements in the risk scores since the last Register review, and in particular, the increased risk regarding financial sustainability, failures in financial controls and failure to provide a robust learner experience as a result of bursary payment delays. Of the fifteen risks identified previously and of the post-migration risks contained in the attached register, three scores were increased while two scores were decreased. Inherent risks have remained consistent. The reduction in risk

	scores in respect of credit target achievement and theft or damage to Management Information Systems were noted by the Committee. The Committee noted financial sustainability is the main challenge for the College as is echoed by the Scottish College sector in full along with failure of financial controls in respect of a pension contribution error and failure to promote a robust learner experience as a result of bursary payment delays. SM advised of an additional risk to the College, in that should the regional college not meet its funding targets, then there is a potential risk that the College will shrink, The Committee were advised that SM is meeting with the Regional Chair on Monday (19 February 2024) to discuss this matter. **5.2 SLC Strategic Risk Register** The Committee noted the terms of the Risk Register. **5.3 Regional Strategic Risk Register** The Committee noted the terms of the Risk Register.
6	**6.1 Rolling Audit Recommendation Monitor** The Committee considered the report and noted the work that has been done to address the recommendations to date and whilst several items are outstanding, these are partially completed and that there is a timetable to address all recommendations. The Committee noted that there are 27 recommendations on the monitor, covering Cyber Security, Health and Safety, Risk Management, Staff Recruitment & Retention, Budgetary Control, Student Support Funds and Student Activity (Credits). There are common themes to address each recommendation such as revision of internal policies and procedures, enhanced report and data quality checks and the roll out and completion of training exercises. The College remains confident in its ability to satisfy each of the recommendations and details the progress and target dates for completion. **6.2 Rolling Audit Recommendation Monitor** The Committee considered the data in the monitor.
7	**Internal Audit** **7.1 Timetabled Audit Plan for 2024** The Committee considered the report and noted the dates agreed by the senior management of the College with their respective teams. The Chair enquired as to whether there was potential for an overlap of the cohorts being audited. EMcK advised that the audit of each area should be complete within the timescale suggested however some areas may overlap however this would not impact on the overall completion of the audit. The Chair further enquired as to who determines the areas for audit and was advised by EMcK that the scope of the audit is agreed between the College and the Internal Auditors. **7.2 Pension Contributions Audit** SM gave apologies to Audit Scotland for not alerting them to the Pension Contributions Audit carried out by Henderson Loggie, the Internal Auditors, although it should be noted that this work was separate from the agreed scope of Internal Audit work last year. Due to a delay with Henderson Loggie, the work was not carried out until later in the year with the report being submitted to

	the College on 19 December 2023, SM did not know the impact of the pension contributions prior to this.

The Committee considered and noted the contents of the report and attachment.

It was noted by the Committee that the College requested that its Internal Auditors, Henderson Loggie, conduct a review of the calculations used for pension contributions of part-time staff since 2015. The review concluded that wrong rates had been applied based on the sample used as test data. The College continued to use the "full time equivalent" rate instead of the "actual income" rate. The findings of the Internal Audit report have been accepted by the College and it is now working on implementing resolutions to the findings.

This section of the minute has been redacted as publication could lead to identification of individuals or group of individuals in contravention of Data Protection provisions relating to protected personal data.

AK noted Audit Scotland's disappointment that the potential issue had not been addressed during last year's audit and that the Internal Auditors were not present. AK advised that the incident indicates a control issue and regular updates to the Audit and Risk Committee are necessary with the matter remaining on the agenda. It would also be pertinent that within this year's Governance Statement that the issue is highlighted, and the plan and updates should also be included.

As an **Action Point**, EMcK will ensure that the Pension Audit remains a standing agenda item for future ARC meetings.

As an **Action Point**, SM will arrange a meeting with the Internal Auditor.

As an **Action Point**, PMcG will ensure the Governance Statement includes the Pension Audit, Project Plan, and any updates.

7.3 Pensions Contributions Pension Plan
The Committee considered and noted the terms of the report and appendix.

The Committee noted that the College has created and implemented a project plan to resolve the issues identified from the Audit Report regarding the pension's contributions matter. The project will utilise a 'project sprint' methodology to minimise lost time which also minimises capacity impact on the HR team. Further, a 'priority lane' has been established for any urgent enquiries such as those retiring. It is anticipated that the project will end at the end of February 2025. |
| 8 | **External Audit**
8.1 Proposed Audit Fees for 2023/24
The Committee noted the terms of the report and agreed the proposed level of fee set by Audit Scotland and the Auditor General for 2023/24.

The Committee noted that the fee levels have been set in the context of a challenging economic environment, increased expectations on the audit progression and the ongoing process of recovery following the Covid-19 pandemic. A fee increase of 6% is proposed from 2022/23 to 2023/24, |

	representing an increase of £1,450 from £24,140 to £25,590. It was further noted that a rebate of £282 will be received in respect of 2022/23 in relation to unspent travel budgets which can be offset against the 2023/24 fee.
	Matters for Information
9	**Update of Governance** PMcG advised the Committee that the Governance Rolling Review has been submitted to Henderson Loggie and a timetable of meetings with Board Members is awaited. Further, in order to drive continuous improvements, the Committee were asked by PMcG for feedback on current processes. TF advised that he would welcome any training and would be content to attend the College. SC agreed noting that it would be beneficial for Board Members to meet with staff and students to bridge the gap between the Board and staff and to act as a reminder that the Board are there to support staff.
10	**Audit Scotland** **10.1 Extract from Technical Bulletin 2023/24** The Committee noted the terms of the bulletin. **10.2 Audit Scotland Audit Fee Approach** The Committee noted the terms of the document.
11	**Summation of Actions and Dates of Next Meeting –** The Clerk summarised the actions and decisions and the action points are as above minuted. The next scheduled Committee meeting was set for 9 May 2024.
12	**Any Other Business** There being no other business, the meeting was declared closed.

AUDIT AND RISK COMMITTEE

DATE	9 May 2023
TITLE OF REPORT	External Audit Plan 2023/24
REFERENCE	05.1
AUTHOR AND CONTACT DETAILS	Elaine McKechnie – Vice Principal, Finance, Resources & Sustainability Elaine.McKechnie@slc.ac.uk
PURPOSE:	To provide the Committee with the external audit plan as proposed by the external audit service provider, Audit Scotland.
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is asked to • Note the methodology to be followed by the external audit providers; • Note the levels of materiality to be employed; • Note the risks that the external auditors will focus on; • Note the Wider Scope and Best Value areas of focus as determined by reference to the Code of Audit Practice.
RISKS	• That the College cannot maintain financial stability; • That there is a failure of financial controls; • That there is a failure of Corporate Governance arrangements
RELEVANT STRATEGIC AIM:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• Audit Scotland was awarded the contract to provide the external audit service for the College for a 5 year period from 2022/23 to 2026/27; • There is a standard template for the external auditors to follows, both in terms of the audit of the figures included in the year end accounts and in the other, non-financial, aspects of the College's Annual Report and Financial Statements.

1. INTRODUCTION

A plan is prepared annually by the external audit providers which provides a context for the work that will be carried out to review both the financial statements and the governance arrangements in place.

2 BACKGROUND

Each year, the external auditor presents the Board of the College with its planning document. The document has been reviewed and agreed by College management and the Chair of the Audit and Risk Committee beforehand.

3 DISCUSSION

3.1 Audit Scotland conducts a tendering exercise every five years for the audit of the college sector's Annual Report and Financial Statements. Audit Scotland have also been appointed as the external auditors for New College Lanarkshire / The Lanarkshire Board for the 5-year period to 2026/27. The financial statements for South Lanarkshire College will feed into the consolidated accounts package prepared for The Lanarkshire Board.

3.2 The main elements of Audit work include:

3.2.1 inspection of the design and implementation of the key controls within the main accounting systems.
3.2.2 an audit of the annual report and financial statements, and provision of an independent auditor's report.
3.2.3 an audit opinion on regularity and other statutory information published within the annual report and financial statements including the performance report, the governance statement and the remuneration and staff report.
3.2.4 consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership, and governance; and use of resources to improve outcomes.
3.2.5 consideration of Best Value arrangements.

3.3 Significant risks of material misstatement to the Annual Report and the Financial Statements encompass the following:

3.3.1 management override of controls, for which accounting system inputs and controls are reviewed and tested as part of the audit assignment; and
3.3.2 revaluation of fixed assets owing to the subjectivity in the valuation of land and buildings and for which the Audit team will assess the adequacy of disclosures made.

3.4 Other areas of focus for the audit relate to the significant pension balance as calculated by actuaries annually, together with payroll system, which is being transitioned to a new system this year and will likely be relied upon by the College to produce the financial statements for 23/24.

3.5 Owing to the 2015 employee pension contribution error that is being supported by Henderson Loggie as the external payroll consultant, Audit Scotland have also identified employee pension contributions as a wider scope risk for 2023/24. The College would

assure the Board that it remains committed to being transparent in all aspects of its financial management and will work closely with Audit Scotland to ensure they are satisfied that controls are now in place to mitigate against the likelihood of a future failure in financial controls. The College will continue to provide Audit Scotland with regular updates of progress of this project.

4 RESOURCE IMPLICATIONS

4.1 The Committee were previously cited on the costs levied on the College compared to previous years, with a 6% increase in fee for the College from 2022/23 to 2023/24, representing an increase of £1,450 from £24,140 to £25,590. This is owing to economic environment, increased expectations on the audit profession and the ongoing process of recovery following the Covid-19 pandemic.

4.2 In addition, the Committee are advised that the approach to the completion of the audit and the Financial Statement production is a collaborative approach, spanning various cross-college departments. Staff resource will be utilised from within the Principalship, Governance, Human Resources, Management Information Systems and Finance to ensure the accuracy and robustness of both financial and non-financial inputs.

5 EQUALITIES

5.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

6 RISK AND ASSURANCE

6.1 A successful audit will give stakeholders a tangible assurance on both the financial sustainability of the College and the governance arrangements that it employs.

7 RECOMMENDATIONS

7.1 The Committee is asked to

- Note the methodology to be followed by the external audit providers;
- Note the levels of materiality to be employed;
- Note the risks that the external auditors will focus on;
- Note the Wider Scope and Best Value areas of focus as determined by reference to the Code of Audit Practice.

South Lanarkshire College

Annual Audit Plan 2023/24 **DRAFT**

AUDIT SCOTLAND

Contents

Introduction

Audit Appointment

1. I, Andrew Kerr, have been appointed by the Auditor General for Scotland as external auditor of South Lanarkshire College for the period from 2022/23 until 2026/27. The 2023/24 financial year is therefore the second of my five-year audit appointment.

Summary of planned audit work

2. This document summarises the work plan for our 2023/24 external audit of South Lanarkshire College (the college). The main elements of our work include:

- inspection of the design and implementation of the key controls within the main accounting systems.

- an audit of the Annual Report and Financial Statements, and provision of an independent auditor's report.

- an audit opinion on regularity and other statutory information published within the Annual Report and Financial Statements including the Performance Report, the Governance Statement and the Remuneration and Staff Report.

- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership, and governance; and use of resources to improve outcomes.

- consideration of Best Value arrangements.

Respective responsibilities of the auditor and the college

3. The Code of Audit Practice 2021 sets out in detail the respective responsibilities of the auditor and the college. Key responsibilities are summarised below.

Auditor responsibilities

4. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

5. Auditors in the public sector give an independent opinion on the financial statements and other information within the Annual Report and Financial Statements. We also review and report on the arrangements within the college to manage its performance, regularity, and use of resources. In doing this, we aim to support improvement and accountability.

The college's responsibilities

6. The college is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

7. The college is responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives.

8. The audit of the financial statements does not relieve management or the Board of Management as those charged with governance, of their responsibilities.

Communication of fraud or suspected fraud

9. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this plan to the Audit and Risk Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. During our audit, should members of the Committee or Board of Management have any such knowledge or concerns relating to the risk of fraud within the college, we invite them to communicate this to us for our consideration.

Adding value

10. We aim to add value to the college through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we will help the college promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Audit and Risk Committee and actively participate in discussions.

Annual Report and Financial Statements audit planning

Introduction

11. The Annual Report and Financial Statements are an essential part of demonstrating the college's stewardship of resources and its performance in the use of those resources.

12. As appointed auditors we are required to perform an audit of the financial statements, consider other information within the Annual Report and Financia Statements, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

13. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements in the Annual Report and Financia Statements.

Materiality

14. Materiality is an expression of the relative significance of a matter in the context of the Annual Report and Financia Statements. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to determine with reasonable confidence whether the Annual Report and Financial Statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

15. The materiality levels for the college are set out in exhibit 1.

Exhibit 1
2023/24 materiality levels for the college

Materiality	Amount
Planning materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the Annual report and Financial Statements. It has been set at 2% of gross expenditure based on the latest audited Financial Statements for 2022/23.	£0.400 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 60% of planning materiality.	£0.240 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have ensured this threshold is reasonable to allow appropriate testing of income and expenditure items.	£0.020 million

Source: Audit Scotland

Significant risks of material misstatement to the Annual Report and Financial Statements

16. Our risk assessment draws on our knowledge of the college, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management and internal audit, attendance at committees and a review of supporting information.

17. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

18. Based on our risk assessment process, we identified the following significant risks of material misstatement to the Annual Report and Financial Statements. These risks have the greatest impact on our planned audit procedures. Exhibit 2 summarises the nature of the risks, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over these risks.

Exhibit 2
2023/24 significant risks of material misstatement to the Annual Report and Financial Statements

Significant risk of material misstatement	Sources of management assurance	Planned audit response
1. Management override of controls As stated in ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.	• Owing to the nature of this risk, assurances from management are not applicable in this instance	• Assess the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Evaluate significant transactions outside the normal course of business. • Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions at the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.
2. Revaluation of land and buildings The college held land and buildings with a net book value of £49.428 million as at 31 July 2023. In line with the government financial reporting manual (FReM) these assets are revalued on a three-year cycle. A revaluation was undertaken in 2020/21. As such, a full revaluation of these assets is due in 2023/24.	• Revaluations completed by Royal Institute of Chartered Surveyors (RICS) qualified surveyors. • Detailed working papers retained in support of asset reviews.	• Review the information provided to the valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.

Significant risk of material misstatement	Sources of management assurance	Planned audit response
Risk: There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.		• Test the reconciliation between the financial ledger and the asset register. • Critically assess the adequacy of the college's disclosures regarding the assumptions in relation to the valuation of other land and buildings.

Source: Audit Scotland

Other areas of audit focus

19. As part of our assessment of audit risks, we have identified two other areas where we consider there is also risks of material misstatement to the Annual Report and Financial Statements, being the valuation of the pension balance and the implementation of a new payroll system. Based on our assessment of the likelihood and magnitude of these risks, we do not consider these to represent a significant risk. We will keep these areas under review as our audit progresses. If our assessment of risk changes and we consider these risks to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

20. The other areas of specific audit focus are:

- **Pension balance:** This an area of audit focus due to the material value and significant assumptions used in the calculation of this balance. We will review the work of the actuary, including reviewing the appropriateness of actuarial assumptions and management's assessment of these.

- **New payroll system:** The college is implementing a new payroll system (iTrent) in June 2024. The new system will be used in the production of the 2023/24 financial statements. Changes in key financial systems involve significant levels of testing and data migration which bring with them a level of risk. We will review the college's arrangements for testing the new system, including the data migration. We will assess the design and implementation of controls within the new system to ensure the completeness and accuracy of the data within this.

Consideration of the risks of fraud in the recognition of income and expenditure

21. As set out in ISA (UK) 240 *(The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements)*, there is a presumed risk of fraud over the recognition of income. We have considered the risk over income recognition and the risk of fraud over expenditure (in accordance with Practice Note 10 (*Audit of Financial Statements and Regularity of Public Sector Bodies in the UK*)).

22. For these two areas, we have rebutted the presumption that a risk of material misstatement exists. Our assessment is on the basis that:

- there are generally no incentives for staff to commit fraudulent financial reporting.

- a significant portion of the college's income comes from funding from other public sector bodies, principally the Scottish Funding Council. This income can be readily agreed to funding announcements. Additionally, the college's other income streams mainly comprise of high volume, low value items, such as student fees, that are unlikely to result in a material misstatement due to fraud.

- most expenditure is in low-risk areas where individual transactions are well controlled (for example salaried staff costs in a well-defined grading system) and individual transactions are relatively small in scale.

- evidence from the college's participation in the National Fraud Initiative does not indicate material risks.

- experience in the sector, including consideration of the limited number of past misstatements reported by the external auditor, does not indicate a significant risk.

23. Our audit testing is directed towards testing significant and unusual transactions and towards assessing accounting estimates to address any residual risk, as part of our standard fraud procedures. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

24. Auditors are required by the Public Finance and Accountability (Scotland) Act 2000 to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers (generally referred to as the regularity opinion).

25. We will adopt an integrated audit approach to meeting this responsibility and use work on the audit of the Annual Report and Financial Statements supplemented by additional testing for any irregular transactions, where necessary. Our audit testing will maintain an oversight of any unusual transactions or accounting entries.

Audit of the Performance Report, Governance Statement and Remuneration and Staff Report

26. In addition to the appointed auditor's opinion of the financial statements, the appointed auditor is required to provide opinions as to whether the Performance Report, Governance Statement and the Remuneration and Staff Report have been compiled in accordance with the appropriate regulations and frameworks and are consistent with the accounts.

27. To inform these opinions we will consider whether the disclosures within each statement comply with the applicable guidance and confirm that relevant information reflects the contents of the financial statements and other supporting documentation.

Wider Scope and Best Value

Introduction

28. The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

29. In summary, the four wider scope areas cover the following:

- **Financial management:** means having sound financial control processes. We will consider the arrangements to secure sound financial management including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities. This will include reviewing the college's progress with investigating the matches identified by the National Fraud Initiative exercise.

- **Financial sustainability:** as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit and comment on the 2023/24 financial position and medium-term sustainability of the college in our Annual Audit Report.

- **Vision, leadership, and governance:** we conclude on the arrangements in place to deliver the vision, strategy and priorities adopted by the college. We also consider the effectiveness of the governance arrangements to support delivery.

- **Use of resources to improve outcomes:** audited bodies must make best use of their resources to meet stated outcomes and improvement objectives. We will consider how the college demonstrates economy, efficiency, and effectiveness through the use of financial and workforce resources.

Significant wider scope risks

30. We have identified one significant wider scope audit risk in relation to financial management as set out in exhibit 3. This exhibit sets out the risk, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over this risk. The conclusions from this work will be reported in our 2023/24 Annual Audit Report. Our risk assessment has not identified any significant risks in respect of the other wider scope areas.

Exhibit 3
2023/24 wider scope risk

Description of risk	Sources of management assurance	Planned audit response
1. Financial Management - employee pension contributions The college participates in two pension schemes: the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency and the Strathclyde Pension Fund (SPF) which administered by Glasgow City Council. In 2015 the employee contribution rate moved from "full time equivalent salary" to "actual earnings", which meant that the employee contribution rate would likely be lower for part-time employees. The changes to this calculation were not actioned in the college's payroll. The issue only came to light following a change in personnel within the HR department, with the issues escalated to the then Acting Principal in early 2023. In 2023/24 Internal Audit undertook a review of the pension calculations for a sample of employees and identified a systemic error in the way that pension contribution rates had been applied for part-time staff who are members of the STSS and SPF pension schemes. This has resulted in a higher rate of employee contributions being deducted from the employees, and therefore submitted to the pension agency, and incorrect reporting of additional contributions beyond the published contribution rate.	• An independent third-party organisation (Henderson Loggie) has been commissioned to conduct a comprehensive review of all part-time employees during the period identified. • The college has developed a project plan. This will be subject to regular monitoring by the Project Steering Group and project updates will be presented to the Audit and Risk Committee. • Ongoing communication with staff, Trade Unions, Board of Management, pension schemes and HMRC.	• Discussions with management and consultants regarding progress with the project plan. • Assess the design and implementation of payroll controls. • Ongoing monitoring of updates to Audit and Risk Committee. • Review of disclosures on this matter in the Annual Report and Financial Statements. Specifically, the college's assessment of its compliance with the Code of Good Governance for Scotland's Colleges in the Governance Statement. • Review of any provision or contingent liability accounted for or disclosed within the Annual Report and Financial Statements.

Description of risk	Sources of management assurance	Planned audit response
Risks: • non-compliance with the Code of Good Governance for Scotland's Colleges 2022. • reputational risk to the college. • potential financial implications for the college including penalties being applied by HMRC from the historical underpayment of PAYE.		

Source: Audit Scotland

Duty of Best Value

31. Ministerial Guidance to Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within the college.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

32. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs, as detailed in exhibit 4, and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

33. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to management to confirm factual accuracy.

34. We will provide an independent auditor's report to the college, the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the Annual Report and Financial Statements. We will provide the college and the Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

35. Exhibit 4 outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 31 December 2024.

Exhibit 4
2023/24 audit outputs

Audit output	Audit Scotland / statutory deadline	Audit and Risk committee date
Annual Audit Plan	30 June 2024	9 May 2024
Independent Auditor's Report	31 December 2024	19 November 2024
Annual Audit Report	31 December 2024	19 November 2024

Source: Audit Scotland

Audit timetable

36. To support an efficient audit, it is critical that the timetable for producing the Annual Report and Financial Statements for audit is achieved. We have included a proposed timetable for the audit at exhibit 5 that has been discussed and agreed with management.

37. We intend to take a hybrid approach to the 2023/24 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate. Progress will be discussed with management over the course of the audit.

Exhibit 5
Proposed Annual Report and Financial Statements timetable

⊘ Key stage	📅 Provisional Date
Latest submission date for the receipt of the unaudited Annual Report and Financial Statements with complete working papers package.	14 October 2024
Latest date for final clearance meeting with the Vice Principal – Finance, Resources & Sustainability, agreement of the audited and unsigned Annual Report and Financial Statements and the proposed Annual Audit Report.	8 November 2024
Issue of proposed Annual Audit Report, letter of management representation and proposed independent auditor's report to those charged with governance (Audit and Risk Committee).	11 November 2024
Presentation of proposed Annual Audit Report to those charged with governance.	19 November 2024
Approval of the college's Annual Report and Financial Statements by the Board of Management, independent auditor's report signed following this approval and the final Annual Audit Report issued.	26 November 2024

Source: Audit Scotland

Audit fee

38. In setting the fee for 2023/24 we have assumed that the college has effective governance arrangements and will prepare a comprehensive and accurate Annual Report and Financial Statements for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied. The audit fee for 2023/24 is £25,590 (2022/23: £24,140).

Other matters

Internal audit

39. It is the responsibility of the college to establish adequate internal audit arrangements. The college's internal audit function is provided by Henderson Loggie.

40. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities. Specifically, we will consider their review covering the pension contributions (as noted in exhibit 3) and their review of corporate governance, which will contribute to our understanding of the wider control environment in place at the college.

Independence and objectivity

41. Auditors appointed by the Auditor General for Scotland must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors.

42. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

43. The appointed auditor for the college is Andrew Kerr, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the college.

Audit Quality

44. Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value, and can support public bodies to achieve their objectives.

45. Audit Scotland are committed to delivering high quality audits. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality, and ethical standards and the Code of Audit Practice (and supplementary guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal

quality reviews. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

46. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

South Lanarkshire College
Annual Audit Plan 2023/24

AS.4.0

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AUDIT SCOTLAND

AS.4.0

AUDIT & RISK COMMITTEE

DATE	9 May 2024
TITLE OF REPORT	Internal Audit Update
REFERENCE	06.1
AUTHOR AND CONTACT DETAILS	Elaine McKechnie – Vice Principal, Finance Resources & Sustainability Elaine.McKechine@slc.ac.uk
PURPOSE:	To update the Committee on work undertaken by the College's internal audit service, Henderson Loggie
KEY RECOMMENDATIONS/ DECISIONS:	The Committee are asked to: • Note the recommendations made in the review of Publicity and Communications
RISK	• That the College fails to identify risks and appropriate controls during day-to-day operations. • That the College does not meet governance requirements because of poor risk management and controls. • That the College does not comply with the requirements of the Code of Good Governance and other requirements of it as a college. • That the College does not fulfil its requirements as regards giving assurance to the Regional body and to its external auditors.
RELEVANT STRATEGIC AIMS:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours

SUMMARY OF REPORT:	• Internal Audit has provided one report for the Committee's consideration.
	○ Publicity and Communication
	Publicity and Communication
	The Publicity and Communication audit focussed on the systems in place within the College for the management of positive and negative publicity externally, and internal communication. The report gave an overall "Satisfactory" rating, with 2 recommendations listed:
	1. Comprehensive social media guidelines should be developed in order to support staff who have direct access to College social media accounts; and to guide staff in their use of personal social media in relation to information which pertains to their role within the College; and
	2. Crisis communication training should be delivered for the Principalship and the Marketing and Communications Manager.
	The College has given its response to the observations, and these include a deadline for appropriate action to be taken.

South Lanarkshire College

Publicity and Communications

Internal Audit report No: 2024/02

Draft issued: 26 April 2024

Final issued: 29 April 2024

Henderson Loggie

Contents

Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Management Summary

Overall Level of Assurance

Satisfactory	System meets control objectives with some weaknesses present.

Risk Assessment

This review focused on the controls in place to mitigate the following risk on the South Lanarkshire College ('the College') Risk Register as at August 2023:

- SR14 – That there is a reputational risk to the College (Net Risk Score = 6, Medium)

Background

As part of the Internal Audit programme at the College for 2023/24 we carried out a review of the systems and procedures in place for managing publicity and communications. The Annual Plan, agreed with management and the Audit and Risk Committee, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Principal and the Audit and Risk Committee that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Management of the College's public image is an important facet of ensuring that prospective and current staff and students view the College as an attractive place to work and study. Producing positive publicity, which is designed for target audiences, as well as mitigating the effects of any negative publicity, is a key part of ensuring that the College maintains a positive image.

Internal communication is important to ensure that staff and students are informed of changes and are provide with sufficient opportunities to make their opinions and ideas about these changes be known. It is also valuable in creating a shared ethos and identity within the College.

Following the appointment of a new Principalship and Marketing and Communications Manager within the last year, there has been a review of the arrangements in place around publicity and communications at the College. Progress has been made in recent months to implement various procedures and guidelines. A Team action plan is currently in place, outlining the tasks that the College's Marketing and Communications Team are now working through in order to progress the areas that have been identified for further development.

Publicity and Communications

Scope, Objectives and Overall Findings

Our audit focussed on the systems in place within the College for the management of positive and negative publicity externally, and internal communication.

The table below notes each separate objective for this review and records the results:

Objective	Findings				
The specific objectives of this audit were to obtain reasonable assurance that:		**1**	**2**	**3**	**Actions in Progress**
		No. of Agreed Actions			
1. Policies, procedures and systems in place assist the College to maximise the benefits from positive publicity and effectively manage negative publicity, reducing the potential risk of damage to the College's reputation.	**Satisfactory**	0	0	2	✓
2. Appropriate strategies, procedures, ICT and other systems are in place to assist and encourage internal communication and joint working between Academic Faculties / Support Services.	**Good**	0	0	0	
Overall Level of Assurance	**Satisfactory**	**0**	**0**	**2**	
		System meets control objectives with some weaknesses present.			

Audit Approach

We interviewed the senior managers who oversee marketing and communications activity within the College, and also a sample of other College managers and staff, to determine current working practices.

The College's internal and external communication strategies, policies and procedures were reviewed, and their content benchmarked against good practice, identifying any areas requiring improvement.

The results of recent staff surveys relevant to internal communication were reviewed to ensure that issues raised are being addressed where appropriate.

Summary of Main Findings

Strengths
- The College's Strategic Plan is supported by a number of sub-strategies including the Marketing and Communications Strategy (2022-2027). This is underpinned by a Marketing and Communications Enhancement Plan outlining the actions required on an annual basis to achieve the Strategic objectives;
- A range of internal and external communication channels are being utilised by the College including; Microsoft Teams, social media, radio, website, billboards, staff and student intranets and face to face communication;
- The College is actively involved in delivering a range of events aimed at promoting a positive image. This includes open days / evenings, hosting and attending various events and maintaining close working relationships with schools and other partners;
- The College is committed to maintaining open lines of internal communication, and harnesses the use of Teams to maintain a regular flow of internal communication. The Senior Leadership Team (SLT) meet on a weekly basis and the key messages from their discussions are circulated to all staff via Teams; and
- There are regular opportunities for joint working and collaboration across different areas of the College. This is aided by being a single campus College, meaning that colleagues from across departments have the opportunity to interact regularly on a day-to-day basis.

Weaknesses
- There is wide use of social media across the College, in order to drive positive messaging around the activities within the College. However, there are currently no comprehensive procedures or guidelines available to staff regarding representing the College online and appropriate conduct; and
- The Principalship have not had crisis communications or media training for several years, and therefore this cohort of leaders (together with the Marketing and Communications Manager) would benefit from a refresher training session on crisis communications. This is particularly pertinent given the significant changes in the Principalship in recent years.

Acknowledgement

We would like to take this opportunity to thank the staff at the College who helped us during the course of our audit.

Main Findings and Action Plan

Objective 1: Policies, procedures and systems in place assist the College to maximise the benefits from positive publicity and effectively manage negative publicity, reducing the potential risk of damage to the College's reputation

Policies and Procedures
A Marketing and Communications Strategy (2022 – 2027) is currently in place, which is subdivided into four distinct segments: 1) 'Where we are now', 2) 'Where we want to get to', '3) How we will get there' and 4) 'How we know we are on the right path'. The College is currently in the process of developing a new Strategic Plan, with a view to this document being finalised by August 2024. The new strategic priorities were approved by the Board of Management in December 2023. The Marketing and Communications Strategy will be reviewed and re-written once the overarching Strategic Plan for the College is finalised, to that ensure it remains relevant and aligns with the overall College strategy and vision. The Marketing and Communications Strategy is routinely underpinned by a Marketing and Communications Enhancement Plan. However, we noted that there was no Enhancement Plan in place for 2023/24, due to staffing changes within the Marketing and Communications Team and the Principalship during 2023. But we have received assurances that a 2024/25 Marketing and Communications Enhancement Plan will be developed once the new Strategic Plan is finalised. The Marketing and Communications Enhancement Plan is an annual document which sets out the operational objectives of the Marketing and Communications Team, allowing them to track progress in supporting the delivery of the overarching College Strategy.

There has been a review of the policies and procedures in place around publicity and communications in recent months. There was a brand refresh in 2022, followed by a new College website. Following this exercise, SLC Brand Guidelines, Student Association Brand Guidelines, and SLC House Style Guidelines have been developed and are available to all staff on the College intranet to ensure use of SLC branding remains consistent. New photos were also taken in February 2024 for the College's stock photography and a Consent Form for Photography and Filming was put in place, as well as a Photography and Filming Privacy Notice. A separate Graduation Privacy Notice was also implemented. Areas that have been identified for development in the coming months include rewriting the Email Etiquette Policy, developing a Digital Etiquette Policy, and formalising the procedure for requesting Marketing support (to ensure that resources are deployed to optimal effect)..

Positive Publicity
The College makes use of a wide range of mechanisms to promote the curriculum offering, to ensure adequate recruitment of students and to showcase the range of positive activity that occurs within the College. This includes open days / evenings at the College, the website, social media, various events throughout the year, close partnerships with local schools, newspapers, and radio. The College previously distributed a newsletter to stakeholders. We were advised that there are plans in place to reinvigorate the publication of the stakeholder newsletter by the end of the current academic year.

Publicity and Communications

Objective 1: Policies, procedures and systems in place assist the College to maximise the benefits from positive publicity and effectively manage negative publicity, reducing the potential risk of damage to the College's reputation (Continued)			
Observation	**Risk**	**Recommendation**	**Management Response**
From our discussions with a sample of Curriculum Managers and Support Staff, it was apparent that there are a number of personal social media accounts controlled by staff throughout the College, with content relevant to their specific curriculum or business area. It is the view of College managers and staff that this engagement through social media is overwhelmingly positive, as it provides a targeted insight into specific areas of the College and increases the volume of positive content being shared. There is a brief section on Social Media within the Code of Conduct, which applies to all employees. However, we noted that there are currently no comprehensive Social Media Guidelines in place, which clearly set out College employees' responsibilities in relation to digital activity (both in and out of the workplace). This gap has already been identified by the College and has been captured as a development area for the action plan to be developed by the Marketing and Communications Team.	Without clear guidelines, staff may post inconsistent, inaccurate, inappropriate or controversial content which may damage the College's reputation.	**R1** Comprehensive social media guidelines should be developed in order to: • support staff who have direct access to College social media accounts; and • to guide staff in their use of personal social media in relation to information which pertains to their role within the College.	SLC agree that Social Media Guidelines are required to frame employees' responsibilities. As noted by HL, this is captured within the Code of Conduct and is on the Marketing Action Plan but will be reprioritised immediately as separate guidelines are needed. **To be actioned by:** Marie King, Marketing Manager **No later than:** 1 June 2024 **Grade** — 3

Publicity and Communications

Objective 1: Policies, procedures and systems in place assist the College to maximise the benefits from positive publicity and effectively manage negative publicity, reducing the potential risk of damage to the College's reputation (continued).

Positive Publicity (Continued)
There is a programme of planned media activity throughout the year, in line with the key events in the College calendar, as well as a constant attempt to capture and promote the positive things which occur within the College externally. The College's Marketing and Communications Team manages the positive content that is promoted across the South Lanarkshire College social media accounts (Facebook, Instagram, X, Snapchat and TikTok). The Student Association have their own social media accounts which they manage separately, with support provided by Marketing staff in generating and promoting positive output, where needed. The Marketing and Communications Team action plan includes a specific action around formalising a procedure for sharing new stories with Marketing for social media and for inclusion in the newsletter. This will provide further clarity on how staff can maintain the flow of information.

The Marketing and Communications Team work with an external agency, Hydrogen, to develop targeted digital marketing plans on a rolling 3 month cycle. The agency provide 'End of Campaign Reports' detailing coverage analysis, which demonstrates the value being added by the activity delivered. Analysis of recruitment and applications in relation to marketing campaigns is also provided to the Curriculum, Quality and Development (CQD) Committee quarterly. This includes information on followers and engagement across the social media platforms, as well as details on targeted campaigns.

Negative Publicity
The Marketing and Communications Team would work closely with the Principalship to develop a response to any negative media publicity, should the need arise.

The College's Business Continuity Plan outlines the key staff contacts for managing an incident, including communication channels, should a disaster occur which impacts on the College. There is also an Incident Response Process specifically for IT Incidents, and this includes detailed procedures on Team communication channels, as well as wider communication strategies should a major incident occur. Examples of the appropriate wording which should be utilised are listed, to provide clarity on how messages should be framed. The College has a Complaints Handling Procedure in place, which is based on the Scottish Public Services Ombudsman model, and external complaints can be made in writing, by email or by using the complaints form on the College website. A Complaints Handling Guide for Staff is also available.

Publicity and Communications

Objective 1: Policies, procedures and systems in place assist the College to maximise the benefits from positive publicity and effectively manage negative publicity, reducing the potential risk of damage to the College's reputation (Continued)			
Observation	**Risk**	**Recommendation**	**Management Response**
We confirmed that the Principal and Vice Principal Learning, Teaching and the Student Experience have received media training in their previous roles. However, a significant period has elapsed and it is felt that training, which specifically covers crisis communications, would be beneficial for the Principalship as well as the Marketing and Communications Manager.	A lack of training may lead to lack of clarity (and a resulting inconsistent or inappropriate response) should a crisis occur, thus resulting in a heightened risk of reputational damage to the College.	**R2** Crisis communication training should be delivered for the Principalship and the Marketing and Communications Manager.	SLC agree with the need for Crisis Communication Training. **To be actioned by:** Angela Pignatelli, Vice Principal Learning Teaching and the Student Experience **No later than:** 31 July 2024
			Grade — 3

Publicity and Communications

Objective 2: Appropriate strategies, procedures, ICT, and other systems are in place to assist and encourage internal communication and joint working between Academic Faculties / Support Services

The Marketing and Communications Strategy
The Marketing and Communications Strategy covers both external communication and internal communication and joint working.

Internal Communication ICT
The use of Microsoft Teams is well embedded within the College, and is the primary mechanism for internal communication across the College. There is regular and efficient use of Teams for communicating a wide range of key messages out to all staff. It is felt that this direct messaging is effective and reaches staff well, and is used for daily informal messaging, high level key messages, as well as socially and for joint working. Students also have access to MS Teams for communication. The Teams telephone system has recently been implemented so there is now a fully integrated and unified internal communications system in place. This provides useful functionality to enhance internal communications, such as alerting all members of a team to phone calls, providing back up when people are unavailable, as well as voicemail messages being emailed and the ability to use captions on calls as well as a language translation feature. A text message system is also in place which can communicate business critical messages to all staff should the need arise. This is also used regularly by counselling staff and admissions for appointment reminders, rescheduling and communicating key information.

Email is also used, particularly for all staff communications, and these are reviewed and approved by HR prior to issue. An Equality Officer is employed and available to ensure these communications are inclusive.

The College's Senior Leadership Team (SLT) are committed to having regular, ongoing and open lines of communication with staff across the College as well as Student Association members. They meet on a weekly basis and on a fortnightly basis, a Teams message is circulated to all staff across the College, with key points from the meeting. This has been very well received by staff and discussion noted that they felt included and aware of key College information. There are various different Teams pages in place, including a Wellbeing Teams channel, where information is publicised on things such as the free yoga and mindfulness classes offered by the College.

The staff intranet is a central source of documents and information for staff and has recently been revamped to ensure it is user friendly, with the ability to search for specific documents. Key documents are also linked to the central location within Teams to ensure they are as accessible as possible. An Internet, Intranet and Email Access – Acceptable Use Policy has been implemented for staff. Students also have access to a Student Portal as a central vault of resources such as the student handbook and plagiarism guides.

Board papers are uploaded to a Board Portal which every Board member has access to through their College email account. When papers are uploaded, an email is also circulated to the Board members' email address to alert them that there has been an upload.

Objective 2: Appropriate strategies, procedures, ICT, and other systems are in place to assist and encourage internal communication and joint working between Academic Faculties / Support Services (Continued)

Other Internal Communication Mechanisms
Fortnightly newsletters are distributed to all staff, from the Principal, via MailJet software. These newsletters address each staff member personally, and outline any important information and news that is relevant to staff, such as upcoming events, recognition of achievements, or new systems, policies and procedures. The software used allows analysis of the reach of these newsletters. Feedback from staff indicated that these are informative and well received.

A student newsletter, known as 'News4U', is issued by the Student Association fortnightly. This is sent out to students' personal email address to ensure that it is as accessible as possible, and includes important information and updates for students (such as dates of initiatives such as free soup and sandwich and breakfast events that are offered to all current SLC students on a weekly basis or the Student Larder which offers free food, toiletries and stationery to any students who may need it).

Students have access to a 'Report and Support' function through the student portal. This gives them the option to report any concerns such as mental health and wellbeing, safeguarding, discrimination and general support. They can choose to do this anonymously. There is also a 'Tell Us' function on the website offering students the opportunity to provide feedback on what is working well or where they feel improvements can be made to their student experience.

Joint Working
An All-Staff Conference is held annually and this provides an opportunity for all staff to come together. There are also several Staff Development Days held each year which foster collaboration and encourage joint working.

There are a number of working groups in place at the College which involve members from various different departments and cover a variety of different topics, such as the Digital Strategy, Health and Safety, Cyber Security, Equality and Climate Change groups. This gives an opportunity for joint working across academic faculties and support services and also for staff across the College to directly contribute to and improve systems and procedures in place. There are also a number of peer support groups in place, including a Neurodiverse Peer Support Group and Parent Peer Support Group. These are open to all staff across the College. Support staff also regularly attend Curriculum Manager meetings to talk about particular issues. Feedback from a sample of College staff indicated that internal communication and joint working across the College is strong.

Staff Surveys
The most recent staff survey was carried out in November 2022 and December 2022 as an integral part of Investors in People (IIP). The survey had a 68% response rate. Feedback from the survey led to the College reviewing how they engage with staff and gather feedback. It is felt that surveys are not how staff prefer to communicate feedback, and the College has considered other mechanisms, such as meetings with new members of staff, meeting smaller groups of staff over lunch, and establishing a 'People Group'. This would include a group of staff representatives that can provide a staff voice and input into supporting the culture change at the College as well as ensuring the College is making progress against its overall action plan. A review of staff engagement mechanisms is currently ongoing and no further staff surveys are planned at this time.

South Lanarkshire College

Procurement & Creditors / Purchasing

Internal Audit report No: 2024/03

Draft issued: 3 May 2024

Final issued: 3 May 2024

Henderson Loggie

Contents

Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee.
Priority 2	Issue subjecting the College to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Management Summary

Overall Level of Assurance

Satisfactory	System meets control objectives with some weaknesses present.

Risk Assessment

A review of the South Lanarkshire College risk register (August 2023), identified the following specific risks relating to Procurement & Creditors / Purchasing:

- Risk 2 - That there is a failure of financial controls (Score – 8)

Background

As part of the Internal Audit programme at South Lanarkshire College for 2023/24, we carried out a review of the systems in place in relation to Procurement & Creditors / Purchasing. The ANA identified this as an area where risk can arise and where Internal Audit can assist in providing assurances that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Oversight of the College's purchasing and procurement processes is undertaken by the Vice Principal (VP) Finance, Resources and Sustainability, with operational management of these processes undertaken by the Procurement and Finance teams, in particular, the APUC Supply Chain Manager, Management Accountant, and Finance Assistant (Accounts Payable).

The College's financial processes are in the process of being formally defined within the updated Financial Regulations document (which at the time of this review, were being updated to ensure consistency with the College's Procurement Policy). To supplement these financial processes, the College has developed a procurement thresholds document to inform procurement exercises and drawn up procedural documents for these key processes. There is also a Procurement Strategy in place, which is updated annually to set out the College's procurement aims for the year and the specific actions plans to achieve these aims.

The APUC Supply Chain Manager oversees all procurement exercises, in conjunction with the process owners, and works closely with the department requesting the goods / services, to ensure that the specifics of what is required are being sufficiently communicated and that the College is obtaining the best value for money provider. All contracts procured are recorded on the College's Hunter system, with key documentation retained.

The Finance Assistant (Accounts Payable) undertakes the operational side of the purchasing processes, including reviewing and processing purchase orders (POs) for issue to suppliers. The Management Accountant is responsible for overseeing the completeness and accuracy of payment runs, as well as the budget monitoring processes (in collaboration with budget holders across the College).

Scope, Objectives and Overall Findings

This audit focussed on the systems of internal control in place for the ordering of goods and services and the payment of invoices. We also considered whether the procurement strategy followed and procedures in place support best value purchasing across the College in relation to non-pay spend.

The table below notes the objective for this review and records the results:

Objective	Findings				
The objective of the audit was to obtain reasonable assurance that:		**1**	**2**	**3**	**Actions already planned**
		No. of Agreed Actions			
1. The College's Procurement Policy, Strategy and procurement guidance are comprehensive, kept up-to-date and in line with the Procurement Reform (Scotland) Act 2014 ('the Act') and The Procurement (Scotland) Regulations 2016 ('the Regulations').	**Satisfactory**	-	-	-	✓
2. Procurement procedures ensure that: - areas of high spend across the College are monitored appropriately; - opportunities for pooling of expenditure are identified in order to achieve best value; - collaborative procurement and frameworks available to the College are utilised where appropriate.	**Good**	-	-	-	
3. The College's procurement guidance on quotes and tenders are being complied with.	**Satisfactory**	-	-	-	✓
4. Purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers, with the risk of unauthorised and excessive expenditure being minimised.	**Good**	-	-	1	
5. All liabilities are fully and accurately recorded.	**Good**	-	-	-	
6. All payments are properly authorised, processed and recorded.	**Good**	-	-	-	

Objective	Findings				
7. Appropriate controls are in place over the amendment of standing supplier data on the finance system.	**Satisfactory**	-	-	1	
Overall Level of Assurance	**Satisfactory**	-	-	2	
		System meets control objectives with some weaknesses present.			

Audit Approach

Through discussions with the APUC Supply Chain Manager, Management Accountant, and Finance Assistant (Accounts Payable), we established the procurement strategies, procedures and monitoring arrangements in place within the College. These were then evaluated to establish the extent to which they followed recognised good practice. We also documented controls in place within the purchasing / payments system through interviews with Finance staff, and established whether the expected key controls were in place. Compliance testing was also performed to determine whether the key controls were working effectively.

Summary of Main Findings

Strengths

- The College has a Procurement Strategy in place, which is updated on an annual basis;
- Procurement exercise thresholds are formally documented to inform the selection of the appropriate procurement route;
- High spend areas within the College are monitored by the APUC Supply Chain Manager to ensure that existing contracts are delivering best value for the College;
- Pooling of spend is undertaken through review of contracts, which provide the same or similar services, with new consolidated contracts being procured where these instances are identified;
- Budget reports are issued monthly to Vice Principals for their specific areas and also to the individual budget holders for monitoring purposes;
- Collaborative frameworks are in place with the College's regional partner, resulting in better rates being achieved;
- From the sample testing undertaken over the approval of purchase orders, it was noted that all purchase orders were appropriately approved prior to being issued to the supplier;
- From the sample testing undertaken on payment runs conducted in the year, we confirmed that these had been prepared in line with the agreed procedure, and had been reviewed and approved by the appropriate Finance personnel;
- Processes in place around the processing of new supplier forms are robust, with senior management approvals in place, prior to the new supplier being added to the system;
- From the sample testing completed on new suppliers added in the financial year, sufficient approvals from Procurement and the VP Finance, Resources and Sustainability were obtained; and
- From the sample testing conducted on supplier bank details changes in the system, it was noted that independent confirmation was obtained and evidence of digital sign off for the changes made o to supplier standing data were retained.

Weaknesses

- The College's Procurement Policy and Financial Regulations, including an updated Schedule of Delegated Authority, are in the process of being updated. These will be submitted for Board consideration and approval in May 2024. This means that the existing documentation does not accurately reflect current custom and practice, until these updated documents are approved and published;
- It was noted that two existing contracts had been awarded without formal procurement exercises. The current Procurement team were aware of both of these contracts, and we were advised that exercises were in progress to transition these contracts into existing frameworks;
- Through a walkthrough of the College's purchase order review and approval process, we noted that all purchase orders are currently required to be signed off in the PECOS system by the Principal. It is our view that this arrangement is not proportionate or practical;
- Although it was established that the College has a process in place for documenting and verifying changes in supplier details, we did note variation in the way in which evidence of these changes was documented, due to the absence of a standard form.

Acknowledgments

We would like to take this opportunity to thank the staff at the College who helped us during the course of our audit visit.

Main Findings and Action Plan

Objective 1 – The College's Procurement Policy, Strategy and procurement guidance are comprehensive, kept up-to-date and in line with the Procurement Reform (Scotland) Act 2014 ('the Act') and The Procurement (Scotland) Regulations 2016 ('the Regulations').

Through discussions with the APUC Supply Chain Manager, it was established that the College has updated its Procurement Policy (and the associated procedures) following the identification of instances of inconsistent application of the previous processes. It was noted, however, that the revised policy and procedures had not yet been formalised and issued as a result of the documentation being required to align with the College's Financial Regulations (which at the time of this review, were also in the process of being updated). We noted that the approach applied in practice throughout financial year 2023/24 were undertaken in line with the updated Procurement Policy, with minimal practical changes coming into effect as aa result of the policy refresh.

Procurement Strategy

The College has a Procurement Strategy in place, which defines the approach to procurement and setting out the College's expectations for its suppliers, in relation to how they conduct their operations and how they can deliver wider community benefits. The Procurement Strategy is refreshed annually, and is published on the College's intranet site and is accessible publicly via the College website. From our inspection of the Procurement Strategy document it was noted that it details:

- Spend Report
- Procurement Mission
- Procurement Policy
- Strategic Procurement Objectives
- Ensuring compliance with general duties and specific measures of the Procurement Reform (Scotland) Act 2014
- Annual Report
- Procurement Action Plan

Procurement Policy and Procedures
The College is in the process of updating its Procurement Policy and Financial Regulations documents. It was highlighted that these are due for Board consideration and approval in May 2024. In advance of the Procurement Policy refresh the existing Procurement Policy has been supplemented with updated Procurement Threshold documents and a procurement process flowchart has been developed to describe the procurement journey. It was therefore noted that existing documentation does not accurately reflect the processes in place, until these are approved and published. However, since plans are already in place to rectify this issue, no formal recommendation has been raised on this issue.

Objective 1 – The College's Procurement Policy, Strategy and procurement guidance are comprehensive, kept up-to-date and in line with the Procurement Reform (Scotland) Act 2014 ('the Act') and The Procurement (Scotland) Regulations 2016 ('the Regulations'). Continued.

From our review of the College's process flowchart, and the updated Procurement Threshold documents, it was noted that the following procurement routes were described:

- Low Value Quick Quotes
- 3 Price Comparison or Written Quotations
- 3 Price Comparison or Quick Quote via PCS
- Quick Quote via PCS
- Low Value Regulated Procedure: Tender Process via PCS
- High Value Regulated Procedure: Tender Process via PCS
- Sole Source

Through our inspection of the above processes, it was noted that, at a high level, the College has sufficiently defined the key steps for undertaking a procurement exercise. It was also noted that these steps are described in more detail within the College's updated Procurement Policy, which will be published following Board approval.

Procurement & Creditors / Purchasing

Objective 2 - Procurement procedures ensure that:
- areas of high spend across the College are monitored appropriately;
- opportunities for pooling of expenditure are identified in order to achieve best value;
- collaborative procurement and frameworks available to the College are utilised where appropriate.

High Spend
It was noted from our discussions with the APUC Supply Chain Manager, that due to the existence of multiple historic contracts at the College, which deliver key services, a review has been undertaken to establish whether best value was being achieved and all available benefits / discounts have been obtained to ensure the College is achieving value for money in its areas of high spend. As a result of this exercise, a number of existing contracts have been revised to make use of shared agreements, education-based discounts, and any other government benefits to reduce the cost of obtaining the same goods or service. This is viewed by the Procurement team as an ongoing exercise, overseen by the APUC Supply Chain Manager and the VP Finance, Resources and Sustainability.

Budget Monitoring
Budgets are drafted in April of each year, with meetings held between the Management Accountant and the VP Finance, Resources and Sustainability, and the Vice Principal Learning, Teaching and Student Experience, Associate Principals and Curriculum Managers by May each year in order to finalise the budgeted expenditure and income figures. The budgets are then finalised and submitted to the Board in June for review and approval in advance of the new academic year.

Monthly reports are issued by the Management Accountant to both of the Vice Principals, detailing the full budget against actual expenditure/income for their departments, with individual budget reports sent to the budget holders in each area for their review. Variances between year to date budget and year to date actual spend/income are included, with additional narrative provided to explain any significant variances.

Pooling
It was noted that as part of the contract review exercise, the APUC Supply Chain Manager has undertaken a review of the contracts in place across all departments, to identify opportunities for consolidating the services provided by multiple suppliers into a single contract with a single supplier, thus securing better value for money (VFM). An example of this is the College's previous contract for the purchase of paint, which was not set up to capture an education contract which they provide, through which the College could have obtained a significant discount. This anomaly has now been resolved, with the new contractual arrangement scheduled to be implemented by mid-2024. The exercise to identify similar anomalies is ongoing and any opportunities identified will be pursued.

Collaborative Opportunities
The College has a number of collaborative frameworks in place with New College Lanarkshire, as the College's regional strategic body, and therefore there are opportunities for procuring services collaboratively to reduce the cost to the College. From our discussions with the APUC Supply Chain Manager, it was noted that the College recently procured its waste management contract through a collaborative exercise, resulting in a significant reduction in the cost to the College when compared with the other available options had the College decided to procure the contract on its own. We received assurances that the opportunity to collaborate is always considered as part of the procurement initiation process to determine whether it is a viable option.

Objective 3 – The College's procurement guidance on quotes and tenders are being complied with.

From review of the College's Procurement documentation, and discussions with the APUC Supply Chain Manager, it was established that the College undertakes the following procurement exercises.

Goods & Services Thresholds

- £0-£999 Low Value Quote - The budget holder shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained.
- £1,000 - £19,999 Price Comparison or Written Quotation (PECOS orders of the value of £10k reviewed by VP of Finance, Resources and Sustainability. Approved by Principal).
- £20,000 - £49,999 PCS - Quick Quote. Three or more quotes advertised on Quick Quotes to named suppliers. Or use of an existing Framework Agreement. (PECOS orders of the value of £10k reviewed by VP of Finance, Resources and Sustainability. Approved by Principal)
- £50,000 – £177,897 PCS – Public Contracts Scotland Open Tender Advert or use of an existing Framework Agreement. (Approval of the Principal is required up to £125,000. Over £125,000 requires approval from the Finance and Resources Committee.)
- Above £177,897 High Value Regulated Tender via PCS/Find a Tender or use of an existing Framework Agreement. (Approval is required from the Finance and Resources Committee).

Works Thresholds

- £0-£999 Low Value Quick Quote - The budget holder shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained.
- £1,000 - £49,999 Price Comparison or Written Quotation – or use of an existing Framework. PECOS orders of the value of 10k reviewed by VP of Finance, Resources and Sustainability. Approved by Principal
- £50,000 – £1,999,999 Quick Quote via PCS – 5 or more Quotes advertised to named suppliers/ Contractors. Approval of the Principal is required up to £125,000. Over £125,000 requires approval from the Finance and Resources Committee. Procurement Initiation Form Required
- £2m – £4,447,447High Value Regulated Procurement - PCS – Public Contracts Scotland Open Tender Advert. Requires approval from the Finance and Resources Committee. Procurement Initiation Form Required
- Above £4,447,447 High Value Regulated Tender via PCS/Find a Tender - Will advertise in the Find a Tender (FTS) portal following the most appropriate process. Requires approval from the Finance and Resources Committee. Procurement Initiation Form Required.

Objective 3 – The College's procurement guidance on quotes and tenders are being complied with. (Continued).

<u>Sample Testing</u>

From a sample of 20 payments selected, we obtained the tender documentation, the records of the selection process, and the contracts for each of the suppliers in place, and inspected these to identify the extent to which they complied with the College's procedures. Through our sample testing we noted the following:

- Four of the contracts were noted as being Service Level Agreements with the local authority, and as such, a procurement exercise was not undertaken by the College.
- Two of the contracts were implemented through a National Framework, and were therefore implemented under the instruction of the Scottish Government.
- One of the contracts was the contract for two contractors fulfilling job roles within the College, and as such, this was not processed through the Procurement team.
- Two contracts were identified as not having been obtained through formal procurement exercises, with the current Procurement team aware of these contracts. Exercises were already in progress to implement formally procured contracts in these instances.
- The remaining eleven contracts were procured in line with the agreed process, and relative to their value, as set out in the College's approved processes.

From inspection of a sample of existing contracts and the documentation from the associated procurement exercise, it was noted that two existing contracts were identified as not having been obtained through formal procurement exercises, with the current Procurement team aware of these contracts. It was noted that exercises are in progress to transition one contract onto an education-based contract, leading to significant discounts, and the other contract onto the existing minor works framework. Therefore, since work is already in motion to address these contract issues, no formal recommendation has been raised on this point.

Objective 4 – Purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers, with the risk of unauthorised and excessive expenditure being minimised.

From discussions with the Finance Assistant (Accounts Payable), it was established that all College purchase orders (POs) are raised and processed through the purchasing system, PECOS. The approved purchases recorded are then posted to the College's finance system, bluQube, on a weekly basis.

The current process in place means that the administrative and operational staff in each department raise purchase orders within PECOS, with budget holders retaining the authority to approve the purchase orders. This ensures segregation of duties and ensures that appropriate approvals are being consistently obtained.

All purchase orders are required to be approved in PECOS by the authoriser, with IT controls in place to prevent the invoice being processed without sufficient approval. The PO is approved by the authoriser and is then automatically issued to the requestor's line manager, and to the College Principal, for approval prior to being issued to the supplier. There are some exceptions to the process, however, as any POs over £10k are issued to the VP Finance, Resources and Sustainability in the first instance, prior to being reviewed by the relevant budget holder and the Principal, in order to allow the VP to request any additional information prior to the PO being processed further. An audit trail is retained on PECOS showing the digital sign off for all stages of the PO being processed.

Sample Testing

From inspection of a sample of 20 payments made during 2024, we obtained the purchase order (PO), supplier invoice, and proof of receipt of goods and inspected these for the appropriate authorisations, segregation of duties, and receipt of goods prior to payment. From review of the documentation, the following was noted:

- Sixteen of the payments had purchase orders, all of which were approved by the Principal of the College within the PECOS system.
- All sixteen purchase orders were also approved by the relevant Associate Principal or Head of Department.
- All sixteen orders had been confirmed as received in the bluQube system by the member of staff who raised the initial purchase order, prior to the order being paid.
- Two of the payments without a purchase order related to monthly payments to Government education organisations.
- One of the payments without a purchase order was a quarterly payment for the services of contractors working within the College.
- One of the payments without a purchase order was a monthly payment to Scottish Water, which has a fixed annual payment spread across 12 months.

From our inspection of the sample of payments made against the Purchase Orders and associated documentation, including digital approvals within the PECOS system and confirmation of receipt in bluQube, no issues were noted.

Procurement & Creditors / Purchasing

Objective 4 – Purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers, with the risk of unauthorised and excessive expenditure being minimised.			
Observation	**Risk**	**Recommendation**	**Management Response**
It was established through a walkthrough of the College's purchase order review and approval process, that at the time of this review, all purchase orders are required to be signed off in the PECOS system by the College's Principal. It is our view that this arrangement is neither proportionate nor practical.	There is a risk that the volume of purchase orders requiring approval from the College's Principal results in a bottleneck due to a single point of review.	**R1 -** It is recommended that consideration be given to amending the approvals of low value purchase orders in PECOS to Vice Principals and Associate Principals (rather than requiring sign off by the Principal), to reduce the risk of a bottleneck.	The College agrees this recommendation and the Vice Principal – Finance, Resources & Sustainability has included a revised proposal for PO authorisation / delegation within the finance regulation updates for FRC committee on 15th May 2024. Assuming approval is granted, the College will then embed changes in PECOS to support the new structure. **To be actioned by:** Vice Principal – Finance, Resources & Sustainability **No later than:** 30 June 2024
			Grade : 3

Objective 5 – All liabilities are fully and accurately recorded.

From discussions with the Finance Assistant (Accounts Payable), it was established that once the PO has been issued to the supplier to request the goods / services, the supplier then provides the goods / services in the first instance, and subsequently the budget holder enters bluQube and marks the goods as having been received against the PO, by ticking the 'GRN' box on the PO page. If this has not been selected, then the PO cannot be matched to the invoice and processed for payment. The invoice is then receipted either through the Accounts Payable mailbox or via email to the Finance Assistant, and this is then manually uploaded into bluQube with an automated request issued to the budget holder to signify approval. Once approved, the invoice is matched to the PO and posted to the accounts ready for payment. It was noted that on the system, only invoices marked as 'posted' can be paid.

Sample Testing
From our inspection of a sample of 20 payments, the invoices for each payment were obtained and inspected against the liability record ed on the College's purchase ledger, with the following noted:

- Seventeen invoices agreed to the initial purchase order (where relevant) and were accurately reflected in the College's finance system.
- One invoice did not match the purchase order, with the supplier providing a substitution on one of the products requested, with this being of a lower value than the initially requested good. An additional 10% discount was also applied by the supplier, with the goods being deemed acceptable by the receiver at the point of receipt.
- Two invoices to the same supplier, did not agree to the initial purchase order, with the invoiced amount being 40% of the total raised in one case, and 35% being due in the next. Through discussions it was noted that purchase orders were raised for the full amount per the contract, with the amounts due invoiced following each stage of completion of the work.

Objective 6 – All payments are properly authorised, processed, and recorded.

Payment Process

From our discussions with the Management Accountant, it was noted that payment runs are routinely undertaken once a week, with additional payment runs undertaken where applicable. On a weekly basis, the Finance Assistant (Accounts Payable), collates all of the invoices due for payment, and uploads these into a payment file in the bluQube system. The Management Accountant then receives an email prompt requesting that they enter the system to review the payment document and authorise the file for payment via the 'approve' button. The approved payment run is then passed back to the Finance Assistant (Accounts Payable) within the bluQube system, who then generates a final payment file within bluQube in CSV format for the BACs file. The completed file is then assigned a numerical code and uploaded into the dedicated BACs folder in the Finance shared drive folder. The Finance Assistant (Accounts Payable) then emails this to the payer (usually the Assistant Finance Manager) who accesses the payment run in the relevant folder, and imports this into the BACS system (through an app on the user's desktop) and authorises this for payment. The payment is then automatically posted to the College's banking system to initiate payment. It was noted that the Management Accountant reviews and approves the payment file in bluQube with the Assistant Finance Manager routinely authorising the payment in the BACS system. However, in the event of absence, the Management Accountant would undertake the BACS upload and authorisation, with the VP Finance, Resources and Sustainability undertaking the initial review and approval in bluQube.

As part of our sample testing, we inspected payments made against the invoices received for pay runs in February 2024 and March 2024. From this testing, we inspected the payment runs made throughout each month, and confirmed that these were appropriately approved in the system, and that the payments made through the College's bank were complete and accurate when compared against the amounts generated in the payment files. From our testing, no issues were noted.

Credit Cards/ Non-Purchase Order Spend

From discussions with the Management Accountant and the APUC Supply Chain Manager, it was noted that the only non-Purchase Order spend is undertaken through the College credit cards, which are held by the VP Finance, Resources and Sustainability and the Management Accountant. Any payments made must be made using a credit card authorisation form, which is required to be authorised by the Administrative team, Head of Department, and the College Principal prior to the payment being made by the credit card holder. These controls were implemented to ensure close oversight of the payments made via credit card. It was noted from discussions with the Management Accountant that plans are in place to amend the final authorisation to the Vice Principals or Associate Principals, as the purchases tend to be of relatively low value.

Objective 7 – Controls are in place over the amendment of standing supplier data on the finance system.

The College has new supplier forms in place, which are completed by the requesting party and sent to the APUC Supply Chain Manager for review. The APUC Supply Chain Manager then reviews the PECOS system to ensure that the supplier is not already set up on the system, undertakes the necessary background checks, benchmarks against existing suppliers, and then approves the supplier for upload. The APUC Supply Chain Manager then obtains the new supplier form which evidences the review and approval of the new supplier from the VP Finance, Resources and Sustainability and passes this to the Accounts Payable team for upload into the finance system.

For any changes to any standing supplier details, these are provided directly to the Finance team, who carry out checks to confirm the legitimacy of the changes and upload these to the system following independent review for accuracy by the Finance Assistant (Accounts Payable).

New Supplier Forms
We obtained and inspected five new supplier forms to establish whether the new supplier forms were adequately completed. We checked that these had been submitted to the Finance team by the Procurement team, and sought evidence to confirm that they had been reviewed and approved by the VP Finance, Resources and Sustainability. From inspection of the forms, the following was noted:

- All forms had been submitted by the APUC Supply Chain Manager
- All forms had been signed by the requestor
- All forms had been signed as reviewed by the VP Finance, Resources and Sustainability

From the above testing, it was confirmed that the College was applying the new supplier process in line with the agreed procedures.

Changes to Existing Supplier Data
From discussions with the Finance Assistant, it was established that the College does not have a standard form in place for recording the independent verification checks for changes to supplier data. Instead, the request is printed and signed by the person making the change, with independent verification of the changes undertaken to confirm their legitimacy, and digital sign off of changes made within the bluQube system. In order to determine whether this process was being effectively followed in practice, we obtained and inspected five recent change requests to supplier data, with the following noted.

- The change was made by a member of staff independent of the change requestor.
- Independent evidence was obtained to verify the change.
- The request was printed, signed and dated by the Finance Assistant.
- All changes were digitally time stamped and signed in the system as evidence of who made the change.

From the documentation inspected, no issues were noted, however, an issue has been noted around the lack of a standard form and evidence of review to ensure the accuracy of the changes made to standing supplier data.

Objective 7 – Controls are in place over the amendment of standing supplier data on the finance system.

Observation	Risk	Recommendation	Management Response		
Although it was established that the College has a process in place for documenting and verifying changes in supplier details, it was noted that different pieces of information were utilised in the process for the changes sample tested due to a lack of a standard form.	There is a risk that the lack of a standard form for documenting changes to supplier details may result in a lack of a consistent process being undertaken. There is also no secondary review process in the current procedure.	**R2 -** It is recommended that the College formalise its process for recording changes to supplier's standing information (including bank details and addresses) by implementing a standard form to document the independent checks undertaken to verify the changes, with a peer review / management review step implemented to ensure that there has been independent review of the changes made to supplier standing data prior to any payment being made to the relevant supplier following the application of the changes on the system.	The College agrees this recommendation and it has been noted by the Finance team. **To be actioned by:** Vice Principal – Finance, Resources & Sustainability **No later than:** 30 June 2024		
			Grade		3

Henderson Loggie

AUDIT AND RISK COMMITTEE

DATE	9 May 2024
TITLE OF REPORT	Rolling Audit Recommendations Monitor
REFERENCE	7.1
AUTHOR AND CONTACT DETAILS	Elaine McKechnie Vice Principal – Finance, Resources & Sustainability Elaine.mckechnie@slc.ac.uk
PURPOSE:	To present an update on the work that has been undertaken by the College to address previous audit recommendations.
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is asked to: • Note the work that has been done to address the recommendations to date; • Note that whilst several items are outstanding, these are partially completed and that there is a timetable to address all recommendations.
RISKS	• That the College does not have appropriate internal controls to safeguard its staff, students and assets • That the College does not have adequate risk management processes and procedures in place.
RELEVANT STRATEGIC AIM:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• The College has made some progress in addressing the recommendations made in previous audit assignments. • There are 22 outstanding recommendations on the monitor, covering Cyber Security, Health & Safety, Risk Management Staff Recruitment & Retention, Budgetary Control, Student Support Funds and Student Activity (Credits). 5 Cyber security recommendations have now been closed. • Common themes to address each recommendation include the revision of internal policies and procedures, enhanced reporting and data quality checks, the roll out and completion of training exercises and the implementation of new systems (HR and Student Records). • The achievement of all recommendations above continues to be dependent on staff compliance with policies, procedures, training initiatives and new systems and the College having sufficient staff resources to undertake work. • The College continues to remind staff regularly to complete training courses on a timely basis and resource issues are carefully considered by the Senior Leadership Team to ensure that key priorities can be tackled. • The College therefore remains confident in its ability to satisfy each of these recommendations and details the progress and target dates for completion.

	• Completed recommendations are moved to a separate tracker and will be subject to annual review should they need to be refreshed (i.e. procedure documentation may be updated periodically which might in turn require a revisit of a previously closed recommendation).

1. INTRODUCTION

1.1. This paper provides an update of the College's progress in responding to Internal Audit Recommendations from prior audit engagements. It is a centralised point of reference for logging of all actions taken to ensure that the recommendations are enacted. The report is subject to an internal review by the Senior Leadership Team (SLT) on a quarterly basis, with updates provided by the owner of the recommendations. This ensures sufficient focus and commitment from the College to ensure that recommendations are accepted and enacted.

2 BACKGROUND

2.1 Internal Audit is a necessary function to ensure good governance and control within each area of College operations. The report details findings from Internal Audits with College management response to those findings and suggestions as to timeframes for completion of work required to address concerns raised.

2.2 Recommendations are discussed upfront with Management when each audit assignment is being concluded to ensure that the College accepts those recommendations and has a clear understanding of what is required to enact changes to existing process.

3 CYBER SECURITY

3.1 The College remains confident in its ability to close the following recommendations on receipt of supporting framework from HEFESTIS, completion of internal training courses and support from the Marketing Team to provide an effective Social Media and Communications Policy.

3.2 The College has now formally documented the College's specific cyber security risks and vulnerabilities, along with controls and mitigations, within an IT or cyber risk register and has closed this recommendation.

3.3 Refresher training for all staff in cyber security is always a key priority for the College and has been rolled out. Following the feedback from the HR team with the stats of cyber security training, the IT team have brought together a 2-year program of campaigns covering the major risks, with a view to refreshing training for staff and students. This recommendation can also be closed.

3.4 The College was tasked with a review and reconfiguration of cyber training compliance reporting parameters to ensure that data reported consisted of current users only. The College response to this is to schedule a program of works which will be monitored throughout the next two years, including phishing campaigns. The data is collected at departmental level in the TES develop software, as will the training program put together by the IT team. Organisation structures in the M365 tenancy allow the College to understand patterns of behaviour within departments and as a result, the College now considers this recommendation to be closed.

3.5 A programme of information security training has been developed for students to mitigate information security risks including IT policies, cyber security risks and strategies and reporting of incidents. The College also has a business continuity plan (BCP) in place. Simple but effective campaigns have been put together by the IT team and the plan is available to be shared. Monitoring of effectiveness can be done via the M365 security dashboard and as such, this recommendation is now deemed complete.

3.6 Mechanisms have been established for testing the effectiveness and value for money of the security training provided to staff. The College requires all training to be completed by staff for the College to fully assess its effectiveness. A security questionnaire will be issued

across May 2024 however time will be required for its return before this recommendation can be closed off.

3.7 The College has explored guidance for staff on how to manage their digital footprints safely and reduce the risk of becoming a target for attackers, both in a professional and personal capacity. A social media and communications policy is being created by the Marketing Manager who is only recently in post and a section on security will be added. The estimated timeframe for the full implementation of this recommendation June 2024.

3.8 It was recommended that an audit of cloud and third-party systems in use across the College estate, which are not directly linked to College Active Directory or Office365 accounts, be undertaken to identify instances of staff using College logins and email accounts. Procedural guidance for line managers was to be implemented to revoke user access to such accounts and advise staff on good password management. Owing to the fact that the Cyber risk register is now complete, 3rd party access is now controlled, recent M365 reviews from JISC support the College's approach to the logins, HR now have good communication on starters and leavers, security reviews are in place for clear downs of old accounts and a retention document has been issued in the last year to which the IT team now adhere, this item has been completed

3.9 The Incident Response Process, and supporting playbooks, need to be tested by way of a scenario-based desktop exercise to ensure staff know how to respond during an incident, and to also highlight any problem areas in the planned response. While incident response documents exist along with playbooks, training still needs to be rolled out. This will be taken to the Senior Leadership Team during May 2024 for approval.

4   HEALTH & SAFETY

4.1 The College remains confident in its ability to close the following recommendations however work has been delayed due to a long-term absence in the team and some actions are contingent upon the completion of training exercises which are currently underway.

4.2 A programme of refresher training for staff has been developed to coincide with the launch of the revised Occupational Health and Safety Policy and associated procedures. The recommendation cannot be marked as completed until all training has been fully undertaken.

4.3 An exercise needs to be completed to update the master spreadsheet to demonstrate the number of health and safety issues identified and to record the remedial action taken. Once the master spreadsheet has been updated, the location of the master document on the server should be communicated to managers so that they can review and provide updates on any remedial action taken. Given long term absence in the team, this action is behind schedule. However, with a full time Health & Safety Advisor in place now, the College is making best endeavours to complete this recommendation by end of June 2024.

4.4 The reporting of an Annual Health and Safety Report to be incorporated into the forward workplan for the Human Resources Committee is a key priority for the College. Staff absence has meant that the annual report is not yet available however the Estates team is undertaking work to ensure that this is completed as soon as possible for review and discussion at a subsequent Human Resources Committee meeting.

5   RISK MANAGEMENT

5.1 The College has substantially increased its focus on risk management, recognising that it underpins the College's ability to implement its strategy fully. The College continues to report risks to both its internal Board and the regional Board, ensuring that new risks are

identified timeously and current risks are mitigated where possible. The College is confident in being able to achieve the below recommendations as part of the current year budget setting process.

5.2 As reported in January 2024, as part of risk management, the Board undertook an exercise with Henderson Loggie, internal auditors, last May 2023 to look at Strategic Risk Management. This included a session on assessing the College 'risk appetite' with a view to an assurance mapping exercise being implemented against the current risks on the risk register. Given that the Board of Management members have changed quite extensively, it is suggested that another risk appetite session is done with the Board at a future strategic planning day. This is now targeted for completion by August 2024.

6   STAFF RECRUITMENT & RETENTION

6.1 The College remains committed to improving its staff recruitment and retention management and work is underway to ensure full compliance with the following recommendations through refreshment of key polices and procedures and through the implementation of a new HR system which will improve reporting capabilities.

6.2 The College was recommended to define timeframes for completion of the ongoing review of its recruitment and selection policies to ensure that they are completed in a timely manner and are issued to the relevant staff for their understanding. The College is currently refreshing dated policies and implementing policies where there are gaps. The Human Resources Committee has agreed to a recruitment policy being part of the next suite of new policies being implemented.

6.3 The College was recommended to prepare procedural documents to formally document the administration processes to be followed when recruiting a new member of staff, to ensure that the process can be consistently performed by anyone in the event of staff absences / unexpected turnover. This is also being addressed by way of the refreshment of dated policies.

6.4 When uploading documentation to the new HR system, the College should take steps to ensure that all information is accurate prior to upload to the new HR system, and any amendments to the information held on file should be checked with the relevant stakeholder(s) where any issues are identified. The College agreed to additional checks for future documentation checks and acknowledged that the new HR System will support this once implemented. The revised "go live" date for the HR system is now summer 2024 following a further parallel run of the existing payroll system against the new HR system is expected in May 2024.

6.5 It was recommended that the College set out a clear timeline for importing all relevant hard copy documentation to the new HR system iTrent, to ensure that this data transfer is completed in a timely manner and to avoid a protracted scenario where some information is held electronically and some information is still held in hardcopy files. Following the implementation of the new HR System, the College had initially proposed the importing of hard copy documentation and a project plan for the importation by May 2024. However, owing to delays in the launch of the HR system, the project plan for importation is now expected to be created by December 2024.

6.6 It was recommended that the College implement ongoing engagement measures to capture levels of staff satisfaction to reduce the risk of employees leaving the employment of the College. The College has historically measured engagement through various surveys but such surveys have not provided the College with an engagement framework that is measured over time and across the employee journey. The College recognises this and it is included it in the HR & People Strategy.

7   BUDGETARY CONTROL

7.1 The College remains committed to enhancing the quality of financial reporting and specifically the annual budget process. With curriculum planning sessions completed in January 2024, the financial planning for those curriculum requirements can now be documented ensuring sufficient staffing, materials and overhead costs are in place to support planned levels of activity. A full process can now be documented utilising enhancements available from curriculum planning templates and Power BI reports.

7.2 The College is currently in the process of documenting formal budget setting timetables, setting out all key activities in the budget setting process from end to end, to ensure that all activities are completed timeously. A draft budget setting process has also been prepared in April 2024 and will be further enhanced with procedural steps by the Finance Team as work towards the Budget setting process for 24/25 completes in the coming weeks.

7.3 The College was also recommended to consider developing enhanced real time financial information and dashboards, perhaps via Power BI, to allow Budget Holders to monitor actual income and expenditure against budget in real time. The Finance team continue to work with the head of MIS to understand and utilise Power BI more fully within reporting. Since January 2024, further progress has been made to build out Power BI capability within financial reporting and the heightened focus on commercial income streams for 24/25 have also helped to drive improvements to the software to enable more accurate reporting. Similarly, budgets for 24/25 rely on reports and month end income accruals/deferrals will also be centred around Power BI, driving a clear need for data accuracy.

7.4 The Finance team should document the month end process currently followed by Finance, including preparation of budgeting information to allow for prompt publication of income and expenditure by budget line for review and monitoring by Budget Holders. This should be adapted as the capabilities of BluQube are enhanced to include generation of reports immediately following the completion of the month end close process to provide timely information. Work is ongoing to implement a full month end process to ensure more transparency in reporting of financial results. Month end launch date is expected in June 2024 for May 2024 month end results. Process notes will be built out as the process is embedded.

7.5 The College was tasked to create a formal training programme for Budget Holders, which they are required to complete before they undertake their budget monitoring role. Attendance by the finance team at a future Curriculum Management meeting will now be arranged in early August 2024 to set out and imbed processes and procedures for the academic year ahead.

8   STUDENT SUPPORT FUNDS

8.1 The College recognises the importance of the student support funds audit and the role that the College plays in administering public funds to qualifying students.

8.2 The College was recommended to ensure that distribution lists identifying Bursary students in receipt of study materials are maintained for each purchase invoice charged to the Bursary fund. Based on the current approach, the College should ensure that the planned study costs for each course still reflect the specific items or materials needed for the course and the current price from suppliers. The College has accepted this

recommendation and is undertaking work to ensure all is in place for the next student support fund audit.

8.3 The College was also recommended to continue to analyse all study costs monthly and reconcile back to Cost of Course forms, adjusting the Teqios system where required, and reconciling this to the general ledger. This has also been accepted.

8.4 A further check was advised to be made on the categorisation of ASN costs to ensure that they are correctly disclosed on the FES return. It is understood that this process is now being undertaken on an ongoing basis and the Management Accountant will consult with the Head of MIS to ensure that this can be reported on the FES return.

9   STUDENT ACTIVITY (CREDITS)

9.1 The College is committed to ensuring upmost accuracy in credit claims for student activity through greater data checks and through the latter implementation of a new student record system to auto-enhance data integrity.

9.2 As recommended, credits claimed for students on part-time programmes will now be more closely based upon the value of the units listed on the discrete course record, or notional Credits based on planned hours of activity divided by 40, and not based upon a default tariff.

9.3 It was also recommended that credits claimed for flexible learning courses adequately reflect the level of activity undertaken in the year. The College accepts that it needs to be closely monitored during the year, ensuring that concerns are raised with curriculum teams and is confident in closing this action by September 2024.

9.4 The College was asked to ensure that in-year data integrity checks of the FES 1 and FES 2 data include a review of Modes of Attendance, and other key data such as Credits claimed, to identify conflicts. While the introduction of a new student records system in the latter part of 2024 will help to ensure greater data integrity in the long run, the Head of MIS will ensure that greater manual data checks are in place during the current year.

9.5 The final recommendation was that the required date input into SITS (Student Records System) is calculated in line with Scottish Funding Council (SFC) guidance. This was an issue between the course required date and the student required date in the system. More care is being taken to ensure that the required dates are accurate in the system and that the FES output takes the information from that field.

10 RESOURCE IMPLICATIONS

10.1   The achievement of all recommendations above is dependent on staff compliance with policies, procedures, training initiatives and new systems and the College having sufficient staff resources to undertake work.

10.2   The College reminds staff regularly to complete training courses on a timely basis and resource issues are carefully considered by the Senior Leadership Team to ensure that key priorities can be tackled.

10.3   As and when recommendations are complete, recommendations are moved to a separate tracker and will be subject to annual review should they need to be refreshed (i.e. procedure documentation may be updated periodically which might in turn require a revisit of a previously closed recommendation).

11 EQUALITIES

11.1   There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

12 RISK AND ASSURANCE

12.1   That the College does not have appropriate internal controls to safeguard its staff, students and assets; and

12.2   That the College does not have adequate risk management processes and procedures in place.is is on the front cover as well, so suggest retaining if further detail is required.

13 RECOMMENDATIONS

13.1   The Committee is asked to:

13.1.1 Note the work that has been done to address the recommendations to date; and

13.1.2 Note that whilst several items are outstanding, these are partially completed and that there is a timetable to address all recommendations.

Appendix 7.2 Audit Recommendations Monitor as at 30 April 2024.

Report / Action	Recommendation	Action Owner	Grade	Original timescale	Lanarkshire College managem	Status at 30 April 2024	Expected Completion Date	South Lanarkshire College management update as at 30th April 2024
2021/22								
Cyber Security	Formally document the College's specific cyber security risks and vulnerabilities, along with controls and mitigations, within an IT or cyber risk register. Format should be in line with the College's strategic risk register.	Heads of IT and Finance	3	31-Dec-22		Completed	Apr-24	The cyber risks detailed in the NCSC 10 things have been collated into a framework that we can demonstrate to the committee and the auditors. New framework template is currently being discussed with the HEFESTIS cyber security shared service and progress has been made to ensure all risks have been mitgated or progress has been made towards the mitigation

Update Nov: Progress as we have been awaiting on this from scottish government, update due Dec 2023 with the old framework if the new framework still hasn't been issued

Update Jan 24 - Scottish Government now released document this will be finished by April with evidence for all the CRF answers.

Update April 2024: Risk regsiter now complete the new CRF from scottish government we are now part of the pilot for roll out, but have been using the current CRF to monitor the risks in the department. Action should now be completed |
| Cyber Security | Ensure that a formal programme of refresher training is established for staff users with a risk-based approach adopted in identifying the frequency of refresher training requirements | Heads of IT and HR | 3 | 30-Jun-23 | | v | Apr-24 | A program that has been written up by the Head of IS and the HEFESTIS shared service has now been implemented. This involves the various training that staff potentially could be lacking and align to the risk stated in the register mentioned above.

Cyber security has been purchased as part of a suite of e-learning materials and training has been rolled out.The training has been rolled out at the beginning of term and stats from this e-module will support the interaction with the staff on this basis.

Update Nov: The training has been issued to staff and we are still waiting for the analysis of the results. Further training for the year is planned and the schedule of this should be available in the next month (Dec 23)
Update Jan 24: 3 employees have not yet started the training, 231 have completed the training and 99 people are in progress with the training.

Update April: Following the feedback from the HR team above with the stats of cyber security training, the IT team have brought together a 2 year program of campaigns covering the major risks with a view to refresh the training for staff and students. We believe this to be closed |
| Cyber Security | Review and reconfigure the cyber training compliance reporting parameters to ensure that data reported consists of current users only. The data reported can then be used more meaningfully by Organisational Development, departmental line managers, and the Head of Information Systems and Services to monitor staff compliance rates. | Heads of IT and HR | 3 | 30-Jun-23 | | Completed | Mar-24 | The effectiveness of the training and the training materials have been sourced as part of the previous item. The stats that support this should follow on from the training communicated to staff.

Update April 2024: As above the program of works will be monitored throughout the next two years, including phishing campaigns. The data is collected at departmental level in the TES develop software, as will the trianing program put together by the IT team. We also now have org structures in the M365 tenancy allowing us to understand patterns of behavour within departments. We consider this closed. |
| Cyber Security | A programme of information security training should be developed for students to mitigate information security risks covering:
•the organisation's IT security policies and procedures.
•cyber security risks and strategies for defence, covering internet safety, mobile and home working, phishing, and prevention against malware.
•regular updates and training on the security risks to the College.
•monitoring the effectiveness of security training through incident monitoring and mock scenario testing; and
•promoting an incident reporting culture. | Heads of IT and Student Services | 3 | 28-Feb-23 | | Completed | Mar-24 | This program is assoicated with the comments mentioned in the last two rows. This includes students and staff in the schedule The schedule was completed and shared before the end of Feb; the implementation is currently taking place at the start of the new term.

Stats now available regarding the risky users and the implementation of the Microsoft Security tracking. Further work planned for the incident reponse and business continuity in the new year which should close this action

Update April 2024: we now have a plan as part of the staff training above. Simple but effective campaigns have been put together by the IT team and the plan is available to be shared. Monitoring of effectiveness can be done via the M365 security dashboard |

Report / Action	Recommendation	Action Owner	Grade	Original timescale	Lanarkshire College managem	Status at 30 April 2024	Expected Completion Date	South Lanarkshire College management update as at 30th April 2024
Cyber Security	Mechanisms should be established for testing the effectiveness and value for money of the security training provided to staff. The areas of the organisation that regularly feature in security reports, or achieve the lowest feedback from information security questionnaires, should be targeted for further tailored training activity.	Head of IT and Clerk to the Board	3	30-Jun-23		In progress	Jun-24	We are currently working with JISC on such topics of the pen testing and phishing scam testing to test effectiveness. Unfortunately, we need to wait until training has been completed to fully assess the staff. This is due to be completed by the end of September, where we can assess the staff thereafter. Security Questionaires will form part of the training schedule in the points above. This can be closed once thats achieved **Update April 2024: Security Questionaire to be issued, due in April/May however will need time for return. Is now part of the schedule however and the re-evalution after a year.**
Cyber Security	Explore how guidance for staff on how to manage their digital footprints safely and reduce the risk of becoming a target for attackers, both in a professional and personal capacity, and particularly through use of social media platforms can be made more widely available to staff and Board members.	Heads of IT and HR	3	31-Dec-22		Partially complete	May-24	Social media guidance is already in effect, however follow up sessions and the impact of staff actions will form part of the training schedule details in the comments in the last few rows. Documentation is still under review, however a big improvement since this audit point has been with modifications to the azure platform to prevent 3rd party sign in without prior approval from the head of MIS, enforcing a culture of checking the app before logging in. Update in Nov - social media and comms policy needs to be looked at from the new marketing manager and security added to it. ETA is Feb 2024 **Update April 2024: Suggest that the final part of this item is with the marketing and comms manager for completing and issuing the social media comms policy. Hope the ETA could be by the end of May**
Cyber Security	It is recommended that an audit of cloud and third-party systems in use across the College estate, which are not directly linked to College Active Directory or Office365 accounts, is undertaken to identify instances of staff using College logins and email accounts and put in place procedural guidance for line managers to revoke user access to such accounts, and for staff on good password management. Development of a digital asset register which combines the details of College hardware and software assets, as well as third party services operated by staff would provide clearer visibility of the College cyber and data risk profile. Any identified risks should then be included on the cyber risk register	Heads of IT and HR	3	31-Jan-23		Completed	Apr-24	Office 365 has now been fully implemented for 3rd party blocking of college accounts. Only approved apps can be used. Updates to HR will complete as part of the new HR system which will be completed in October, that will resolve the leavers and role change requirement for this point Update in Nov and Jan, awaiting the completion of the HR system and processes Update April 2024: Cyber risk register is now complete, the 3rd party access is now controlled, recent M365 reviews from JISC support our approach to the logins, HR now have good communication on starters and leavers, security review are in place for clear downs of old accounts, plus retention document has been issued in the last year which the IT team now adhere to. Item should be completed
Cyber Security	The Incident Response Process, and supporting playbooks, should be tested by way of a scenario-based desktop exercise to ensure staff know how to respond during an incident, and to also highlight any problem areas in the planned response.	Heads of IT and HR and the Clerk to the Board	2	31-Mar-23		In progress	May-24	Incident response documents exist along with playbooks. Will need review and updated before December. Training for the senior leadership team is scheduled for some time in October. Training for the SLT needs to go on the agenda for the new year. ETA Feb 2024 **Update April 2024: SLT availablity has been limited, the incident reponse document has been recently reviewed and training for the SLT will be by the end of May. Closure of this item due at that point**
Health & Safety	We recommend that a programme of refresher training for staff should be developed to coincide with the launch of the revised Occupational Health and Safety Policy and associated procedures. Attendance at this refresher training should be mandatory for all members of staff and completion of the training should be monitored by HR to ensure full attendance.	Head of Facilities & HS, Head of HR	3	31-Dec-22		Partially complete	Jun-24	This will be done in association wih the Health and Safety team as per the the launch of the policy. HR will provide generic H&S training as part of the e-learning suite. Health & Safety Officer issued email in this regard on 21st August; sessions will roll out and expect to be completed by end of Nov 2023. (CF) This is ongoing once resourse is available (CF) Jan 24: e-learning course has been rolled out to all staff on "Health & Safety in Education (Colleges & Universities). 197 people have comleted the training, 132 are in progress and 6 people have not yet started the training.

Report / Action	Recommendation	Action Owner	Grade	Original timescale	Lanarkshire College managem	Status at 30 April 2024	Expected Completion Date	South Lanarkshire College management update as at 30th April 2024
Health & Safety	An exercise should be completed to update the master spreadsheet to demonstrate the number of issues identified and to record the remedial action taken. Once the master spreadsheet has been updated, the location of the master document on the server should be communicated to managers so that they can review and provide updates on any remedial action taken.	Head of Facilities & HS	3	31-Dec-22		Partially complete	May-24	The master log is being updated and any outstanding items pursued to provide an update. This will be shared with all relevant managers. Master H&S Housekeeping is maintained by facilities and required actions are rolled out to managers in the relevant departments. Due to resourse issues this is behind schedule. We are making best endevoures to fill this gap by increasing H&S role from 3 to 5 days as previous member of staff was not replaced. (CF) Housekeeping log is being updated at this point and I expect completion to be May 2024 (CF)
Health & Safety	We recommend the reporting of an Annual Health and Safety Report be incorporated into the forward workplan for the Human Resources Committee to ensure that Board Members have the opportunity to consider and approve the annual report and the forward workplan for health and safety activity for the coming year.	Head of Facilities & HS	3	31-Dec-22		Partially complete	May-24	An annual report will be produced reporting on what has been completed during the year and set out the priorities and targets for the coming year. Staff absence has caused a delay in this piece of work progressing more fully but it will be carried out imminently for review at a future HR Committtee.(CF)
Risk Management	A session on risk management should be included as part of the programme of Board Member Strategy Days with the leadership team. This will allow greater understanding on how the risks link to the College's strategic aims and objectives and the impact failure to manage these risks will have on future success. To support Board assurance, management should conduct an assurance mapping exercise on the internal and external reporting arrangements in place against the current risks on the risk register. This will allow for a central analysis of the arrangements in place and allow any gaps to be identified and appropriate supplementary reporting arrangements determined. Assurance mapping can be completed by adding additional columns to the existing risk register detailing the following sources of assurance established: •Internal - management reporting and quality assurance arrangements; and •External - internal audit, external audit, Education Scotland etc. Assurance reporting can then be brought into the forward planning for Board and committee agendas	Principalship	3	31-Aug-22		Partially complete	Aug-24	Internal audit providers Henderson Loggie presented a seminar on Strategic Risk Management at the Board training day in 2nd May 2023. The session incorporated separate workshops on setting the tone for risk management and risk assurance. Risk Policy and Procedures will be updated for the next meeting of the Audit & Risk Committee. An assurance mapping exercise is yet to be undertaken at the Audit and Risk Committee following forthcoming advice from Henderson Loggie.

DATE	9 May 2024
TITLE OF REPORT	SLC Strategic Risk Register Commentary
REFERENCE	8.1
AUTHOR AND CONTACT DETAILS	Elaine McKechnie, Vice Principal – Finance, Resources & Sustainability Elaine.mckechnie@slc.ac.uk
PURPOSE:	To provide members with an update to the risk management arrangements of the College.
KEY RECOMMENDATIONS/ DECISIONS:	Members are recommended to: • Note the movements in risk scores since the last Register review, and particularly the increased risk re capital funding maintenance. • Note the reduction in risk score in respect of credit target achievement. • review and approve the strategic risk analysis contained in the College's Strategic Risk Register and the commentary therein.
RISK	• That College strategic risks are not identified, and mitigating actions are not taken.
RELEVANT STRATEGIC AIM:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• Of the fifteen risks identified, one score has decreased in relation to credit target achievement. • One score has been increased in relation to capital funding requirements. • While the main challenges for the College continue to be financial sustainability as is echoed by the Scottish College sector in full, the College is encouraged by its ability to achieve its credit target and reach the upper limit of 2%. The College does however remain aware of the requirement to maintain the fabric of its estate to ensure its continuity as an effective learning establishment for students and with further cuts to funding announced, this represents a further risk to its achievement of the goal.

Ref 4.A SLC Strategic Risk Register Commentary

1. INTRODUCTION

1.1. This paper provides a commentary on the College's strategic risk register. The risk register is an important document that demonstrates the College's commitment to the establishment and maintenance of effective governance and control arrangements.

1.2. The register is reviewed internally by the senior leadership team for updates on a quarterly basis. Inherent and post-mitigation risk levels have been assessed at a similar level to the previous quarter, reflecting current information available as at April 2024

2. RISK ONE - FINANCIAL SUSTAINABILITY

2.1 Post-mitigation risk has been maintained at 16.

2.2 Against the backdrop of a £1M deficit result in the 2022/23 financial statements, preliminary budgets for 24/25 now look to confirm flat cash for the sector, maintaining core learning and teaching grants and credit activity at 23/24 levels.

2.3 While the activity target for 2023/24 has been achieved, the increase in activity does not translate into additional funding. Therefore, the College continues to maintain financial sustainability risk rating from January 2024.

2.4 Having undertaken the financial modelling exercise in January 2024, the College is now taking plans for financial sustainability to the FRC and Board. The College is encouraged by its credit target achievement and has reached the upper threshold limit of 2%.

2.5 Work is on-going to embed regular monthly management reporting of results to better support decision making as part of the strategic review. A month end cycle will be initially rolled out for May 2024 month end.

3. RISK TWO - FAILURE OF FINANCIAL CONTROLS

3.1. Post mitigation risk has been maintained at 9.

3.2. The College continues to be conscious of the added scrutiny on the organisation regarding financial controls and works closely with external and internal audit teams to identify risks and mitigate against them.

3.3. A recent investigation by internal audit into pension contributions payable from 2015 onwards has highlighted an operational failure to consistently apply revised pension contribution rates for a group of part time employees, primarily resulting in several overpayments into pension schemes and corresponding underpayments of PAYE.

3.4. An independent payroll consultant has been appointed and work is now underway to correct the errors. Management provides regular communications to stakeholders advising of progress and staff have been given assurance that corrective action is being taken as soon as the independent payroll consultant has reperformed all calculations for affected individuals.

3.5. Lessons have been learned from the incident and processes have been changed to mitigate the risk of a subsequent financial control failure.

4. RISK THREE - CREDIT TARGET

4.1. The post mitigation risk has been reduced 9 to 6. Following January 2024 enrolments, the College has met its core credit target for 2023/24 and has reached the upper threshold of 2%.

5. RISK FOUR – THERE IS A BREACH OF LEGISLATION AND ASSOCIATED REGULATIONS

5.1. The College continues to be confident that its arrangements for and in particular, GDPR, means that it can record a lower risk score. The latest review has not flagged any concerns or requirement to change this risk score.

5.2. A recent cyber security incident in March 2024 involving a staff member's email account does not change this score as the level of response and the use of the processes in place prevented a wider attack on the College. A full report from the incident response team has been finalised and the College Board are to be cited on the details of the incident at the next meeting of the Audit and Risk Committee on 9 May 2024.

6. RISK FIVE - CAPITAL FUNDING REQUIREMENTS

6.1. There has been an increase from 6 to 9 in risk scorings in April 2024.

6.2. The previously anticipated 3% increase in capital funding has been revised to a 2.2% decrease as advised in the budget announcements at the end of March 2024. This is due to funding that has been ringfenced for the development of the Dunfermline campus.

6.3. The overall impact of the cut for the College is a £20k reduction from £870k in 23/24 to £850k in 24/25.

6.4. As the College building continues to age, there are concerns over the external fabric with repairs works required to external cladding and windows to ensure water and wind resistance.

6.5. As noted in January 2024, the College had achieved funding for pre-capital works which currently looks to support more heavily with the decarbonisation agenda, with up to £5m Scottish Government funding available across 24/25 and 25/26. Nevertheless, the College is hoping to take a more 'fabric first' approach to any remedial works and as at April 2024, discussions are ongoing both internally and with the consultancy agency, Mott McDonald, to ensure that the proposed approach to secure Government funding for capital works also fits with the College priority to ensure the wind and water tightness of the building.

6.6. The College continues to reduce its capex footprint where feasible, ensuring that only essential works are undertaken because of the financial situation.

6.7. The current uncertainty around the allocation of any potential funding, together with the heightened maintenance costs of the building as it ages over time, supports an overall increase in this risk score.

7. RISK SIX – THERE IS A BREACH OF LEGISLATION AND ASSOCIATED REGULATIONS

7.1. As per risk four, the College remains confident that its current arrangements mean it can record a risk score that is not of immediate concern. No change currently required.

7.2. All staff are working towards the completion of health and safety training modules. The internal first aid process has been revised and regular meetings take place to ensure compliance and effectiveness of the process.

8. RISK SEVEN – BUSINESS INTERRUPTION

8.1. The College is confident that its arrangements for business continuity allows it to report an acceptable level of risk, although further training for both staff and Board members is required. No change to risk scores required as at April 2024.

8.2. As at April 2024, business continuity planning (BCP) documents have been updated for direct contacts to the college (managers, health & safety and marketing etc.). Work has

started with HEFESTIS to improve the overall BCP documentation. The next review of the risk register will contain a progress update.

9. RISK EIGHT - DAMAGE TO THE INTEGRITY OF MANAGEMENT INFORMATION SYSTEMS

9.1. The risk scoring has been maintained at 3 in April 2024.

9.2. Cyber essentials and cyber controls continue to be monitored and a review of policies and procedures needs to take place to maintain current levels of confidence. The impact remains high however the probability of risk has been lowered due to actions that were identified as part of the audit being closed down.

9.3. Furthermore, the incident mentioned at risk 4 suggests that the current risk mitigations in place are working. Phishing, pen testing and updates to incident response are all in progress.

10. RISK NINE – FAILURE TO ACHIEVE ACCEPTABLY HIGH LEVELS OF LEARNING AND TEACHING

10.1.   There has been no change to the risk scoring as at April 2024.

10.2.   As highlighted in November 2023, the College's internal audit providers recently undertook a review of Quality Assurance and there were no recommendations in the draft report.

10.3.   The results from the thematic Care review in early 2024 were very positive and preparation is now underway for the Annual Engagement Visit in May 2024, through which the College will fully support enquiries and seek to further demonstrate its commitment to achieving high levels of learning and teaching.

11. RISK TEN - THERE IS A FAILURE TO PROVIDE AN ENGAGING AND EFFECTIVE EMPLOYEE JOURNEY

11.1.   There has been no change to this risk scoring at April 2024.

11.2.   Post COVID and with the return to campus, it has been easier to deliver a more effective HR service, particularly with a new HR Strategy having been formulated, approved and in the process of being implemented.

11.3.   HR have also bolstered the current payroll administration by training additional staff to become fully conversant with payroll operations and calculations. This also helps to ensure continuity of payroll services to employees in the event of payroll staff absence.

11.4.   The purchase of a new HR system will support the delivery of the strategy and the project is continuing to progress well with implementation scheduled for Summer 2024.

11.5.   The College is also progressing with a new employee engagement framework, including an initial employee engagement action plan.

12. RISK ELEVEN - THERE IS A FAILURE TO SAFEGUARD THE HEALTH AND WELLBEING OF STAFF AND STUDENTS

12.1.   No change to risk scorings at April 2024.

12.2.   The College is mindful of the strain on staff and students over COVID and the current challenges regarding cost-of-living crisis that will add to concerns. Additional resources have been brought in to assist both staff and students. As reported previously, the new HR management system, once implemented, will assist with the management of employee wellbeing and development.

12.3.   As regards student welfare, the College applied to the Arm's Length Foundation (ALF) for assistance in supporting the funding two additional Counsellor posts in 23/24 and was successful in its bid. The ALF continues to support subsidised food for students, whilst the clothing exchange "shop" set up by students is proving popular.

12.4.   As previously advised, further funding of circa £31k was announced by SFC in September for the 2023/24 session to address Student Mental Health and Wellbeing and this will allow the College to enhance its service to students.

12.5.   The ALF continues to support bids and health and wellbeing initiatives continue.

13. RISK TWELVE - THERE IS A FAILURE TO PROVIDE A ROBUST LEARNER EXPERIENCE TO SUPPORT ONWARD PROGRESSION

13.1.   This risk has been maintained at 9 as at April 2024.

13.2.   The delay in processing bursary payments has caused some level of student withdrawal as students could not afford to financially support their studies in the absence of bursaries.

13.3.   The sector still has unresolved disputes with both the support and lecturing staff union. ASOS and industrial strike action continues to take place across 2023/24 putting student results at risk. Nevertheless, student progression continues to be strong.

13.4.   As a result of the delays in bursary processing, an internal review of the staffing levels within the bursary team has been undertaken, also identifying 'lessons learned' from the process to ensure greater efficiency in processing bursary applications going forward. There is acknowledgement that the team need to be able to process a larger number and frequency of bursary applications in line with the changing profile of shorter, sharper delivery of courses.

13.5.   As at April 2024, the Team has been granted approval from Senior Leadership Team (SLT) to convert a temporary bursary assistant role to a permanent role.

14. RISK THIRTEEN - FAILURE OF CORPORATE GOVERNANCE

14.1.   No further change to this risk as at April 2024 despite the resignation of the Governance Professional in April 2024, the previous interim Governance Professional has returned with immediate effect ensuring continuity of service.

14.2.   The review of the enhancements in corporate governance has allowed the overall risk rating to be maintained at current level. As advised previously, this was supported by the internal audit provider review of the Governance Improvement Plan which was considered and approved by the Audit and Risk Committee at its November 2022 meeting. The report was rated "Good" in terms of level of assurance, this being the highest rating possible, with only two low level recommendations. It was subsequently decided that any outstanding items would be picked up in the rolling programme of Governance development. The review of Governance by the internal audit service providers that began in February 2024 is expected to conclude in the coming weeks.

14.3.   With the appointment of a new Chair of the Board, the College is confident that this enhanced level of Governance can be maintained given appropriate and key staffing appointments are now in place. Furthermore, a refresh of committees and the induction of Trade Union representatives as Board members are currently in train.

15. RISK FOURTEEN – ADVERSE REPUTATIONAL RISK

15.1.   There is no change to this risk scoring as at April 2024. The College acknowledges that there are potential reputational issues that may adversely affect the standing of the College and / or its financial sustainability and is actively engaged in mitigation.

15.2.   A communication plan has been put in place in the event of an issue and the internal audit into publications and communication that took place in April 2024 has rendered a satisfactory outcome.

15.3.   External expertise is also being used to support the Marketing and Communications team.

16. RISK FIFTEEN – THE MEETING OF NET ZERO TARGETS

16.1.   The Scottish Government has set targets for public bodies with respect to meeting net zero targets. No change to this risk scoring has been identified at April 2024.

16.2.   This progress to net zero will be monitored not only by senior management and the Board of Management, but also by the College's Sustainability Group.

16.3.   The College has drafted a new Climate Change Emergency Action Plan and has set up a Climate Change Action Team in January 2024 which will continue to support the College in its environmentally sustainable pursuits. The Action Team is currently formulating a project plan and will initiative meetings with sub-groups to help meet its objectives in due course.

16.4.   As mentioned at risk 5, the College has utilised the consultancy services of Mott McDonald to devise an appropriate schedule of work to potentially secure Scottish Government funding for its decarbonisation of the estate agenda. As at April 2024, it looks likely that the College could secure some funding for this endeavour however the practicalities and logistics of making a bid that will also fit with the 'fabric first' approach of the College continue to be explored.

17. EQUALITIES

17.1.   There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

18. RISK AND ASSURANCE

18.1.   That College strategic risks are not identified, and mitigating actions are not taken.

19. RECOMMENDATIONS

19.1.   Members are recommended to:
- o   Note the movements in risk scores since the last Register review and, in particular, the increased risk re capital funding maintenance.
- o   Note the reduction in risk scores in respect of credit target achievement.
- o   review and approve the strategic risk analysis contained in the College's Strategic Risk Register and the commentary therein.

APPENDICES

Document 10.2   The College's Strategic Risk Register

Document 10.3   SLC Strategic Risk Register in detail

Strategic Risk Register		Dated reviewed by Risk Management Group	23 April 2024
		Dated reviewed by SLT	23 April 2024
		Next date of review	13 August 2024

No.	Date Raised	Link to Quality Indicators / Strategic Aim	Description	Impact Rating (1-4)	Probability Rating (1-4)	Risk Score	Previous submission risk score	Movement since last submission	Implications	Mitigation Action	Post-mitigation impact	Post-mitigation probability	Post-mitigation score	Previous submission mitigation score	Movement since last submission	Progress To Green: Key Actions	Comments
1	26/04/2021	]	That the College cannot maintain financial stability	4	4	16	16	0	That the College would not be able to meet its financial obligations and /or that investment in student activity could not be maintained to an appropriate level.	Jan 2023 Awaiting indicative funding for the next academic year in March 2023. Indications are flat cash funding scenarios relating a real cut. Value for Money Group meeting on 25th January 2023.

Apr 2023 Value for Money Group focus on staffing efficiencies and more robust Curriculum Planning model for 2023/24. Flat cash Grant in Aid settlement confirmed, but with additional cut in activity & funding for the Region.

June 2023 "Flat cash" settlements for 2024/25 and 2025/26 copnfirmed by SFC. Board approved a deficit budget for 2023/24 only. Management working towards balanced budget.

January 2024 Financial Modelling being undertaken, review of curriculum and ensuring areas that meet demand are promoted. Full cost targets increased. | 4 | 4 | 16 | 16 | 0 | August 2023 Curriculum Planning model being used to monitor staffing. Improved and enhanced budget monitoring procedures being introduced for 2023/24.

October 2023 On track to meet credit target for 2023-24.

January 2024 Work on-going to embed regular monthly management reporting of results to highlight areas of financial concern.

April 2024 The College is taking plans for financial sustainability to the FRC and Board. Credit target has been achieved and reached upper limit of 2% tolerance. | April 2024 Final allocation received for Lanarkshire Region for 2024-25, meeting in place to agree allocation with LRSB. Work continues on future proofing the college through diversifying income. |
| 2 | 26/04/2021 | 3.1, 3.2 3.5, 3.6 | That there is a failure of financial controls | 4 | 2 | 8 | 8 | 0 | Insufficient or incorrect information available to senior management and the Board of Management; potential for fraud. | August 2023 Finance Dept team enhanced with permanent appointment of Management and Financial Accountants. Additional support re Procurement from APUC until December 2023.

Extensive work has been undertaken in conjunction with Governance Professional to update policies and procedures. Review of timetable of activities of the Audit and Risk Committee and Finance and Risk Committee now drawn up.

Additional work has been undertaken by internal audit service on policies and prodcedures in 2022/23 and 2023/24. | 3 | 3 | 9 | 9 | 0 | Closer scrutiny of previous internal audit recommendations, both via senior management and the Audit and Risk Committee. Introduction of new approach to control, assurance and risk management arrangements.

April 2023 Review of governance to be undertaken by internal auditors in summer of 2023

August 2023 Pay controls in place, not replacing staff who have left the organisation, allowed for curriculum adjustmnets to be made, curriculum staff redployed to other areas should there be overstaffing. Consideration given when staff leave whether this replacement needs to be FT, PT or whether it is needed. Curriculum Plan is very tightly planned, with finance and curriculum teams working together to prepare budgets for the year.

October 2023 Audit Scotland audit in progress currently with no concerns raised to date.

January 2024 Internal audit in progress regarding pensions and payroll procedures.

April 2024 The internal audit into payroll & pensions matters is ongoing. Audit conclusions and recommendations are anticipated to be issued to the College during May and June 2024. | Introduction of formal ARC monitoring on an ongoing basis.

August 2023 Positive follow up Section 22 review by Scottish Parliament

January 2024 Internal audit reviews of procurement and finance procedures scheduled for April 2024. An internal audit of pension and payroll has flagged an error in pension contributions for some staff members since 2015. Payroll consultant to be employed to review all affected employees and reperform calculations to correct the situation. HR reviewing internal payroll processes to mitigate further risks that might result in an incident of a similar nature.

April 2024 |
| 3 | 26/04/2021 | 1.6, 2.2, 2.4 | That there is failure to meet Credit target and /or failure to retain major public and private contracts. | 3 | 2 | 6 | 12 | -6 | Clawback of SFC activity funding and shortfall in income. Failing to meet credit targets on a consistent basis may affect annual activity allocation. Failure to meet maintain ESF records to substantiate our claim is likely to affect income | Student activity is monitored on a weekly basis by senior management via the SLT meetings, with those weekly reports being made available to faculty and admissions staff; Additional enhanced reporting in use through Power BI to monitor real time information.

August 2023 Region has a 10.7% decrease in activity taarget for 2023/24.

Colleges now have a 2.0% leeway re meeting activity targets.

January 2024 College highly likely to exceed credit target but will be confirmed following the completion of the January enrolment cycle by 31 January 2024.

April 2024 College will meet target. | 3 | 1 | 3 | 6 | -3 | October 2022 Scenario planning and forecasting under way for the 2022/23 academic year; New website being launched in November 2022 to support with recruitment and learner journey.

April 2023 Progress being made, but dependent on planned activity.

August 2023 2022/23 taget met; Curriculum Plan model now operational with all courses for 2023/24 incorporated; accurate monitoring now enhanced.

October 2023 College on track to meet target for 2023-24.

January 2024 College is on track to meet credit target.

April 2024 Target achieved | August 2023 2022/23 credit target achieved.

10.0% sectoral decrease in credit target for 2023/24, plus additional 0.7% Regional decrease.

2.0% target achievement tolerance and positive change in retention tolerance announced for 2023/24. In addition only 80% clawback should there be an issue.

January 2024 Successful internal reporting of credit activity through Power BI enables real-time assessment of actual credit target achievement.

April 2024 The College has met the credit target and is within the upper 2% tolerance. There is unmet demand. |
| 4 | 26/04/2021 | 2.1, 2.5, 3.4, 3.6 | That there is a breach of legislation and associated regulations (incl. GDPR) | 2 | 3 | 6 | 6 | 0 | Breach or leak of sensitive data impacting on college reputation. | Data Protection Officer in place to advice on general Data Protection Regulation; Staff mandatory training and policies in place and actively marketed to heighten awareness; Compliance/audit checks in place; GDPR policies currently being updated as part of College-wide policy refresh exercise; Training planned for all staff on legislative and regulatory issues, including conflict of interest, bribery and corruption and security of assets.

August 2022 A suite of new polices have been developed and/or updated; Multi factor authentication in train; Cyber security Essentials status obtained; Training completed on conflict of interest etc as above and data protection and GDPR.

October 2022 Cybersecurity audit completed satisfactorily. College is now undertaking penetration testing; All staff conference in August; all staff completed mandatory training on GDPR; Data Protection portal is now live.

April 2023 New retention policy has been agreed and published. Cyber Essentials plus was successfully completed in Feb

October 2023 GDPR TES develop training issued to all staff, ICO framework and ROPA for each department currently being completed.

Jan 2024 Work has begun on ROPA's (records of processing) and the ICO accountability framework has been completed giving SLC a confidence of data protection controls. Cyber security frameworks and changes continue to be reviewed and we are confident in the controls that are in place from the NCSC 10 things | 2 | 2 | 4 | 4 | 0 | Apr 2023 Retention Documentation has been issued, further actions will be completed including communication of this guide for all managers to control the documentation Cyber risk framework is being updated in June this year to ratify the score in this sheet. (Cyber risk can be escalated if important issues arise in that review)

Jan 2024 Complete ROPA's in all departments for understanding data management

April 2024 ICO accountability framework has been completed. Tasks from this framework have been started, the overall score of the framework will be issued to SLT in the coming weeks. Areas of work already progressed are the ROPA and document management controls. No change in score as ICO accountability framework has displayed good governance in our current position

Recent cyber security incident does not change this score as the level of response and the use of the processes in place prevented a wider attack on the college. The full report is in the incident response team and the board have a paper going to the ARC to summarise the attack. | Data protection team have worked through a number of ROPA with each area and are currently pulling together Info Asset Register. Records Retention Policy now complete and published, actions will follow this publication via communication of this policy to improve document governance. |
| 5 | 26/04/2021 | 2.1, 2.2, 2.6, 3.5 | That there are insufficient funds for capital project and maintenance requirements | 4 | 2 | 8 | 8 | 0 | The College estate is of an age that requires constant monitoring and an appropriate level of funding to address major issues (e.g. building envlope, heating and cooling, lifts, security equipment, etc.) | SFC undertook a condition survey and has allocated funds over a five year period to address backlog maintenance and dilapidation works. The College appointed professional advisors to assist in the management of the projects which have been undertaken. College has enhanced its procurement arrangements to ensure that all major items of expenditure are reviewed by a senior management committee, thus ensuring value for money as well as an additional level of control over non salary spend. As part of our approach to the introduction of a Strategic Investment Plan, the College is currently considering introducing its own estate condition survey, given the age of the building and the number of significant repairs now being required.

August 2023 CAPEX projects prioritised and completed within budget allowing for future works within remaining ringfenced funds.

January 2024 CAPEX spend being closely scrutinised and only essential capital spend must be incurred as a result of financial situation facing the College Sector. | 3 | 3 | 9 | 6 | 3 | Current planning is to utilise cash holding to fund an infrastructure investment programme.

August 2023 Following completion of CAPEX works, funding remains for future works

October 2023 College has also submitted a funding application to the Scottish Government Energy Efficiency Grant scheme to support with building fabric first appeoaches, which would provide possible future cap ex funds for the estate.

April 2024 Following completion the building survey the college is seeking funding to decarbonise the estate, it is being investigated to ascertain if that would support a fabric first approach. | Central funding received in 2020/21 and 2021/22 allowed the College to address major repairs and renewals sooner than originally planned. This includes a major upgrade to the fabric of the roof, which would be most vulnerable to possible issues associated with the natural lifespan of the building.

August 2023 Various works completed over previous months within confines of funding whilst leaving sufficient amount for future required works. Cladding repairs are expected to be the next significant work. Additional funds have been allocated for next year.

SFC capital funding allocation for 2023/24 should be sufficient for short term projects & maintenance

January 2024 Funding received for Pre-capital works and looking at future funding initiatives for enhanced environmental sustainability of College estate. Initial budget announcements also suggest there may be a 3% increase in capital funding for Colleges in 24/25 but yet to be confirmed. |
| 6 | 26/04/2021 | 1.1, 1.2, 1.3, 1.4, 2.1, 3.1, 3.3 | That there is a failure to meet statutory and legislative health and safety as well as safeguarding requirements. | 3 | 3 | 9 | 9 | 0 | Impacts on safety of all employees and students leading to serious injury or death. Unable to protect our most vulnerable students. | Health and Safety Committee meet regularly to monitor health and safety arrangements and any issues are raised. Staff induction in place on H&S; Separate COVID risk register in place to monitor operational arrangements; Facilities Teams and H&S Officer ensure all risk assessments are updated annually; Regular reporting on Health and Safety to HR Committee as part of their remit requirements; Full review of Health and Safety Policy and Procedures being undertaken; Lead Safeguarding Officers in place and appropriate training in place.; Safeguarding group meets regularly.

August 2023 H&S Policy reviewed and updated over summer break. Continued quarterly H&S committee meetings planned including representation of cross college departments for 2023/24

April 2024 Health and Safety Committee continues to meet, regular walk arounds with the TU H&S reps ongoing and reports to HR Committee. | 3 | 2 | 6 | 6 | 0 | August 2023 There is a new Safeguarding Policy and Fitness to Study Policy approved by the Board in June 2023. Training for Health and Safety and Safeguarding will be rolled out to all staff in August through the mandatory online modules.

October 2023 Updated safeguarding processes to clarify roles and spread low level behaviourial issues to curriculum.

April 2024 All staff are working on completion of updated health and safety online training modules. First Aid process revised and regular meetings taking place. | |

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7	26/04/2021	2.1, 2.5, 2.6, 3.5, 3.6	That there is business interruption due to major disaster, IT failure etc	4	2	8	8	0	Impacts on the college's ability to provide a service to its users as well as potential financial and performance impacts.	Business Continuity Plan for College in place. Business interruption insurance in place. Member of HEFESTIS and benefit from shared intelligence. **August 2022** Internal audit for cybersecurity completed. Updated Microsoft Licence of A5 allows for enhanced protection. **October 2022** A5 licence in place and multi factor authentication in place. **April 2023** Board briefing for cyber security due on the 2nd of May, satisfying cyber audit points. **October 2023** Cyber Security information will be placed into the next risk about theft of major systems. This is business continuity updates, this will be worked on in the new year. Update for the next risk management meeting **Jan 2024** Cyber security controls continue to be improved following the cyber risk framework. Work started on the BCP and incident response documentation as it needs revisited since it was published	3	2	6	6	0	Existing business continuity arrangements being reviewed in light of recent events. Key estates risks now been identified and have been or are being resolved. Further training for incident response for board members needs to be considered and scheduled (Scenario training) **Jan 2024** A review of BCDR documentation is to be completed in the next few months to update mitigation controls. **April 2024** Basic Business continuity documents have been updated for direct contacts to the college (managers, h&s and marketing etc.). However work has started with the HEFESTIS share to improve the overall BCP documentation. Risk score has not changed, progress update will be in the next review of the risk register.	The College had a developed Business Continuity Plan embedded prior to the COVID pandemic and has built on that via infrastructure improvements and additions utilising additional SFC ring-fenced funding. **August 2023** Update of Business Continuity Planning Documentation will be completed by December 2023. **April 2024** Target for Basic BCP documentation was completed in Dec 2023, the overall plans are going to be reviewed and updated with the changes we have complete (mentioning new systems e.g. phone system etc) ETA is to be confirmed once work with HEFESTIS is complete.
8	26/04/2021	2.1, 2.5, 2.6, 3.5, 3.6	That there is a theft of, or damage to, Management Information System (incl. cyber-crime)	3	2	6	6	0	Impacts on the college's ability to provide a service to its users as well as potential financial and performance impacts.	Shared sector approach in place through HEFESTIS and advanced intelligence. Robust and regular testing of IT systems Business continuity plans in place for IT and MIS areas. Annual certification with Cyber Essentials Plus Incident response training **Jan 2024** Cyber essentials and cyber controls continue to be monitored, a review on the policies and procedures needs to take place to maintain current levels of confidence. The score can be lower at this review due to the actions being closed down from the audit. Impact remains high, however the probability of the risk can be lowered	3	1	3	3	0	**Jan 2023** Cyber Essentials Basic has been complete and college is compliant. Cyber Essentials Plus to be completed FEB 2023 Close off from H&L Cyber audit actions by the summer, which should change the position of this task. **April 2023** Cyber Essentials complete, Cyber training planned for the Board on the 2nd of May. Planned asset tracking update due in July 2023 to ratify the buildings equipment checks. **October 2023** Another Cyber Essentials Achieved for another year. Going through a O365 health check and reviewing the cyber risk framework for an update for progross. This risk will be driven through the cyber security aspects rather than business continuity **Jan 2024** Review of documentation for IT and cyber will be completed over the next few months **April 2024** As per the update to Risk 4, the recent incident has not adjusted this score, but displayed that the mitigations in place are working. Phishing, Pen testing and updates to incident response are all in progress	College successfully completed its Dec 2022 Cyber security audit with no issues. Incident Response Policy Updated Pen testing to be reviewed and purchased in the next few months
9	26/04/2021	1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 2.3	That there is a failure to achieve high standards of learning and teaching.	4	2	8	8	0	Impacts on the student experience, the college's reputation and Education Scotland risk ratings. Impacts on student recruitment leading to financial risk.	**October 2023** Self Evaluation currently being written. **January 2024** Care Review and HMIE Inspectorate visits planned for early 2024 to assess learning environment. **April 2024** Thematic Care review was very positive. Preparations under way for the Annual Engagement Visit	2	2	4	4	0	**August 2023** Current challenges with missing outcomes due to ASOS, as yet there is not a national approach to ASOS, and there has been no communication from the Scottish Funding Council. The impact of this may mean that results nationally will not be available in March 2024 **October 2023** Care will be the subject of a national thematic review in early 2024 by Education Scotland. **April 2024** Good thematic review on Care and progress reported on at CQD Committee in May 2024. Performance Indicators for 2022-23 reccieved and both FE FT and FE PT show significant increases in attainment.	Annual Engagement Visit from Education Scotland taking place Feb 2023. **January 2024** HMIE Inspectorate visit planned for early 2024.
10	26/04/2021	2.1, 2.5, 2.6, 3.1, 3.3, 3.4	That there is a failure to provide an engaging and effective employee journey.	4	2	8	8	0	Impact on the employee experience and could result in high turnover, high absence rates, disengagement, poor employee relations and industrial relations matters, poor performance of employees and subsequently a poor experience for students and negative impact on college reputation.	**October 2022** Accreditations achieved to date include: Disability Confident Employer and Leaders in Diversity. The re-accreditations of Investors in People and We Invest in Wellbeing are currently being progressed; Ongoing review of the employee journey, process optimisation and automation. Consideration for a new HR System; Refreshed policies and procedures include: Attendance Management and Support Procedure; Disciplinary Procedure; Grievance Procedure and the Public Interest Disclosure Policy and Procedure. **January 2023** Employee Journey being mapped out and associated procedures being drafted, with a view of lean process management and consideration of both automation and employee experience. People Managers being trained on disciplinary, grievance and investigations by ACAS. Review of payroll and pensions process. **April 2023** The College now has We Invest in Well Being Platinum. **August 2023** New integrated HR & Payroll system on track to be implemented in 2023. Pension reporting streamlined. **October 2023** More reslience in HR team with regards to learning how to do payroll. **January 2024** Wider HR team now trained to administer payroll.	3	2	6	6	0	The College is working on the implementation of a new HR system that will enhance experience, automate manual tasks. **April 2023** New HR system is in the process of implementation. **January 2024** New HR system progressing. **April 2024** The College is progressing a new employee engagement framework, including an initial employee engagement action plan.	
11	04/02/2022	2.1, 2.3, 2.5, 2.7, 3.1, 3.2, 3.4, 3.6 / Aim 1	That there is a failure to safeguard the health and wellbeing of staff and students.	3	3	9	9	0	Impacts on the health and wellbeing of staff and students. This could result in high absence, disengagement and higher withdrawal rates for students. Risk of serious harm to the individual if the appropriate safeguarding action is not taken. This would significantly impact the student and staff experience leading to potential risk of legal action, complaints and having a negative impact on the college reputation.	Ongoing effective development of safeguarding and health and wellbeing support for staff and students. Safeguarding / GBV Prevention / Corporate Parenting / Carers Support policies and procedures in place. Specialised staff in Student Services and HR responding to concerns or issues. Criminal Convictions and PVG is undertaken as part of the employee recruitment process. Safeguarding, Prevent and Corporate Parenting training is mandatory as part of the staff induction process. Safeguarding including Prevent, Corporate Parenting, Mental Health & Wellbeing information and videos part of the Learner Induction process. College Safeguarding Group is a cross-college group which has both student and staff membership - this groups meets quarterly. GBV Prevention Strategy and Action Place / Corporate Parenting Plan in place which is monitored by the Safeguarding Group. Other mitigations include:- •Student Support email address. Same day response, including responses to financial and emotional crisis support. •Guidance and support staff available on campus for in person support on same day appointment basis. •Staff are trained in Mental Health First Aid and ASIST •Dissemination and attendance of external safeguarding training opportunities, such as those provided by CDN, •Counselling Service for staff and students. •Weekly Yoga and Mindfulness classes for staff and students •Online Togetherall resource for staff and students •Same day response provided via dedicated student support email, including responses to financial and emotional crisis support. •Guidance and support / line management staff available on campus for in person support on same day appointment basis. •Annual safeguarding, health and wellbeing calendar of events •College Mental Health Group and LGBT Champion Group in place •Peer support groups for staff and students	3	2	6	6	0	**October 2022** Additional staff in Students Services to help support well-being. Student Support Strategy in progress. Remploy an organisation to facilitate staff return to work is now being used to support. "We invest in wellbeing" survey issued to staff as part of Investors in People application with action plan formulated to deal wityh results.. **August 2023** Funding approved by the SLC Trust (ALF) for two posts to support student and staff health and wellbeing. This is for Guidance & Support and Counselling. Pending SFC Mental Health Funds to support student health and welleling to be published for 2023-24. **October 2023** ALF approved funding for soup and a sandwich., with a further bid being submitted to the October ALF meeting. Pop up second hand shop now open to support students. **January 2024** A further bid has been approved by the ALF for soup and sandwich free breakfast and lunch initiatives, together with funding for a Hortocultural Garden space to promote both positive mental and physical health benefits for staff and students. Pop up second hand shop has been successful to date. **April 2024** ALF initiatives continue to be successful. health and well being intiatives continue.	
12	26/04/2021	1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 2.5, 2.6, 2.7, 3.1, 3.3	That the College cannot provide a robust learner experience supporting them onto their final destinations.	4	2	8	8	0	Relates to application and recruitment experience, students not receiving the appropriate or accurate information or the necessary access to support such as financial or health and wellbeing. Recruitment impacted by outdated systems impacting the experience. Also any delays to bursaries, additional IT equipment and discretionary support may impact.	Applications are monitored by the Student Services Team, review of application and enrolment system in train. Financial and emotional support offered by the Team. Team undertake regular training to provide the best possible service and to keep up to date with changes. Power BI now being used for curriculum planning and to ensure a more efficient application process. Other mitigations include •Same day response provided via dedicated student support email, including responses to financial and emotional crisis support. •Guidance and support staff available on campus for in person support on same day appointment basis. •Ongoing review of new Admissions electronic system to ensure smooth transition from application to enrolment. Additional work to be undertaken in this area via regular working group meetings. •Staff attendance at new Mental Health First Aid training, as provided by SLC. •Dissemination and attendance of external training opportunities, such as those provided by CDN, etc. •Review potential increase in counselling and guidance/support provision to ensure reduction in waiting times for emotional support. •Bursary software under review with developers. •Support being provided to SA including additional recruitment of new VP. •Provision of long term laptop loans via Library service to facilitate engagement in class and coursework. Reinforced links between the student association, class reps and quality team so directly links back to the learner More opportunities for students to undertake study skills in this academic year and it has now been introduced into twilight sessions. **August 2023** The vast majority of applications and students are progressed on a timely basis, however, further actions are being taken to ensure consistency across the college. Updated Student Association Student Mental Health Agreement (SMHA) produced. **January 2024** Late payment of bursaries in the first academic term impacted on student retention as some students could not support their studies	3	3	9	9	0	**October 2023** CEIAG workshops being delivered across all areas of the curriculum and more sessions being delivered by SDS in the College. Core skills project launched in August 2023 to support FT FE students in particular achieve a standard of literacy and numeracy. **April 2024** Further strengthening of the team to support with ensuring students receive student support timely. The SLT recently approved the conversion of a previously temporary bursary assistant role to a permanent role. Progression continues to be strong.	**January 2024** Internal process has been reviewed for 'lessons learned' from the administration of student bursaries to ensure quick disseminsation of funding going forward.

Strategic Risk Register		
Dated reviewed by Risk Management Group		23 April 2024
Dated reviewed by SLT		23 April 2024
Next date of review		13 August 2024

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13	26/04/2021	3.1, 3.2, 3.4, 3.5, 3.6	That there is a failure of Corporate Governance arrangements	4	2	8	8	0	That the College would fail in its duties as a public body and charity to adhere to statutory expectations. Risk to business delivery; risk to reputation; risk to effective relations between SLC and NCL e.g. given journey towards dissolution and risk of distraction or tension and ensuring impact on operational delivery.	Effective training and development for all staff, including in relation to compliance; Effective T&D for the Board, given 10 new members, building on the recommendations of the EER and including consideration of culture and values of Board. Advice sought from appropriate bodies (SFC, IA, Good Governance Steering Group). Planning for the transition to dissolution will be important to ensure that we have the right systems, processes and relationships in place to take up position as a Regional college. Work already in train to identify agreed actions; SFC has established a liaison group involving themselves, Scottish Government and the two colleges. The Audit and Risk Committee are overseeing a formal, quarterly review of all audit recommendations on a rolling basis to ensure that all actions agreed are completed appropriately and according to timetable. August 2023 Staggered appointment of new board members. October 2023 Appointed a new permanent Governance Professional in September 2023. April 2024 Governance Rolling Review updated and going to Board in June 2024 for further review. Governance Audit in train. IPrevious Interim Governance Professional returns due to permanent postholder having to leave for personal reasons. No break in service. Board Development day on Future Proofing the College: Entrepreneurship and Innovation	3	2	6	6	0	August 2023 5 new Board members appointed over the summer. Board Development day held in August to being strategic planning. October 2023 Appointed a permanent Governance Professional in September 2023 who has completed all CDN Induction training and is part of the Goverance Professionals Group. Is also having a detailed handover with the Interim Governance Professional. January 2024 Recruitment process launched to replace board members who have left. Audit of governance also to be undertaken by Henderson Loggie in February 2024. April 2024 Interim Governance Professional returned, no disruption to role. New Chair appointed and has been inducted. Refresh of committees and induction of new TU Board Members in train.	Acting Chair and Acting Principal in place. The latter of which has extensive experience of corporate governance and was part of the group responsible for the drafting and review of the Code of Good Governance for Scottish Colleges. Recommend decoupling corporate governance risk with the ongoing investigations. This would include: Reputational damage risk Financial Risk. Both the Clerk to the Board and the Chair of Audit and Risk Committee to be consulted. August 2023 Potential further organisational risk and adverse media due to activity following the investigation. Recruitment of senior roles within the college, provided feedback which demonstrated that candidates were not "put off" from working at the College.
14	24/01/2023	2.3, 3.2, 3.3	That there is a reputational risk to the College.	4	4	16	16	0	•That potential students, staff or Board members are deterred from enrolling / joining the College. •That the College suffers financial loss from a decrease in activity or loss of access to potential income streams.	• Staff development sessions on, for example, inclusiveness and diversity being part of mandatory training for staff; • Regular staff meetings including annual all-staff conference; • College has complaints procedure, clearly highlighted on website; • Extensive governance training for senior staff and Board members being delivered as part of a rolling programme of development April 2024 Crisis Communication Plan being developed and positive good news stories released.	3	4	11	12	0	• Strategy being delevoped to ensure that "good news" stories are gathered centrally and distributed accordingly, particularly via social media; • The implications of impending decrease in allocation of central funding or activity to be managed accordingly in terms of publicity and student / staff perception and morale; •Action plan being formulated to address issues raised in staff survey October 2023 College is aware of potential legal issues being raised which may impact on the reputation. Communication plan is being put in place to support. April 2024 External expertise being used to support the Marketing and Comms Team	October 2023 The new Marketing Manager starting in Nov 2023 will work on communication plan both internal and external.
15	26/10/2023	2.6, 2.7, 3.1, 3.2, 3.4, 3.5, 3.6	That the College is not on track to meet the Scottish Government net zero targets.	3	3	9	9	0		College has drafted a new Climate Change Emergency Action Plan, based on the Further and Higher Education road map, which will go to the Finance and Resources Committee on 27 November 2023 College works very closely with the Energy Skills Partnership to deliver on national skills agendas. College submits the Public Body Climate Change report submitted annually and monitors data.	3	2	6	6	0	LED lighting replacement programme. The replacement of 1900 lights to LED fittings. Additional Solar Panels fitted. The PV system comprise of 300 panels to give an additional output of 150kW. Scottish Green Public Sector Estate Decarbonisation Scheme. The College has engaged with Mott MacDonald regarding pre capital works to investigate the Central Government Energy Efficiency Capital Grant Fund 2023/2024 to support the College journey to NET Zero.	Note the College was not built with net zero in mind so the College is working on finding solutions through the funding being offered by the Scottish Government to support with a fabric first approach. January 2024 The College has also formed a Climate Change Action Team (CCAT) group to set out and deliver a project plan for further initiatives that will be undertaken to support the goal of net zero targets by 2040. This includes car charging ports, air tightness of the building, water conservation and aeration measures and further ground source heat pumps, to name but a few.

Risk Key	Low	1-4
	Medium	5-11
	High	12-16

Risk Key	1-4
	5-11
	12-16

Strategic Risk Register			Dated reviewed by Risk Management Group	23/04/2024								RSRMG
Summary Schedule			Dated reviewed by SLT	23/04/2024								29 April 2024
			Next date of review	13/08/2024								Agenda Item 4

Risk No.	Description	Cause	Link to College Strategic Objectives	Impact Rating (1-4)	Probability Rating (1-4)	Risk Score	Previous submission risk score	Movement since last submission		Post-mitigation impact	Post-mitigation probability	Post-mitigation score	Previous submission mitigation score	Movement since last submission		Risk Owner
1	That the College cannot maintain financial stability	Primarily externally influenced by available grant funding; internally influenced by promotion of commercial/leisure courses to drive other income streams and review of operations to reduce cost base.	3	4	4	16	16	→	0	4	4	16	16	→	0	VP for Finance, Estates and Sustainability
2	That there is a failure of financial controls	Internally influenced through operational activity and robust processes and procedures to mitigate against failure.	3	4	2	8	8	→	0	3	3	9	9	→	0	VP for Finance, Estates and Sustainability
3	That there is failure to meet Credit target and /or failure to retain major public and private contracts.	Internally influenced through operational activity & the College's ability to recruit and retain students through the creation of an effective and quality learning establishment.	1,3	3	2	6	12	↑	-6	3	1	3	6	↑	-3	VP for Learning & Teaching
4	That there is a breach of legislation and associated regulations (incl. GDPR)	Internally influenced through failure to document, action and monitor progress against legislative requirements	2,3	2	3	6	6	→	0	2	2	4	4	→	0	Head of IT
5	That there are insufficient funds for capital project and maintenance requirements	*Primarily* externally influenced by available grant funding; internally influenced by failure to designate funding appropriately through effective capital maintenance and investment planning.	1,3	4	2	8	8	→	0	3	3	9	6	↓	3	VP for Finance, Estates and Sustainability
6	That there is a failure to meet statutory and legislative health and safety as well as safeguarding requirements.	Internally influenced through failure to document, action and monitor progress against legislative requirements	2	3	3	9	9	→	0	3	2	6	6	→	0	Head of Estates / Head of IT
7	That there is business interruption due to major disaster, IT failure etc	Internally influenced through failure to document, action and test College response to major disaster, IT failure via business continuity procedures.	3	4	2	8	8	→	0	3	2	6	6	→	0	Head of IT
8	That there is a theft of, or damage to, Management Information System (incl. cyber-crime)	Internally influenced through failure to design and implement effective and secure IT system requirements.	2,3	3	2	6	6	→	0	3	1	3	3	→	0	Head of IT
9	That there is a failure to achieve high standards of learning and teaching.	Internally influenced through failure to promote high standards of teaching, through effective staff training and internal/external monitoring.	1,2	4	2	8	8	→	0	2	2	4	4	→	0	VP for Learning & Teaching
10	That there is a failure to provide an engaging and effective employee journey.	Internally influenced through failure to review adapt and implement HR policies to support employees throughout their careers.	1,2	4	2	8	8	→	0	3	2	6	6	→	0	Head of HR
11	That there is a failure to safeguard the health and wellbeing of staff and students.	Internally influenced through failure to utilise resources effectively and implement and follow required safeguarding procedures in line with legislative requirements.	1,2,3	3	3	9	9	→	0	3	2	6	6	→	0	VP for Learning & Teaching
12	That the College cannot provide a robust learner experience supporting them onto their final destinations.	Internally influenced through failure to support a robust learner experience through operational activity.	1,2	4	2	8	8	→	0	3	3	9	9	→	0	VP for Learning & Teaching
13	That there is a failure of Corporate Governance arrangements	Internally influenced by failure to devise, review and adapt policies and deliver training to stakeholders to support effective Corporate Governance.	2,3	4	2	8	8	→	0	3	2	6	6	→	0	Governance Professional
14	That there is a reputational risk to the College.	Internally influenced by failure to design effective operational controls to prevent financial loss or fraud or the mismanagement of staff/students.	3	4	4	16	16	→	0	3	4	12	12	→	0	Principal
15	That the College is not on track to meet the Scottish Government net zero targets.	Primarily externally influenced by available grant funding.	3	3	3	9	9	→	0	3	2	6	6	→	0	VP for Finance, Estates and Sustainability

College Strategic Objectives:										Risk Key	Low	1-4				
1	Successful students										Medium	5-11				
2	Highest quality education and support										High	12-16				
3	Sustainable behaviours																

AUDIT & RISK COMMITTEE

DATE	9 May 2024
TITLE OF REPORT	National Fraud Initiative (NFI)– 2022/23 exercise completion
REFERENCE	09.1
AUTHOR AND CONTACT DETAILS	Elaine McKechnie, Vice Principal – Finance, Resources & Sustainability Elaine.mckechnie@slc.ac.uk
PURPOSE:	To update the Committee on the results of the recent 2022/23 NFI exercise completion.
KEY RECOMMENDATIONS/ DECISIONS:	Members are recommended to: • note the contents of this report; and • take assurances from the clearance of matches identified which rendered no potential fraud issues.
RISK	• There are fraud risks resulting from the failure to satisfactorily complete the NFI exercise every 2 years. • There are risks to effective corporate governance at the College through failure to report potential fraud issues. • There are risks to the validity of insurance policies if fraud is found to underpin contractual procedures. • There are risks to the reputation of the College through failure to identify and respond to fraud issues. • There are risks to going concern because of poor reputation, reducing the potential pool of students and staff to support its operations.
RELEVANT STRATEGIC AIM:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• As a publicly funded body, the College is obligated to participate in the UK Government's matching exercise known as the National Fraud Initiative (NFI) every 2 years. • An upload of relevant information on personnel and supplier transactions was initially made on the NFI website by the College in respect of the 22/23 exercise. • There were 306 matches identified as a result of the data upload and on review, none were found to indicate any potential fraud issue.

1. INTRODUCTION

1.1. As a publicly funded body, the College is obligated to participate in the UK Government's matching exercise known as the National Fraud Initiative (NFI) every 2 years. The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

1.2. The matching exercise for 22/23 compared staff and supplier information such as names, addresses, national insurance numbers, invoice numbers and bank details, looking for matches in what may be deemed unconnected areas.

2 DATA PROTECTION

2.1 To help ensure compliance with the Data Protection Act 2018 in relation to participation in the NFI, Organisations must abide by the NFI Security Policy (appendix 11.2) and inform users of the requirements of this policy prior to using the system.

This security policy applies to all employees, temporary members of staff, sub-contractors and third parties who have access to the NFI system and covers:

- Adherence to the NFI information policy;
- Pre-employment screening checks;
- Restrictions to information sharing;
- Incident management and reporting;
- End point system security;
- Information loaded into NFI; and
- Threat levels.

2.2 As part of the College's compliance with the initiative, the College confirms during the exercise that appropriate steps have been taken to inform individuals about the collection and use of their personal data in accordance with the requirements of the General Data Protection Regulation and the Data Protection Act 2018. Individuals are also informed that personal data will be disclosed to fraud prevention (and/or detection bodies) for the purpose of assisting the prevention and detection of fraud.

2.3 The College's Data Protection Officer has reviewed the details of the exercise, including the method of collecting data, and is content that the College will not be exposed.

3 THE 22/23 COLLEGE MATCHING EXERCISE

3.1 The Vice Principal – Finance, Resources & Sustainability is the College's contact for the NFI. An upload of relevant information on personnel and supplier transactions was initially made on the NFI website by the College. This data is matched with the data returned by over 1,200 participating organisations. The result is a report from the NFI database that lists potential areas of fraud which the College, like all other participants, should investigate.

3.2 Participants can receive matches in three areas: HMRC, Payroll and Creditors.

4 RESULTS OF THE 22/23 MATCHING EXERCISE

4.1 There were 306 matches identified as a result of the data upload, categorised as followed:

4.1.1 Table of NFI 22/23 matches:

REPORT TITLE	TOTAL	STATUS	OUTCOME	COMMENT
Within Payroll to Payroll	1	Cleared	£0.00	Valid change of address for 1 employee
Payroll to Payroll	21	Cleared	£0.00	Valid employee movements across colleges (leavers and starters)
Payroll to Housing Benefit Claimants	1	Cleared	£0.00	Valid housing benefit for 1 employee
Payroll to Creditors	1	Cleared	£0.00	A valid payment to an employee who also provides Yoga services to the College; independent of his employment.
Duplicate creditors by creditor reference	128	Cleared	£0.00	Due to historical data upload, no issue.
Duplicate creditors by creditor name	1	Cleared	£0.00	Different local authority creditor had the same council reference. No issue.
Duplicate creditors by address detail	6	Cleared	£0.00	Valid supplier changes to trading name and/or address. No issue.
Duplicate creditors by bank account number	85	Cleared	£0.00	Due to historical data upload; no issue.
Duplicate records by amount and creditors reference	60	Cleared	£0.00	Due to periodic payments to suppliers (e.g. same value of invoice raised quarterly), invoices that were credited and then re-issued, and other valid purchase ledger adjustments. No issues.
Duplicate records by invoice number and amount but different creditor reference and name	1	Cleared	£0.00	Invoice was entered onto EDF energy account by mistake and was then adjusted/removed from EDF and put onto Total Gas. Only one payment made for Total Gas invoice - no issue.
Procurement - Payroll to Companies House (Director)	1	Cleared	£0.00	Represented a £500 payment that was made to an external company from the College for genuine reasons. An employee of the College is also a relation of the owner of the company who received the payment but all legitimate. No issue.
TOTAL	**306**	**Cleared**	**£0.00**	**No issues**

4.2 As per the table above, examples of payroll "matches" are where an employee is working for two organisations included in the national database or where an employee's bank details are identical, or majorly identical, to that of a supplier.

4.3 For Payroll matches, these are ranked. As an example, if an employee is identified as a full time equivalent in one organisation and part time in another, the system would identify this as a matter for investigation and the match rating would be "High". The logic is that this may identify employees who are being paid whilst sick but are working for another employer or who are "ghost" employees.

4.4 At the College, we have a number of employees who work part time (predominantly maintenance and temporary lecturers) and so we would expect to have a number of matches if employees seek part time employment with other organisations.

4.5 For supplier matches, while the upload of all historic data from the accounts system rendered a significant number of duplicate records in respect of trading name and bank account changes over the years, it is also possible that the College deals with two companies within a group with the two enterprises sharing the same address and / or bank account. As the Purchase Ledger dates to 1993, having duplicate supplier names / details is to be expected. These matches were all reviewed during the 22/23 exercise and no potential fraud issues were identified.

4.6 As at current date, the NFI database reflects that all outstanding actions have been completed.

5 EXTERNAL AUDIT

5.1 As part of their remit, Audit Scotland, as our external audit provider, must report on the College's progress re the Initiative. This is done via their report on the annual audit of the College's financial statements and again mid-year.

6 RESOURCE IMPLICATIONS

6.1 The previous Head of Finance worked through most of the matches with the Head of Human Resources to identify any potential issues during 2023. The results of their findings were recorded on the NFI database and any additional follow up concerns raised were concluded when the Vice Principal – Finance, Resources & Sustainability came into post in November 2023.

6.2 This was a large body of work through which the College invested significant amounts of time to resolve any outstanding matches. However, the College recognises the value of the exercise in the detection and prevention of fraud and seeks to assure the Board that there were no 22/23 matches found to suggest any malintent or fraud.

7 EQUALITIES

7.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

8 RISK AND ASSURANCE

- There are fraud risks resulting from the failure to satisfactorily complete the NFI exercise every 2 years.

- There are risks to effective corporate governance at the College through failure to report potential fraud issues.
- There are risks to the validity of insurance policies if fraud is found to underpin contractual procedures.
- There are risks to the reputation of the College through failure to identify and respond to fraud issues.
- There are risks to going concern because of poor reputation, reducing the potential pool of students and staff to support its operations.

9   RECOMMENDATIONS

9.1 Members are recommended to**:**

- note the contents of this report; and
- take assurances from the clearance of matches identified which rendered no potential fraud issues.

National Fraud Initiative

Security Policy
Version 6.0

Introduction

This security policy applies to all organisations ('the Organisation') using the National Fraud Initiative (NFI) system for the purposes of data matching.

This security policy applies to all employees, sub-contractors and third parties of the Organisation who have access to the NFI system.

The Organisation must agree to abide by this policy and inform their users of the requirements of this policy prior to using the system.

The Cabinet Office reserves the right to review the Organisation's compliance against this policy at any time.

Version	Date Released	Detail
1	21 July 2014	
2	22 August 2014	Minor amendment to criteria for notifying the Audit Commission about pre-employment screening checks.
3	15 August 2016	Replace references to Audit Commission with Cabinet Office
4	11 October 2018	Update references for new Data Protection Legislation and remove reference to legacy protective marking.
5	9 September 2020	Change PSN Network reference to 'alternative mechanism approved by the Cabinet Office' for data transfer
5.1	18 May 2021	Rebranded - no text changes
6.0	27 September 2022	Links added to detailed policies and general review

User Security Policy

User Information Policy

The following user agreement is presented to users when they first log into the NFI system and must be abided by:

The information contained within the NFI system is covered by the Data Protection Act, the Code of Data Matching Practice and HMG Policy. Only authorised users are permitted to access the system and users must ensure that they use the system appropriately and in accordance with the guidance supplied to them. Any information accessed, downloaded or printed from the system must be handled in line with the Data Protection Act and the Cabinet Office Security Policy Framework (SPF). Users and authorities must ensure that any information exported from the system is handled in line with HMG requirements for handling Personal and Protectively Marked information. If you have any questions about this, you should contact your Key Contact or Senior Responsible Officer (as applicable).

User Accounts and Clearance

All users should have undergone appropriate pre-employment screening checks to ensure that the threat to the system or the information is mitigated as far as possible. This includes any subcontractors, third parties or temporary staff that will be using the system on behalf of the organisation. It is recommended that the following standard (or equivalent) is adhered to: HMG Baseline Personnel Security Standard (BPSS) which covers:

- An identity check;

- Nationality and immigration status check (including an entitlement to undertake the work in question);

- Employment history check (past 3 years including a reasonable account of any significant period of time spent abroad); and

- Criminal record check (unspent convictions only)

The Cabinet Office should be notified, via nfiqueries@cabinetoffice.gov.uk, if users have not undergone appropriate pre-employment checks.

The Organisation will ensure that only authorised users access the NFI system.

The Organisation will ensure that when a user leaves the Organisation, their NFI account is removed immediately.

Restrictions to information sharing

Information sharing is to be strictly limited to authorised individuals who need to know it for the purposes of their necessary business duties. Users must not share their account with or disclose their password to anyone.

Users must not deliberately misuse the NFI system or attempt to use any facilities for which they do not have any authorisation.

Users must abide by the [Code of Data Matching Practice](#) and supporting documentation including the current NFI Guidelines and any associated guidance notes.

The Cabinet Office reserves the right to monitor and log all traffic on the NFI system and infrastructure.

System Security Policy

Incident Management and Reporting

All incidents that have a direct impact or may have an indirect impact on the NFI system must be reported to the Cabinet Office NFI team immediately on nfiqueries@cabinetoffice.gov.uk.

Examples of incidents include (but are not limited to):

- Unauthorised access to the NFI system;
- Virus outbreaks that may impact the NFI system or data;
- Inadvertent release of information to an unauthorised entity;
- Corruption of data or unexpected access to data; or
- Deliberate or accidental sharing of NFI accounts or passwords

End Point System Security

The Organisation is responsible for the security of all information viewed or extracted from the NFI system and is responsible for ensuring appropriate security controls are implemented to protect that information. The Cabinet Office is only responsible for the security of the information when it resides on the NFI system and is not responsible for the security of any end-point systems that view, extract or upload the information on the portal.

The Cabinet Office will maintain the accreditation of the NFI system so that it provides appropriate security measures to handle information classified as OFFICIAL. OFFICIAL-SENSITIVE where the caveat is used to cover sensitive personal information can also be processed by the system.

The Organisation shall ensure that procedures and system security controls are in place relating to information disclosed for data matching that reflect the provisions in the Code, relevant Data Protection legislation and any applicable HMG Standards. These procedures and controls should:

- make accidental compromise of, damage to or loss of the information unlikely during storage, handling, use, processing, transmission or transport;
- deter deliberate compromise or opportunist attack;
- dispose of or destroy information in a manner to make reconstruction unlikely; and
- make access to the NFI system and its data by unauthorised personnel unlikely.

The Organisation must only transfer data to the Cabinet Office data systems by secure data transfer through the online portal or alternative mechanism approved by the Cabinet Office.

The Organisation will ensure that NFI data exported from the NFI environment is stored on an appropriately secured system.

Information loaded into NFI

The Organisation will ensure that:

- all data loaded into the NFI is as accurate as possible and where possible that it has been scanned for malware prior to upload;
- data is password protected in line with the NFI guidance section 10 (Password protecting data);
- data does not exceed the protective marking of OFFICIAL-SENSITIVE; and
- the Cabinet Office is informed immediately if the protective marking for any of the Organisation's information rises above this level.

Threat Levels

If the threat levels posed to the Organisation's information increase or if the Organisation is informed of a particular threat to their information within the NFI system, the Cabinet Office must be informed immediately, via nfiqueries@cabinetoffice.gov.uk

AUDIT & RISK COMMITTEE

DATE	9 May 2024
TITLE OF REPORT	VAT on utilities – Azets review in January 2024
REFERENCE	10
AUTHOR AND CONTACT DETAILS	Elaine McKechnie Vice Principal – Finance, Resources & Sustainability Elaine.McKechnie@slc.ac.uk
PURPOSE:	To update the Committee on a potential input VAT underpayment that has been identified in 2024, setting out a plan of action to remedy the error and detailing the recommendations and controls in place to reduce the likelihood of a similar error in the future.
KEY RECOMMENDATIONS/ DECISIONS:	Members are recommended to: • note the contents of this report; • support the next steps of the process to ensure effective resolution of the issue; and • take assurances from the College that it will seek to eliminate any further breach of VAT requirements through a review of its key VAT processes and through more regular consultation with Azets.
RISK	• The College would like to offer assurances to the Committee that it recognises the important of effective VAT controls. • The main risk in respect of VAT is the risk of non-compliance with VAT legislation, resulting in reputational damage and/or financial loss in the form of fines or underpaid tax.
RELEVANT STRATEGIC AIM:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• This paper provides an overview of a potential input VAT underpayment that has been identified in early 2024 and sets out an intended plan of action to remedy the error, including recommendations and controls to reduce the likelihood of a similar error in the future. • A potential underpayment of over £104k has been identified and this will be remedied with HMRC as a matter of urgency.

1. INTRODUCTION

1.1. This paper provides an overview of a potential input VAT underpayment that has been identified in early 2024 and sets out an intended plan of action to remedy the error, including recommendations and controls to reduce the likelihood of a similar error in the future.

2 BACKGROUND

2.1 In January 2024, the newly appointed Vice Principal – Finance, Resources & Sustainability and the Management Accountant met with the professional accountancy firm, Azets.

2.2 Azets have provided the College with VAT expertise and advice over the last 6-8 years, establishing the consultancy service with the College when Azets (formerly Scott Moncrieff) was in post as internal auditors. The College greatly values the inputs from Azet's VAT function and regular dialogue across the academic year helps to ensure compliance in all VAT related matters.

2.3 In 2018, Azets advised the College to ensure that their utility bills represented a 5% and 20% input VAT split based on fee waiver and fee-paying headcounts. This instruction was in line with the agreed methodology in place with the HMRC, but it appears that this was never actioned. Instead, the College has continued to pay 5% VAT on utility bills, representing an underpayment of VAT to HMRC.

3 DISCUSSION

3.1 The discussion between Azets and the College in January 2024 was initially instigated to help upskill the finance team in relevant VAT requirements within the education sector.

3.2 When the College buys goods and services from suppliers it is charged input VAT. However, the 'sales' that the College makes are in respect of education and as such are exempt from VAT. With both exempt and taxable supplies, the College is not able to ordinarily recover any input VAT on making those supplies and the College budget will bear the total purchase cost of its supplies, inclusive of VAT.

3.3 Nevertheless, while there is no general exemption for Charities from the VAT system, the College can make use of partial exemption rules to allow the recovery of a small percentage of VAT, based on a ratio of fee-paying students to fee waiver students. This adjustment is referred to as the annual adjustment. For 22/23, the potential reclaim of VAT amounted to £898, based on a net recovery of 0.20% of taxable day-to-day expenses of £449k.

3.4 Currently, there is no real benefit to the College to perform the annual adjustment calculation for such a small recovery as the time and costs involved in preparing the calculation outweigh the VAT recovered. However, if the net VAT recovery percentage were to increase, it may be worthwhile considering whether the recovery of the input tax incurred on day-to-day expenses is beneficial.

3.5 Following on from this calculation, the ratio of fee-paying to fee waiver students is also utilised to inform the split of input VAT payable on our utility bills.

3.5.1 Table 1: 2022/23 Annual Adjustment VAT recovery calculations as provided by Azets

	2022/23
Business %	51.51%
Non-Business %	48.49%
Partial Exemption	0.38%
Day-to-Day Net Recovery %	0.20%

3.6 Based on the table above, the non-business percentage of 48.49% should have been used to update the College's energy providers for the purposes of the reduced-rate (5%) VAT on fuel and power. In effect, the College should receive 48.49% of its fuel and power costs at 5% VAT (with no Climate Change Levy charge), with the remaining 51.51% at 20% VAT (with a Climate Change Levy charge).

3.7 The Management Accountant has now reperformed calculations to ascertain the potential value of underpayment owing to HMRC. VAT rules dictate that the College would be liable for any underpayment across the last 4 years. On initial inspection, the underpayment looks to amount to £104,883 net of any late payment charges that could also be levied.

3.7.1   Table 2: Potential underpayment of input VAT on utility bills of £104,883.

Account Description	Total	Total 2023-24	Total 2022-23	Total 2021-22	Total 2020-21
ELECTRICTY	1,172,556	386,135	368,361	218,385	199,675
GAS	252,764	62,292	114,026	43,161	33,285
TOTAL	1,425,319	448,427	482,387	261,545	232,960
TOTAL LESS 5% VAT	1,357,447	427,074	459,416	249,091	221,867
VAT CHARGE 48.49% at 5%	32,911	10,354	11,139	6,039	5,379
VAT CHARGE 51.51% at 20%	139,844	43,997	47,329	25,661	22,857
LESS: VAT PAID AT 5%	(67,872)	(21,354)	(22,971)	(12,455)	(11,093)
Additional VAT due	104,883	32,998	35,497	19,246	17,143

3.8 NEXT STEPS

3.9 The Vice Principal – Finance, Resources & Sustainability and the Management Accountant are reconvening with Azets on Monday 13th May 2024. It is anticipated that the Finance & Resources Committee will receive a verbal update on any resolutions proposed at its meeting on Wednesday 15th May 2024 and a subsequent update will be brought to the full Board on Thursday 6th June 2024.

3.10   Initially, the workings that confirm the potential value of underpaid input VAT will be reviewed by Azets to ensure completeness. Azets will also be asked to explain how the existing HMRC approved methodology came into place.

3.11   The College will seek guidance from Azets on how to practically correct for the VAT underpayment, be it via utility providers directly or through direct interaction with HMRC.

3.12   With Azet's guidance, the College will settle the underpayment and will review the current methodology in place with HMRC to ensure that it is the most appropriate basis for the College. It is possible to seek approval to change the methodology, but this cannot be done retrospectively. Other Colleges canvassed by the Vice Principal – Finance, Resources & Sustainability in recent weeks appear to utilise a business to non-business split based on grant funding as a % of total income. With grant funding representing more that 60% of total income, those Colleges can legitimately pay 5% VAT on utility bills.

3.13   The College is also looking to put a contract in place to appoint Azets on a retained basis for a further four years. The Finance Team remain committed to regular meetings with Azets and offer assurances to the Committee that the College will act on any advice given across that period on a timely basis.

3.14   The Finance Team will also endeavour to build out an internal manual to document the scope and purpose of VAT within the education sector, together with key considerations for the College specifically. This will constitute an effective training aid within the Finance Team and ensure a source of information for any new postholders within the team.

3.15   The College Management Team and Governance Professional will ensure that the issue is detailed in the Governance Statement within the financial statements for 2023/24. Additionally, if the issue is not settled with HMRC by the end of July, a provision will be made for any repayment of the liability.

3.16   The College will also suggest that a VAT review is undertaken as part of scheduled works for 2025/26 by Henderson Loggie, the internal auditors to ensure that controls are well embedded with suitable process documentation to accompany.

3.17   **KEY CONTROLS**

3.18   To summarise, the key controls for VAT accounting include:
3.18.1 Training for all staff involved in VAT calculations;
3.18.2 Consultation and review of VAT legislative requirements regularly, such as the Value Added Tax Act 1994;
3.18.3 Documentation of internal processes to ensure consistent approach to VAT treatment within main finance systems; and
3.18.4 Segregation of duties across the Finance Team to ensure a review of VAT calculations and returns as prepared by the Management Accountant is undertaken by an independent colleague.

4   RESOURCE IMPLICATIONS

4.1 At a time of much financial difficulty for the sector, the College acknowledges the significant financial outlay required to correct the underpayment. It also acknowledges the additional time that will be incurred by Azets to provide appropriate support in ensuring that the correction is actioned.

5   EQUALITIES

5.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

6   RISK AND ASSURANCE

6.1 The College would like to offer assurances to the Committee that it recognises the important of effective VAT controls.

6.2 The main risk is the risk of non-compliance with VAT legislation, resulting in reputational damage and/or financial loss in the form of fines and/or underpaid tax.

7   RECOMMENDATIONS

7.1 Members are recommended to:

7.1.1   note the contents of this report;

7.1.2   support the next steps of the process to ensure effective resolution of the issue; and

7.1.3   take assurances from the College that it will seek to eliminate any further breach of VAT requirements through a review of its key VAT processes and through more regular consultation with Azets.

Audit & Risk Committee

DATE:	9th May 2024
AGENDA REF:	13
TITLE OF REPORT:	Governance Rolling Review
AUTHOR AND CONTACT DETAILS	Peter Scott peter.scott@slc.ac.uk
PURPOSE:	To update the Committee on progress with the Rolling review and consider an addition to the content
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is recommended to note that: • the Rolling Review is a dynamic document and is therefore always a work in progress but the latest iteration is attached for comment. • The College has a robust system for reviewing and updating Policies but Part C of the Code of Good Governance requires the Board to ensure that there are appropriate and effective systems of operational control and that, for audit purposes this oversight needs to be visible • Note and approve the proposed addition to the Rolling Review to incorporate a summary of key policies with dates for review and suggest other matters which usefully be incorporated .
RISK	Governance is recognised as a potential strategic management risk and appropriate mitigating actions such as maintaining a dynamic Rolling Review is fully consistent with best practice i .
RELEVANT STRATEGIC AIM:	• Highest quality education and support. • Sustainable Behaviors. • Successful Students
SUMMARY	• This report sets out a draft of the Rolling Governance Review for information and comment. • It focuses on the principles of good governance with subheadings of importance relating to each principle.

1. INTRODUCTION

1.1 This paper sets out the latest iteration of the Rolling Governance Review

2. GOVERNANCE IMPROVEMENT PLAN

2.1 The Governance Improvement Plan was established to address any identified or emerging issues identified in the ongoing review of Governance at South Lanarkshire College. This plan was completed, and the Board of Management agreed that there should now be a "Governance Rolling Review."

3. GOVERNANCE ROLLING REVIEW

3.1 The principles of good governance are:
3.1.1   Leadership and Strategy
3.1.2   Quality of the Student Experience
3.1.3   Accountability
3.1.4   Effectiveness
3.1.5   Relationships and Collaboration

3.2 .1 The Governance Rolling Review focuses on these areas, with relevant subheadings of importance.

3.2.2 The Rolling Review has the potential to provide, in addition, visible audit evidence of the role of the Board in monitoring key areas such as Policy Review which had historically been considered an area of weakness.

3.2.3 Robust operational systems are now in place but in the interests of improved visibility it is recommended that there should be an addendum to the Rolling Review listing the key policies with dates of the current versions and the dates for review

4 RISK

4.1 Governance is recognised as a potential strategic management risk and appropriate mitigating actions such as having a Governance Rolling Review, which is best practice, is required.

5 EQUALITIES

5.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

6 RECOMMENDATIONS

6.1 The Committee is recommended to note that:
- the Rolling Review is a dynamic document and is therefore always a work in progress and comment as appropriate on the latest iteration.
- The College has a robust system for reviewing and updating Policies but Part C of the Code of Good Governance requires the Board to ensure that there are appropriate and effective systems of operational control and that, for audit purposes this oversight needs to be visible
- Note and approve the proposed addition to the Rolling Review to incorporate a summary of key policies with dates for review and suggest other matters which usefully be incorporated .

ROLLING GOVERNANCE REVIEW DRAFT

The actions to deliver improvement contained in this plan will be developed and implemented to address any previously identified or emerging issues identified by way of Ongoing Review of Governance at South Lanarkshire College. This will proceed following consultation with Board Members and Senior Staff. A RAG system has been used to enable tracking of progress against actions and timescales.

Development Categories	Issue	Action	By Whom and When	Status and Progress Update
Leadership & Strategy	Conduct in Public Life	Training in New Code of Governance to be provided	Governance Professional - ongoing	Most recently a paper was delivered to the Board informing Members of the role of the Code in facing challenge
	Vision & Strategy	Involve Trade Unions in forward planning	Principal and Governance Professional Ongoing	Most recently a tailored Induction Briefing was delivered by the Governnace Professional
	Performance	Refresh paperwork for self assessment and evaluation and plan for externally facilitated self assessment review	Governance Professional for start of academic year	Paperwork refreshed and discussions with Internal Auditors will be ongoing
	Corporate Social Responsibility	Improve dialogue & communication with all stakeholders	Principal / Chair ongoing	Work in hand
		Classroom dialogues with Board Members subject to agreement with Teaching Staff	Chair / Principal	Availability of Board members to be considered and appropriate slots to be identified
Quality of Student Experience	Student Engagement	Identify mechanisms for recognising and rewarding input of student body to support quality	Chair /Principal	Ongoing
	Relevant High-Quality Learning	Identify alternative learning & teaching initiatives and potential funding streams for same	Principal Ongoing	Most recently the April Training Day heard papers on the financial and other challenges

	Quality Monitoring & Oversight	Work with SA and Class Reps to improve Quality Monitoring feedback	Vice Principal Learning and Teaching	Ongoing within CQD
Accountability	Accountability & Delegation	Involve staff in discussions on facing challenge	Vice Principal Learning and Teaching	Difficult in context of ongoing sectoral challenges
	Risk Management	Connect risk appetite to risk register	Vice Principal Finance	Risk is an ongoing topic in ARC
	Audit Committee	Membership to be adjusted in line with New Code	Governance Professional	Implemented
	Remuneration Committee	Terms of Reference to be updated	Governance Professional	Currently being considered as part of an overarching review
	Financial & Institutional Sustainability	Identify opportunities and address challenges in context of "flat cash" settlement	BoM	Will be informed by ongoing work on Vision & Strategy
		Explore options for best use of resources to generate income	BoM	Ditto
		Explore options for 3rd sector partnerships	BoM	Ditto
		Explore possibility of identifying a university MBA research project for measuring cost -v- value efficiency	Principal / Vice Principal Learning & Teaching	Ditto
	Staff Governance	Facilitate regular opportunities for Board members to engage with staff and staff representatives	Governance Professional	Post holder change has impacted on timeline
		Improve information flow to appointed staff representatives	Principal & Governance Professional	Input from newly appointed Trade Union Members required
		Involve appropriately skilled staff by way of attendance at Committee Meetings and also participation in Strategy and Training days	Principal & Governance Professional	Considerable progress made but always room for discussion on potential for improvement

Effectiveness	Board Chair	Plan for appointment of new Chair in 2024	BoM		New Chair Appointed but appointment of a new Vice chair now work in hand
	Senior Independent Member	Refresh Training & Support	Governance Professional		Work in hand
	Board Members	Identify Training needs	Ditto		Work in hand
	Principal & Chief Executive	This item for consideration by "three legged Stool"			?
	Governance Professional	Recruit new postholder	Board		Completed
		Agree overarching policy on resolving issues around grievance, breach of contract and conflict of interest	GP / HR		Impacted by change of postholder
	Appointment Induction & Training	New processes in anticipation of TU membership	GP		Induction awareness sessions already taken place and membership processes in hand
	Board Evaluation	Revisit and refresh process and procedure	GP		Substantially complete
Relationships & Collaboration	Partnership Working	Build Collaborative initiatives with Regional Partner	Clerks to Board		Projects identified for training & development
		Community Development	To be informed by ongoing strategic discussions		?
Other		Equalities	SLT		No current issues
		Student Association Support & Recognition	SLT		Good working relationship and funding obtained from te educational foundation for projects identified by SA

Table of Key Policies with details of review dates			Governance Professional	Currently being considered by ARC

ROLLING GOVERNANCE REVIEW DRAFT

The actions to deliver improvement contained in this plan will be developed and implemented to address any previously identified or emerging issues as noted by way of the "Ongoing Review of Governance" at South Lanarkshire College (SLC). This is proceeding following consultation with Board Members and Senior Staff. A RAG system has been used to enable tracking of progress against actions and timescales.

Development Categories	Issue	Action	By Whom and When	Status and Progress Update as at February 2024
Leadership & Strategy	1.1 Conduct in Public Life	Training in New Code of Governance to be provided	Governance Professional January 2023 already completed but Governance Professional to ensure that CDN online training completed by June 2024	The new Code was formally adopted by the Board in January 2023 with a Briefing Paper provided by the then Governance Professional. Induction of all new members was by reference to the new Code and training to Trade Union Observers was likewise based on the new Code. All Board Members should however engage with the online training pack now available via CDN as part of ongoing training.
	1.2 Vision & Strategy	Involve Trade Unions (TUs) on Board	Governance Professional March 2024	While TUs have been observing on SLC board for several months. One Trade Union Member appointed already and second being processed.

	1.3 Performance	Refresh paperwork for self-assessment and evaluation and plan for externally facilitated self-assessment review	Governance Professional December 2024	All now refreshed but some slippage on externally facilitated review due to change in postholder
	1.4 Corporate Social Responsibility	Improve dialogue & communication with all stakeholders	Principal / Chair March 2024	The College had been issuing a stakeholder newsletter, however, due to the change in Marketing and Communication Managers this stopped. The new Manager started in November 2023 and this will recommence June 2024.
		Board member involvement in the understanding of learning, teaching and assessment. Subject to agreement with teaching staff.	Principal / Vice Principal for Learning and Teaching and the Student Experience. March 2024 for Board approval.	This is to provide an opportunity for Board members to engage with staff and students. They may do this by: • Speaking with curriculum managers or support managers; • Informally (and with agreement and notification) pop into classrooms to speak to lecturers and students where appropriate. • Attending (with prior agreement) team meetings. Accepted by Board in M proposal will be taken to the Board in March 2024.

2	Quality of Student Experience	2.1 Relevant High-Quality Learning which meets local, regional and national skills needs.	Board members through strategic planning days to undertake a curriculum review.	Principal and Vice Principal for Learning, Teaching and the Student Experience April 2024	At the April Planning Day members participated in a skills planning workshop, with external input. HMI will present to Board following the Annual Engagement Visit, to provide further reassurance, which is likely to take place after Easter.
		2.2 Student and Engagement and Quality Monitoring & Oversight	Work with the Student Association (SA) and Class Reps to improve Quality Monitoring feedback. Identify mechanisms for recognising and rewarding input of student body to support quality	Vice Principal Learning, Teaching and the Student Experience April 2024	Reinstate the Student Parliament with Board members attending where appropriate. Also, through the Board Member Conversations as outlined in 1.4 give members an opportunity to engage with students. The Curriculum and Quality Committee oversees progress of the Quality Enhancement Plan presented.
3	Accountability	3.1 Accountability & Delegation	Involve staff in discussions on facing challenge	Principal and VP for Finance, Resources and Sustainability April 2024	Board Members and management appropriately briefed on Training Day April 2024.
		3.2 Risk Management	Connect risk appetite to risk register	Vice Principal Finance, Resources and Sustainability April 2024	Consult with the Internal Auditors on providing a further risk appetite session due to new board members joining. Potentially at the Strategy Day in April 2024. Then work to consolidate into the risk register.

		3.3 Audit Committee	Membership to be adjusted in line with New Code	Governance Professional [Ongoing]	Implemented but now to be reviewed and clarified in light of Trade Union Membership.
		3.4 Remuneration Committee	Terms of reference to be revisited.	Governance Professional & Chair [Ongoing]	The committee already considers the remuneration of some senior staff as well as the Principal, but this will be clarified as part of an overarching review of all committee terms of reference
		3.5 Financial & Institutional Sustainability	Identify opportunities and address challenges in context of "flat cash" settlement. Explore options for best use of resources to generate income. Explore options for 3rd sector partnerships.	Principal and Vice Principals April 2024	At the April planning day review income diversification opportunities with Board members and options for collaboration were discussed and responses now being collated
			Explore possibility of identifying a university MBA research project for measuring cost -v- value efficiency	Vice Principal for Finance, Resources and Sustainability May 2024	This is being considered at the Tri Partite Group with Scottish Government, Scottish Funding Council and college representatives. Will await the outcome. The College is able to do this through Power BI as part of business planning approaches.
		3.6 Staff Governance	Facilitate regular opportunities for Board members to engage with staff and staff representatives	Principal & Governance Professional [Ongoing]	It will be useful to hear advice from Trade Union Board Members and others

		Improve information flow to appointed staff representatives	Principal & Governance Professional [Ongoing]	Governance Professional publishes meeting minutes to website. But again taking advice from staff and trade Union Members will be helpful with a view to publishing a college wide update on key discussion points following Board meetings, where appropriate.
		Involve appropriately skilled staff by way of attendance at Committee Meetings and also participation in Strategy and Training days	Principal & Governance Professional Training Day – 30th April 2023	Considerable progress made but always room for discussion on potential for improvement. Members of the Senior team regularly attend Committees to present on items, for example Curriculum and Quality and the Audit and Risk Committee.
4.1 Effectiveness	4.2 Board Chair	Plan for appointment of new Chair in 2024	Principal & Governance Professional June 2024	A recruitment process has started and aims to recruit 3 new board members to reach the appropriate number of members. A new Chairing member has been appointed and steps are in train to appoint a new Vice Principal
	4.3 Senior Independent Member	Refresh Training & Support	Governance Professional	A new SIP requires targeted training albeit Board Training generally has included this.
	4.5 Board Members	Identify Training needs	Governance Professional April 2024	The 2023 self-assessment identified perceived training needs and feedback from the April Training day and from the 2024 self assessment will further inform this .

		4.6 Principal & Chief Executive	Set objectives and identify any training needs.	Chair April 2024	As above
		4.7 Governance Professional	Recruit new postholder	Board [Ongoing]	A candidate was duly appointed but has since moved on for personal and professional reasons. The former Governance Professional has returned to the post however to provide continuity. A longer term strategy is now under consideration
			Agree overarching policy on resolving issues around grievance, breach of contract and conflict of interest	Governance Professional / Human Resources Director [Ongoing]	Governance Professional and HR Director to draft policy for consideration by Board. Some slippage due to change in postholder
		4.8 Appointment Induction & Training	New processes in anticipation of TU membership	Governance Professional [Ongoing]	SLC has had TU observers at Committees and Board for several months. Formal induction has now taken place and also special training provided for committee Chairs.
		4.9 Board Evaluation	Revisit and refresh process and procedure	Governance Professional [Ongoing]	The way forward will be informed by an externally facilitated Self-assessment exercise, but new feedback forms are in place with a view to minimising the impact on Board Member time. The GP is currently working with the Chairing Member on refreshing the skills matrix.
5	Relationships & Collaboration	5.1 Partnership Working	Build Collaborative initiatives with Regional Partner	Governance Professional and Principal	Projects identified for training & development.

			June 2024	In addition, the Principal of South Lanarkshire College and the New College Lanarkshire Principal have started to meet regularly to consider options. Also, the Skills Led Region Planning sessions facilitated by Colleges Scotland for further collaboration, as well as the College West Partnership.
		Community Development	Principal and Vice Principal for Learning Teaching and the Student Experience. [Ongoing]	The College has already had engagement sessions with South Lanarkshire Council with the senior team, with a further session planned. At the Strategic Planning Day further opportunities for working were discussed for links with the community – including, potentially the Principal and/or the Chairing Member to meet with the new Chief Executive of South Lanarkshire Council.
6 Other	6.1 Equalities	Equalities Awareness Training	Governance Professional Ongoing Training	A dedicated training session has already been provided by the former Governance Professional and is available on the Board Portal, but a refresher might usefully be considered at some future point. The Board manual is in course of being updated and will include a briefing on this topic

| | 6.2 Student Association Support & Recognition | Student Awards Funding | Management | Senior staff are already supporting the SA in seeking funding from the Educational Foundation but further mechanisms for rewarding student effort are being considered. |
| | | | Ongoing Support | |

It is now proposed that Schedule of Key Policies will be added to the rolling review to give visibility to oversight of policy review

Technical Bulletin 2024/1

Technical developments and emerging risks from January to March 2024

AUDIT SCOTLAND

Prepared by Audit Scotland for appointed auditors and audited bodies in all sectors

3 April 2024

Contents

1: Introduction

Purpose

The purpose of Technical Bulletins from Audit Scotland's Innovation and Quality (I&Q) business group is to provide auditors appointed by the Auditor General for Scotland and Accounts Commission for Scotland with:

- information on the main technical developments in each sector during the quarter

- information on professional matters during the quarter that are expected to have applicability to the public sector

- summaries of responses to any requests from auditors for technical consultations with I&Q.

Appointed auditors are required by the Code of Audit Practice to pay due regard to Technical Bulletins. The information on technical developments is aimed at highlighting the key points that I&Q considers auditors in the Scottish public sector require generally to be aware of. It may still be necessary for auditors to read the source material if greater detail is required in the circumstances of a specific audited body. Source material can be accessed by using the hyperlinks.

Any specific actions that I&Q recommends that auditors take are highlighted in green.

Technical Bulletins are also published on the Audit Scotland website and therefore are available for audited bodies and other stakeholders to access. However, hyperlinks to source material indicated with an asterisk (*) link to files on Audit Scotland's SharePoint* and are only accessible by auditors.

Highlighted items

I&Q highlights in the following table a selection of the items in this Technical Bulletin that are of particular importance:

Highlighted items		
I&Q has published guidance on reporting on summary financial information in 2023/24 **[paragraph 1]**	The Scottish Government has issued revised statutory guidance on accounting for service concession arrangements **[paragraph 4]**	CIPFA has published guidance notes on the 2023/24 accounting code **[paragraph 14]**
CIPFA has issued a disclosure checklist for 2023/24 **[paragraph 17]**	I&Q has published two auditor assurance protocols **[paragraph 21]**	The Accounts Commission has published a financial bulletin on 2022/23 **[paragraph 24]**
I&Q has published a briefing on section 106 charities **[paragraph 27]**	I&Q has published guidance on risks of misstatement in 2023/24 annual report and accounts **[paragraph 40 and 69]**	I&Q has published model forms of IARs for 2023/24 **[paragraph 44]**
Treasury has re-issued the 2023/24 FREM and issued the 2024/25 FReM **[paragraph 49 and 58]**	The Scottish Government has issued the NHS accounts manual and CAM for 2023/24 **[paragraph 72 and 80]**	The FRC has issued a revised Ethical Standard **[paragraph 83]**

Consulting with I&Q

Auditors should consult with I&Q by sending an email to TechnicalQueries@audit-scotland.gov.uk.

2: All sectors

TGN on reporting on summary financial information in 2023/24

1. I&Q has issued a Technical Guidance Note (TGN) TGN/SFI/24 to provide auditors with guidance on examining and reporting on summary financial information for 2023/24. The TGN is available to auditors on SharePoint* and is also freely available from the Audit Scotland website.

2. Summary financial information refers to a structured representation of financial information that is derived from, but contains less detail than, a full set of financial statements. In some cases, an audited body may be required by its sponsoring body to produce a separate annual report that includes summary financial information. In other cases, a body may choose to produce a report or other document that contains summary financial information as defined above.

3. In either event, auditors should express an opinion on the summary financial information's consistency with the audited financial statements. TGN/SFI/24:

- provides guidance for auditors on the examination of the summary financial information

- sets out and explains the testing and reporting procedures that auditors should carry out (all summarised in the checklist at Appendix 1)

- provides a model form of report at Appendix 2.

3: Local government sector

Revised guidance on accounting for service concession arrangements

4. The Scottish Government has published Finance Circular 7/2023 to provide revised statutory guidance on accounting for service concession arrangements, leases and similar arrangements. The revised statutory guidance replaces Finance Circular 10/2022 from 1 April 2024.

5. Finance Circular 10/2022 temporarily permitted a local authority to recognise the principal repayments for a service concession arrangement over the asset life rather than contractual term. This temporary flexibility is not reflected in the new statutory guidance.

6. With the exception of those service concession arrangements to which the flexibility was applied in either 2022/23 or 2023/24, from 1 April 2024 the annual statutory charge to the General Fund for all existing and new service concession arrangements, leases and similar arrangements will be required to:

- reflect the principal element of the contractual repayments

- be charged to the General Fund over the term of the contract.

7. Finance Circular 10/2022 will continue to apply where the temporary flexibility was exercised.

8. The proposed amendment explained in Technical Bulletin 2023/4 (paragraph 33) relating to leases reclassified on transition to IFRS 16 has not been progressed.

Proposed amendments to loans fund repayments - update

9. The Scottish Government has issued a response* to the comments received on its consultation on amending requirements for calculating repayments to loans fund advances (explained in Technical Bulletin 2023/4 (paragraph 23). The consultation proposed amendments to:

- The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (the 2016 Regulations) which set out the statutory requirements for loans fund accounting

- Finance Circular 7/2016 (the statutory guidance) which sets out proper accounting practices for loans fund accounting.

10. The original proposed amendments to the 2016 regulations and any revisions to the actual amendments (which will come into force on 1 April 2024 rather than the proposed 1 April 2023) as a result of the consultation are summarised in the following table:

Original proposal	Revised requirement
A variation to a loans fund repayment must not extend the repayment period beyond the earlier of the end of the asset's useful life or 50 years after advance was made.	The revised requirement is that a varied repayment period must not exceed the useful life of the asset. Where a useful asset life cannot reasonably be determined, the repayment period may not exceed 50 years. Scottish Ministers may permit a longer repayment period where there is a compelling reason to do so.
Variation to a loans fund repayment must be applied prospectively and can never give rise to a nil or negative repayment.	No change
A loans fund repayment may not be varied where Scottish Ministers have consented to that borrowing	No change
Any decision to make a variation must be made by the whole council and may not be delegated.	Proposal withdrawn

11. The 2016 regulations apply to loans fund advances made prior to 1 April 2023 and have been amended by The Local Authority (Capital Finance and Accounting) (Scotland) Amendment Regulations 2024 to give effect to the above revisions. Equivalent amendments will be made to the statutory guidance which applies to advances made after 1 April 2023.

12. The following additional amendments to statutory guidance were deferred for further consideration:

- A requirement to categorise each loans fund advance against a specific element of capital expenditure.

- A restriction or removal of the use of the annuity method of establishing the loans fund repayment profile for new capital investment projects from 1 April 2023.

- An amendment to advise that the use of capital receipts to meet loans fund repayments does not reflect prudent provision and the Scottish Government has a longer-term aim to restrict the use of capital receipts for loans fund repayments.

- From 1 April 2023, all loans fund advances that relate to new capital investment projects which have not been approved prior to 1 April 2023 must be repaid in full on derecognition of an asset.

13. The above amendments, if applied, would not be introduced before 1 April 2027.

Guidance on 2023/24 accounting code

14. The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance notes* to support the Code of Practice on Local Authority Accounting in the UK 2023/24 (2023/24 accounting code).

15. The overall aim of the guidance notes is to explain and illustrate how to apply the accounting requirements of the accounting code, provide background to the requirements, and illustrate how they might be applied in practical situations. The guidance is not mandatory.

16. This edition of the guidance notes has been updated to reflect changes to the 2023/24 accounting code (explained in Technical Bulletin 2023/2 – paragraph 44). The most significant changes relate to accounting policies as a result of amendments to IAS 1 including the following:

- Guidance has been added to pages 31 and 32 on the application of amendments related to the selection and presentation of accounting policies. The guidance highlights that there is:

  - greater care to be taken to avoid 'boilerplate' text, especially where it is not tailored to the authority or simply repeats accounting code requirements

  - greater emphasis on the effectiveness of the judgements made in deciding what is material

  - a focus on organising and presenting material accounting policy information clearly and concisely.

- Further guidance has been added to paragraphs 32 to 34 on making judgements on materiality, highlighting the process to identify information that might influence the assessment, classification and presentation of material information clearly and concisely.

- Guidance has been added on pages 193 to 199 which clarifies the distinction between changes in estimates, changes in accounting policies, and correction of errors.

2023/24 disclosure checklist

17. CIPFA has issued a disclosure checklist* for the 2023/24 financial statements. It is intended for use as an aide-memoire to assist in meeting the requirements of the accounting code.

18. The checklist is in the form of a series of questions and the implications of the answers are set out in the following table:

Answer	Implication
Yes	The accounting code is being complied with.
No	A justification for departing from the accounting code should be given. For example, a legitimate justification may be that the information resulting from a particular disclosure is not material.

19. When evaluating whether the accounting code's disclosure requirements have been met, auditors should:

- request that the body completes the 2023/24 disclosure checklist

- investigate the reasons for any non-compliance that the checklist highlights

- evaluate whether the body's responses in the checklist are consistent with auditor's knowledge.

20. Where the body declines to complete the checklist, auditors should:

- establish the alternative arrangements by which it satisfies itself regarding the completeness of disclosures

- evaluate the adequacy of the arrangements

- consider completing the checklist as part of their audit procedures, where the body's arrangements are judged not to be adequate.

Auditor assurance protocols for 2023/24

21. I&Q has published two protocols to provide agreed frameworks for auditors to seek and provide certain assurances from auditors of other public bodies (assurance protocols). The assurance protocols are summarised in the following table:

Protocol subject	Nature of audit assurances
Local Government Pension Scheme (LGPS)	LGPS pension fund auditors request assurances from employer body auditors in respect of pension contributions payable by the employer body to the pension fund.
	Employer body auditors request assurances from pension fund auditors in respect of information provided by the pension fund to the actuary in relation to their reports on employer bodies.

Protocol subject	Nature of audit assurances
Integration joint boards (IJBs)	IJB auditors request assurances from the auditors of the constituent authorities regarding information not held by the IJB.

22. The assurance protocols set out the potential range of assurances but do not compel any specific assurances to be sought. It is not expected that any assurances outwith the specified range will generally be requested but that will be a matter for local agreement in 2023/24.

23. Auditors should:

- judge whether it is necessary to request any assurances from other auditors in 2023/24

- follow the agreed frameworks in each protocol when requesting or providing assurances.

2022/23 financial bulletin

24. The Accounts Commission has published its annual financial bulletin of Scottish local authorities. The bulletin provides a high-level independent analysis of the financial performance of local authorities during 2022/23 and their financial position at 31 March 2023. Some key messages include the following:

- There is pressure on capital budgets, presenting risks to the viability of local government capital programmes, Capital funding from the Scottish Government rose in 2022/23 but remains lower than before the pandemic and has been volatile over the past decade.

- An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services.

- Councils anticipate budget gaps of over £476 million for the year, higher than the previous year. Councils are increasingly having to rely on savings and reserves to balance budgets. Half of councils increased their usable reserves in 2022/23, and overall usable reserves grew to £4.45 billion.

2024/25 finance settlement

25. The Scottish Government has published Finance Circular 8/2023 announcing the local government finance settlement for 2024/25 and revised funding for 2023/24.

26. The circular provides details of:

- the provisional total revenue and capital funding allocations for 2024/25

- the latest information on redeterminations for 2023/24

- a range of non-domestic rates measures, including the proposed poundage for 2024/25 and changes to certain reliefs.

Section 106 charities accounts

27. I&Q has issued a briefing to encourage a reduction in the number of sets of accounts of registered charities that fall within the scope of section 106 of the Local Government (Scotland) Act 1973 (section 106 charities). The briefing provides information on:

- the number of section 106 charities administered by each local authority in 2022/23

- the number of related sets of accounts.

28. Local authorities continued to administer a total of 165 charities in 2022/23 (a small reduction of five from 2021/22). In order to reduce the number of section 106 charities in 2023/24, auditors should strongly encourage authorities with multiple charities to:

- reorganise their charities through merging or winding them up, particularly when they appear to be failing to meet their charitable aims (e.g. by not disbursing funds)

- consider appointing an external trustee as this would remove the charity from the scope of section 106.

29. In the meantime, there is scope under the charity regulations for connected charities to prepare a single set of accounts. In I&Q's view, the definition of connected charities is met for section 106 charities administered by the same local authority even where trustees differ as they meet the condition for 'unity of administration'. However, in 2022/23:

- four authorities made only partial use of the connected charities provisions and produced 18 sets of accounts between them

- four authorities made no use of the provisions and produced 16 sets of accounts.

30. Auditors should strongly encourage local authorities to make full use of the connected charities provisions in 2023/24.

Consultation on measures to aid local audit in England

31. The CIPFA/LASAAC Board has issued a consultation on measures to aid the recovery of local audit in England. The proposals are set out in an update to the accounting code that would apply to local authorities in England only and would apply to 2023/24 and 2024/25. Although intended for England, Scottish stakeholders may be interested in the nature of the proposals.

32. The main proposal relates to an option to use specified indexation to remeasure operational property, plant and equipment instead of using professional valuations. This would involve the following:

- Asset values in 2023/24 and then 2024/25 would be based on the information in the 2022/23 financial statements updated by a standard index.

- The index would be centrally determined and be adjusted to reflect different regions in England.

- The consultation asks which party would be appropriate to determine the index to be applied.

- The asset values would still need to reflect current value subject to considerations of materiality. Local authorities will therefore still need to ensure that asset carrying amounts are supported by a sufficiently current evidence base.

33. There is also a proposal to reduce disclosures for pensions reporting. The proposal is to align disclosure requirements for pensions with FRS 102. The reduced requirements would therefore be for a local authority to disclose information that:

- explains the characteristics of its defined benefit plans and risks associated with them

- identifies and explains the amounts in its financial statements arising from its defined benefit plans

- describes how its defined benefit plans may affect the amount and timing of the authority's future cash flows.

34. Responses to the consultation were required by 28 March 2024.

Availability of 2023 triennial valuation reports

35. Technical Bulletin 2023/4 (paragraph 41) provided a view from I&Q on whether pension amounts in the balance sheet should be adjusted to reflect the 31 March 2023 triennial valuation. I&Q is aware that some pension funds have received triennial valuation reports from their actuaries and the following paragraphs provide updated guidance.

36. The triennial valuation sets the employer contribution rate for the next three years. It involves a more detailed estimate of a local authority's obligations than is required by the accounting code for IAS 19 reporting. However, the accounting code establishes the triennial valuation as the starting point for IAS 19 reporting, though it does not anticipate that it is directly used in the financial statements. A separate report for IAS 19 purposes is therefore required to be prepared by an actuary. The 31 March 2023 valuation reports will then be the starting point for the IAS 19-based amount in the balance sheet at 31 March 2024.

37. However, where the 2023 valuation reports become available before the 2022/23 audits are complete, local authorities need to consider the impact on the pension amounts in the balance sheet. CIPFA issued a [bulletin] to support this consideration (initially for English local authorities in 2021/22 but which is equally applicable to Scottish authorities in 2022/23). The bulletin advises authorities to review the triennial valuation with the actuary to determine whether it includes information which may provide evidence of an adjusting or non-adjusting event. Paragraph 11 of the bulletin provides helpful examples to aid this determination (e.g. changes in membership data or demographic assumptions that the actuary should have taken into account in the IAS 19 report).

38. The bulletin also highlights the importance of judgements on materiality in terms of whether any differences could reasonably be expected to influence users' decisions or conclusions. This is important when determining whether:

- the triennial valuation provides sufficiently different information to justify asking actuaries to revisit the IAS 19 information

- if IAS 19 information is revisited, the figures are sufficiently different from those in the unaudited accounts to require amendment.

39. Auditors should check that affected local authorities have discussed the impact of triennial reports with their actuaries and use that information to inform their own judgements on the likelihood of material adjustments being necessary. Where a material difference is considered likely, auditors should consider requesting that the local authority obtained a revised IAS 19 report from the actuary.

4: Central government sector

TGN on risks of misstatement in 2023/24

40. I&Q has published TGN 2024/1 to provide auditors with guidance on risks of misstatement in the 2023/24 annual report and accounts of central government bodies. The TGN and supporting material is accessible by auditors on SharePoint* and is also freely available to download from the Audit Scotland website.

41. The TGN is intended to inform auditors' judgement when identifying and assessing the risks of material misstatement. The TGN supplements the Code of Audit Practice and auditors are expected to pay it due regard and use it as a primary reference source when performing 2023/24 audits. Auditors should advise I&Q of any intended departures from the guidance.

42. The TGN comprises a number of modules as summarised in the following table:

Module	Risks of misstatement area	Purpose
Overview	Areas that are pervasive to the financial statements as a whole	Explains the appropriate related accounting treatment and sets out the action auditors should undertake to evaluate whether the body has followed the required treatment
1 - 8	Specific classes of transactions, balances and disclosures in the financial statements	
9	Irregular transactions	Explains the requirements and sets out the action auditors should undertake
10	Audited part of the Remuneration and Staff Report	
11	Statutory Other Information (e.g. Performance Report and Governance Statement)	Sets out the procedures for considering Statutory Other Information
12	Charitable NDPBs	Provides guidance on the application of the above modules to charitable NDPBs
13	Health boards	See chapter 5

43. The risks of misstatement for 2023/24 have been updated to reflect new requirements and risks which emerged during the 2022/23 audits that remain applicable. A separate note* summarises the main changes from 2022/23.

Independent auditor's reports for 2023/24

44. I&Q has published TGN 2024/2(CG) to provide auditors with model forms of Independent Auditor's Reports (IAR) which should be used for the 2023/24 annual accounts of central government bodies.

45. Auditors are required by the Code of Audit Practice to prepare their IARs in accordance with these TGNs. The TGNs are available with supporting material to auditors on SharePoint* and are also freely available from the Audit Scotland website.

46. The model forms of IARs set out in the appendices of the TGN have been tailored to reflect relevant public sector legislation and augmented by the reporting requirements of the Auditor General.

47. The main change to the model IARs for 2023/24 is to reflect the requirement for bodies to disclose material accounting policy information rather than significant accounting policies.

48. For the 2023/24 audits of central government bodies, auditors should:

- use the relevant model form of IAR for each audited body

- follow the specified wording other than where tailoring adjustments are set out in the application guidance in the TGN

- consult with I&Q on any modified opinion or conclusion

- complete an Auditor Action Checklist for each IAR prepared.

Revised 2023/24 FReM

49. HM Treasury has issued a revised version of the 2023/24 Government Financial Reporting Manual (the FReM). The main changes are explained in the following paragraphs.

Service concession arrangements

50. The FReM includes guidance on a revised treatment of indexation linked payments in liabilities for service concession arrangements at paragraphs 10.1.63 to10.1.65. It requires the liability to be remeasured if there is a change in future lease payments resulting from a change in an index/rate used to determine those payments.

51. Bodies will need to consider the initial remeasurement and subsequent remeasurement of the liability as summarised in the following table:

Measurement	Adjustment
At 1 April 2023	An opening balance adjustment at 1 April 2023 to account for cumulative indexation changes since the service concession arrangement commenced.
Subsequent	A subsequent remeasurement of the liability will be required when there is a change in cash flows as a result of an indexation-linked change (i.e. when the adjustment to lease payments take affect).

Sustainability reporting

52. Paragraph 5.4.9 has been added to require UK departments and large central government bodies to comply with the Task Force on Climate-related Financial Disclosures (TCFD)-Aligned Disclosure Application Guidance Phase 1.

53. The TCFD-aligned disclosures are being adopted on a phased basis with Phase 1 being applied in 2023/24. Relevant bodies are required to include a TCFD compliance statement, governance disclosures and metrics and targets in the Performance Report.

54. Paragraph 5.4.15 of the FReM explains that Scottish bodies should report in accordance with guidance from the Scottish Government who have clarified that the TCFD disclosure requirements do not apply in Scotland in 2023/24. However, bodies may make TCFD-aligned disclosure on a voluntary basis.

Other changes

55. The other changes applicable to Scottish bodies are summarised in the following table:

Area	Paragraphs	Amendment
Performance Report	5.4.6 (b)	Bodies have the option to signpost from the Performance Report to information published elsewhere on how they have promoted equality of delivery of services to different groups.
Material remote contingent liabilities	6.7.1 (b)	Clarification has been added that the disclosure in the Accountability Report of material remote contingent liabilities applies to contingent liabilities within the scope of IAS 37 that are not required by that standard to be disclosed because the likelihood of a transfer of economic benefits is considered too remote.
IFRS 9 Financial instruments	8.2.1	An adaption has been added where a body issues a financial instrument (other than a financial guarantee) at an amount that is different to fair value.

Area	Paragraphs	Amendment
		Where recognising at fair value would not result in a gain or profit and where no active market or observable equivalent exists, the adaptation requires bodies to measure the instrument on initial recognition at fair value.
Carbon reduction commitment scheme	10.3	References to the Carbon Reduction Commitment Scheme have been removed and replaced with guidance on the Climate Change Levy which is the successor scheme. The guidance explains that bodies subject to payment of the levy will see an outflow of assets when cash is paid over under the terms of the levy. The levy should be treated as an expense.

2023/24 GBS account information

56. I&Q will obtain information on account balances at 31 March 2024 for central government bodies from the Government Banking Service (GBS) and distribute them to relevant auditors.

57. The GBS has confirmed that the arrangements for obtaining 2023/24 account balances are unchanged.

2024/25 FReM

58. Treasury has issued the 2024/25 FReM. There are, however, no changes from the 2023/24 edition.

Consultation on valuation of non-investment assets

59. HM Treasury has issued an exposure draft on the valuation of non-investment assets. The proposed changes flow from Treasury's thematic review of non-investment asset valuations and a previous consultation paper referred to in Technical Bulletin 2023/1 (paragraph 9). The exposure draft covers the whole UK public sector in principle but is mainly focussed on central government.

60. Treasury is recommending that current valuation still be used for operational assets but is proposing changes to the measurement basis to address the disproportionality in cost associated with the current requirements.

61. The main proposed changes are summarised in the following table:

Area	Proposals
New class for operational assets	References to 'assets held for their service potential' to be replaced with 'assets held for their operational capacity'.

Area	Proposals
	'Assets held for their operational capacity' to be a new asset class that replaces networked assets, specialised assets and 'non-specialised assets. The current split between specialised/ non-specialised assets is therefore to be removed.
Change to Depreciated Replacement Cost (DRC) calculation	The option to consider alternative locations when valuing an asset using DRC to be removed, i.e. assets should be valued based on their existing location.
Revaluation frequency of property	A quinquennial frequency for full professional revaluations of property to be prescribed.
	Indexation to be required for the intervening years. Treasury will provide examples of common indices, but will not prescribe particular indices, for bodies to use.
	The requirement for full revaluations more frequently than five years to be withdrawn (unless there are observable indicators of impairment).
	The requirement to revalue an asset when its current value differs materially from its carrying value to be withdrawn.
Measurement basis for intangible assets	The measurement basis for intangible assets to change from market value in existing use to historical cost.
	The carrying amount of intangible assets at the date of transition will be deemed to be the asset's cost, with historical cost accounting applied thereafter.
Transitional arrangements	The implementation date for the changes to be 1 April 2025 (i.e. effective from 2025/26 financial statements).
	The changes to apply prospectively from that date (i.e. prior year comparatives will not be restated).

62. Comments were required by 16 February 2024.

Phase 2 guidance on TCFD

63. HM Treasury issued Phase 2 application guidance for TCFD- aligned disclosures. The additional disclosure requirements for phase 2 which applies in 2024/25 are set out in the following table:

Area	Proposed disclosures
Risk management	A description of the body's processes for:
	• identifying and assessing climate-related risks
	• managing climate-related risks

- identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management arrangements.

Metrics and targets	The metrics used by the body to assess climate-related risks and opportunities in line with its strategy and risk management process.
	Greenhouse gas (GHG) emissions, and the related risks.
	The targets used by the body to manage climate-related risks and opportunities and performance against those targets.

64. Bodies are required to report at a group level and apply a "comply or explain" basis for the proposed disclosures.

65. The Scottish Government have not yet advised on the applicability of the requirements to Scottish bodies.

Amendments to SPFM

66. The Scottish Government has issued two Finance Guidance Notes which announce amendments to the Certificates of Assurance and the Settlement, Severance, Early Retirement and Redundancy sections of the Scottish Public Finance Manual (SPFM)

67. Finance Guidance Note 2024/1 amends the questions in a number of sections of the Certificates of Assurance internal control checklist. The main changes are summarised in the following table:

Area	Amendment
Risk management	Guidance has been updated on disaster recovery responsibilities and the use of business impact assessments.
Major investment	Guidance has been updated to require IT and digital projects to comply with the Digital Scotland Service Standard.
Procurement	Guidance has been updated to highlight the importance of engaging with Scottish Procurement and Property Directorate and involving them in the drafting of Strategic Outline Cases for major projects.

68. Finance Guidance Note 2024/2 amends the chapter on settlement agreements, severance, early retirement and redundancy terms. The amendments arise from recommendations from a recent evaluation of the severance policy. The main changes:

- are revised templates for business cases

- reinforce the need for a business case for all Settlement Agreements.

5: Health

TGN on risks of misstatement in 2023/24

69. I&Q will shortly publish Module 13 of TGN 2024/1 to provide:

- guidance on applying the other modules to the audit of the 2023/24 annual report and accounts of health boards

- supplementary guidance on the risks of misstatements in areas specific to health boards.

70. The module will be available with the rest of the TGN and supporting material to auditors on SharePoint* and will also be freely available to download from the Audit Scotland website.

71. Auditors are expected to pay due regard to Module 13 and use it as a primary reference source when performing 2023/24 audits of health boards. Auditors should advise I&Q of any intended departures from the guidance.

2023/24 accounts manual

72. The Scottish Government has issued the 2023/24 Manual for the Annual Report and Accounts of NHS Boards* (accounts manual). The accounts manual complements the guidance contained in the 2023/24 FReM but contains some additional or specific requirements.

73. The main changes are set out in the following paragraphs.

IFRS 16 application to service concession arrangements

74. Changes resulting from the application of IFRS 16 to service concession and similar arrangements (explained in the previous article on the 2023/24 FReM) should be disclosed in the Note 1 accounting policies and the Note 18 Commitments Under PFI/PPP Contracts.

Income from service level agreements

75. Page 93 clarifies the accounting treatment for inter-board service level agreements (SLAs), setting out that health boards should follow IFRS 15. Where compliance remains problematic, health boards can either:

- agree a contract amendment in accordance with IFRS 15 (paragraphs 18-21); or

- agree to a Scottish Government top slice equivalent to the SLA income/expenditure.

Repairs and maintenance expenditure

76. Page 126 clarifies that a provision should not be recognised for repairs and maintenance expenditure on a board's own assets as the board does not have an obligation to a third party.

Performance Report

77. Page 10 and 11 have been updated to reflect that formal three-year financial planning has resumed from 2023/24.

Governance Statement

78. A paragraph has been added to page 19 to clarify that the Governance Statement should clearly explain the relationship between health boards and their IJBs and how boards maintain governance oversight and receive assurances on the development and delivery of strategy.

79. Guidance has also been added to reflect the need for health boards to consider their compliance with the NHS Scotland – blueprint for good governance: second edition.

2023/24 CAM

80. The Scottish Government has issued the NHS Scotland Capital Accounting Manual 2023/24* (CAM) to interpret the accounting guidance contained in the 2023/24 FReM on capital accounting issues in the health sector.

81. The main changes for 2023/24 are to chapters 8 and 11 due to the application of IFRS 16 to service concession arrangements,

82. The Scottish Government has provided a 'Lease Helper' spreadsheet to assist health boards with their accounting entries.

5: Professional matters

Revised Ethical Standard

83. The Financial Reporting Council (FRC) has published a revised Ethical Standard to:

- take account of changes to the International Ethics Standards Board for Accountants Code of Ethics

- simplify the existing ethical standard and provide clarity in a limited number of areas

- add a new targeted restriction on fees from entities related by a single controlling party.

84. The key changes are summarised in the following table:

Area	Para	Revision
Breaches	1.22	When there has been a breach of the standard the engagement partner and ethics partner must consider the situation and actions required from the perspective of an objective, reasonable and informed third party.
	1.24	Firms are required to report to the FRC about individual breaches outside of the biannual timetable where the FRC would reasonably expect notice. This may be due to the nature or seriousness of the breach, including for example where the firm may need to consider resigning from an engagement.
	1.25	The revised standard clarifies that in deciding whether a breach is inadvertent is a matter of professional judgement based on an objective assessment of the evidence. A requirement has been added that the engagement partner is required to report the details and significance of any breaches to those charged with governance of each entity.
Financial relationships	2.3 and 2.4	These paragraphs have been completely revised to clarify requirements set by the standard, and those set by statute regarding personal financial independence for engagement teams and other staff.
	2.6 and 2.10	These paragraphs have been amended to provide further guidance on financial interests.

Area	Para	Revision
Long association with engagements	3.10 and 3.14	Clarification has been provided to explain that: • once an engagement partner has completed the maximum allowed period, the engagement partner cannot act as engagement quality reviewer for the engagement for another five years. • where an engagement partner rotates off an engagement after five years, then the option to extend for an additional two years is no longer available.
	3.22	A table setting out the rotation periods for key audit partners has been added.
	3.23	This paragraph has been added to provide guidance on cases where there are significant gaps in service (e.g. caused by a period of maternity or paternity leave, a sabbatical or long-term sickness absence) and the role is temporarily taken on by another person: • The firm should exclude this period for the purposes of calculating applicable rotation periods (unless the person in substance retains their role). • Any periods excluded should be long-term in nature and should not comprise multiple smaller blocks of time.
Fees	4.5, 4.6, 4.21 to 4.29	These paragraphs have been revised to enhance the prohibitions in relation to fees. Calculations used to determine whether an audit firm is over reliant on fees from entities have been amended to include fees from entities that are connected in substance.
Non-audit/additional services	5.7	Guidance has been added that non-audit services may comprise any engagement in which a firm provides professional services to another entity where the subject matter of the engagement includes the audited entity. Consideration may be given to the nature of the service, the ultimate beneficiary, the fee and the perspective of an objective, reasonable and informed third party.
	5.33	Documentation requirements in respect to the provision of non-audit/additional services have been enhanced to require inclusion of significant judgements concerning the potential threats and proposed safeguards and how the objective and reasonable third-party test has been applied
	5.46	The range of 'internal audit services' is wide and they may not be termed as such by the audited entity. The following engagements would fall within the term: ': • outsourcing the audited entity's entire internal audit function

Area	Para	Revision
		• supplementing the function in specific areas • providing occasional internal audit services on an ad hoc basis.
	5.53 and 5.54	Examples of IT services which create threats include: • acting as the only access to financial or non-financial information systems • storing the entity's data or records • providing electronic security or back-up services • operating, maintaining, or monitoring the entity's IT systems, network or website. However, the routine collection, transmission and retention of data to enable the provision of a permissible service does not create threats.
	5.89	References to recruitment services includes: • searching for or seeking out candidates; • undertaking reference checks of prospective candidates; • acting as a negotiator on the entity's behalf; • recommending the person to be appointed.

85. The revised standard applies to financial periods commencing on or after 15 December 2024 (i.e. 2025/26).

6: Fraud and irregularities

This chapter contains a summary of fraud cases and other irregularities facilitated by weaknesses in internal control at audited bodies that have recently been reported by auditors to I&Q.

Auditors should consider whether weaknesses in internal control which facilitated each fraud or irregularity may exist in their bodies and take the appropriate action.

Expenditure

Invalid supplier

86. An unknown individual compromised a supplier's email account and committed bank mandate fraud. The public body paid £5,000 to the fraudulent bank account.

Key features

The public body received a request by email to amend a supplier's bank account details. The public body sent an amendment form by email to the supplier for completion. The amendment form was completed and returned by email. The supplier's email address had been intercepted by a fraudster who requested the change.

The fraud was possible as the public body did not telephone the supplier to verify the change of bank details.

The issue was identified when the payment was reported as suspicious by the public body's bank.

The public body has reported the case to the police and has since provided counter-fraud training to their finance team.

Council tax

87. A council employee and their partner committed council tax fraud totalling £17,000 by submitting fictitious details online.

Key features

The employee and their partner were jointly liable for council tax at their home from 2015. No payment was made towards the council tax liability from April 2015. From October 2018 onwards, three online forms were submitted by the employee and their partner to the council to change the names of those liable for council tax to the names of fictious individuals.

Key features

During sequestration action to recover the outstanding council tax liability carried out by Sheriff Officers in March 2023, concerns came to light that the council employee was deliberately misrepresenting their identity to avoid paying council tax arrears dating back to 2015. A Counter Fraud Team investigation confirmed that the council employee and partner were the only residents at the property from April 2015 and that the three online change requests were fraudulent.

The fraud was possible as the process to change council tax liability did not require verification checks to be carried out.

Controls have since been improved with increased scrutiny and checking of changes to council tax liability, data matching and fraud awareness briefings for staff.

Technical Bulletin 2024/1
Technical developments and emerging risks from January 2024 to March 2024

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