

## Board of Management

<b>Date of Meeting</b>	<b>Wednesday 16 December 2020</b>
<b>Paper No.</b>	<b>BoM3-L</b>
<b>Agenda Item</b>	<b>7.2.2</b>
<b>Subject of Paper</b>	<b>Internal Audit Annual Report 2019-20</b>
<b>FOISA Status</b>	<b>Disclosable</b>
<b>Primary Contact</b>	<b>Stuart Thompson, Vice Principal Corporate Services</b>
<b>Date of production</b>	<b>November 2020</b>
<b>Action</b>	<b>For Noting</b>

### Recommendations

The Board is asked to note the Internal Audit Annual Report 2019-20 which was submitted at the Audit and Assurance Committee meeting held on 24 November 2020.

The Report has since been updated to reflect the fact that 33 of the 54 follow up reviews will be subject to further action at a future date (Page 3 of the Report).

# City of Glasgow College

**Annual Report to the Board of Management and  
the Principal on the Provision of Internal Audit  
Services for 2019/20**

**Internal Audit Report No: 2020/14**

**Draft issued: 20 November 2020**

**Final issued: 20 November 2020**

**Final reissued: 24 November 2020**



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# Annual Report and Opinion

## Introduction

- 1.1 We were appointed as Internal Auditors of City of Glasgow College (“the College”) for the period from 1 August 2016 to 31 July 2020 with an option available to the College to extend for a further year. This report summarises the internal audit work performed during 2019/20.
- 1.2 An Audit Needs Assessment (ANA), based on the areas of risk that the College is exposed to, was prepared as part of our internal audit programme for 2016/17 (internal audit report 2017/01, issued February 2017). The ANA was prepared following discussion with a number of College managers and review of College documents, together with previous internal and external audit reports. The ANA was based on the College’s own Risk Register supplemented by our own assessment of the risks faced by the College. Following on from the ANA, a Strategic Plan was formulated covering the four-year internal audit cycle, and this was approved by the Audit Committee, together with the ANA, at its meeting on 8 March 2017.
- 1.3 The annual operating plan for 2019/20 showed the following changes to the allocation set out in the original Strategic Plan:
- The inclusion of the reviews of Payroll and Systems Development / Implementation deferred from 2018/19 at the request of College management; and
  - The inclusion of an additional review of Leadership Reorganisation requested by the Audit Committee for 2019/20 at the time of approving the 2018/19 plan in September 2018.
- 1.4 A copy of the revised Strategic Plan is included at Section 2 of this report.
- 1.5 The total number of internal audit days over the period 2016/17 to 2019/20 is 243. This compares with a total of 242 days originally included in the Audit Needs Assessment and Strategic Plan 2016 to 2020. The difference of 1 day is made up as follows:
- Inclusion of the additional 4-day review of Data Protection in 2018/19 at the request of the Audit Committee and College management;
  - A reduction of 2 days in the time allocated for the review of Innovation and Research in 2018/19 following discussion with College management; and
  - Inclusion of the additional 4-day review of Leadership Reorganisation in 2019/20, as noted above.
  - Deferral of the 5-day reviews of Industry Academies and Debtors/Income from 2019/20 into 2020/21 at the request of the Audit Committee.
  - The insertion of a 5-day review of Procurement and Creditors/Purchasing into the 2019/20 annual plan at the request of the Audit Committee.
- 1.6 The work undertaken in the year followed that set out in the Strategic Plan for 2019/20 with the exception of the deferral of the General Ledger review into the annual plan for 2020/21 due to restrictions around access to information arising from the Covid-19 pandemic.
- 1.7 The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each assignment is given at Section 3.
- 1.8 An analysis of time spent against budget is shown at Section 4.

## Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.9 The College has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:
- Confirm our independence;
  - Provide information about the year's activity and the work planned for next year in this report; and
  - Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.
- 1.10 Self-assessment is undertaken through:
- Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
  - Ensuring compliance with best professional practice, in particular the PSIAS;
  - Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
  - Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
  - Annual completion of a checklist in May to confirm PSIAS compliance.
- 1.11 External assessment is built into our firm-wide quality assurance procedures. MHA Henderson Loggie is a member of MHA, a national association of independent accountancy firms. Continued membership of MHA is dependent on maintaining a high level of quality and adhering to accounting and auditing standards in the provision of our services. Annual quality reviews are conducted to confirm our continuing achievement of this quality. The independent MHA review conducted in March 2019 included our internal audit service. This was a comprehensive independent review of our internal audit function as required every five years by PSIAS. Overall, the review confirmed that the firm's policies and procedures relating to internal audit were compliant with the PSIAS in all material respects.
- 1.12 The results of our 2020 self-assessment are that we are able to confirm that our service is independent of the College and complies with the PSIAS.

## Significant Issues

- 1.13 All of our internal audit work conducted in 2019/20 assessed systems as 'Satisfactory', or provided an unqualified audit opinion on College returns, and there were therefore no significant issues identifying major internal control weaknesses arising from our internal audit work in these areas. In general, procedures were operating well in the areas selected, but a few areas for further strengthening were identified and action plans have been agreed to address these issues.

## Opinion

- 1.14 In our opinion, the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2019/20. This included follow-up of recommendations made by the College's previous internal auditors.

# Reports Submitted

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2020/01	Annual Plan 2019/20	N/A	N/A	N/A	N/A	N/A
2020/02	Payroll	Good	1	-	-	1
2020/03	Risk Management	Good	2	-	-	2
2020/04	Procurement & Creditors / Purchasing	Satisfactory	9	-	-	9
2020/05	Web-based Services	Satisfactory	7	-	-	7
2020/06	IT Systems Development / Implementation	Satisfactory	1	-	1	-
2020/07	External Communications and Marketing	Satisfactory	2	-	-	2
2020/08	Staff Recruitment, Retention and Development	Satisfactory	1	-	-	1
2020/09	Budgetary Control	Satisfactory	4	-	1	3
2020/10	Asset Management	Satisfactory	5	-	1	4
2020/11	Leadership Reorganisation	Satisfactory	4	-	1	3
2020/12	2018/19 Student Activity Data	N/A				
2020/13	Follow-Up Reviews	33 of the 54 recommendations reviewed require further action	-	-	-	-

Overall gradings are defined as follows:

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

Recommendation grades are defined as follows:

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



# Summary of Results and Conclusions

**2020/01 – Annual Plan 2019/20**

**Final Issued – December 2019**

The purpose of this document is to present for consideration by management and the Audit and Assurance Committee the annual operating plan for the year ended 31 July 2020. The plan is broadly based on the proposed allocation of audit days for 2019/20 set out in the Audit Needs Assessment and Strategic Plan 2016 to 2020, which was presented to the Audit Committee and approved at its meeting on 8 March 2017.

The outline scope and objectives for each audit assignment to be undertaken during 2019/20, together with the proposed audit approach were arrived at following discussion with members of the College Executive Team. The outline scopes will be finalised after discussion with responsible managers in each audit area.



## 2020/02 – Payroll

The scope of this audit was to consider the key internal controls in place over the College's spend on staff costs of approximately £53m per annum. Our audit covered the current procedures in place within both Human Resources and Finance.

The table opposite notes each separate objective for this review and records the results.

### Strengths

- From our sample testing we confirmed that gross pay and deductions had been correctly calculated; and salaries, hourly rates and rates for non-statutory deductions agreed to the standing data held in the HR / Payroll system.
- From our sample testing we confirmed that employer national insurance and employer superannuation contributions had been correctly calculated;
- All part-time lecturers, overtime and travel payments tested had been correctly input into the HR / Payroll system and were appropriately authorised in line with the College's procedures;
- All changes to employee standing data selected for testing had been appropriately made to the HR / Payroll system and were independently checked and verified;
- Our sample of starters and leavers tested had entered and left the HR / Payroll system at the correct date with all details entered correctly;
- Variations to core pay were appropriately checked, authorised and supported by relevant documentation;
- Pension enrolment processes were operating efficiently and effectively;
- Processes around recording start and finish dates for agency staff were documented and were operating effectively in practice;
- There was proper authorisation, processing and recording of payments; and
- There was clarity around roles and responsibilities within the payroll function.

Final Issued – February 2020 Overall grade: Good

The objective of this audit was to obtain reasonable assurance around:	Grade
1. Correct calculation of gross pay and deductions	Good
2. Correct calculation of employer national insurance and superannuation contributions	Good
3. Part-time lecturers, overtime and travel & subsistence payments are properly authorised	Good
4. Appropriate approval and checking of changes to employee standing data	Good
5. Starters and leavers are properly treated and enter and leave the system at the correct dates	Good
6. Any variations to core pay are appropriately authorised and supported by relevant documentation	Good
7. Pension enrolment processes are operating efficiently and effectively	Good
8. Processes around recording start and finish dates for agency staff are documented and are operating effectively in practice	Good
9. The current payroll configuration (with 3 separate payroll runs) is operating efficiently and effectively	Good
10. There is proper authorisation, processing and recording of payments	Good

**2020/02 – Payroll (continued)**

***Opportunities for Improvement***

- We noted that three separate payroll runs are in operation; the ‘Lecturers Monthly’ payroll, ‘Support Staff Monthly’ and ‘Support Staff 4 Weekly’. We noted that there was clear responsibility for each payroll run and these were operating effectively. However, we did note that there was potential scope to improve the efficiency of the payroll processes by operating one Support Staff payroll run instead of the current configuration of two.

11. There is clarity around roles and responsibilities within the payroll function and single points of failure have been identified and are being managed appropriately	<b>Good</b>
<b>Overall Level of Assurance</b>	<b>Good</b>

## 2020/03 – Risk Management

The scope of this audit was to consider whether there were corporate procedures in place to adequately assess risk and minimise the possibility of unexpected and unplanned situations developing, which were in line with good practice.

The table opposite notes each separate objective for this review and records the results.

### **Strengths**

- There is a robust risk management framework in place including: a Risk Management Policy; a Risk Management Procedure; Risk Management Guidance; Strategic Risk Register; Risk Management Action Plans; Operational Plans including sections for considering risks; and an escalation process to move risks from operational risks to the Strategic Risk Register; Audit and Assurance Committee review of the whole Risk Register; Board sub-committee review of specific risks on the risk register; and the Risk Register being provided to the Board;
- From our review of the risk management framework it exhibited most aspects of good practice; and
- There is a review of assurance provided by internal and external auditors which is summarised in the annual report of the Audit and Assurance Committee to the Board. In addition, senior managers provide assurance certificates to the Principal. This information is used to support the statement on adequacy of the risk management framework included in the College's annual report.

### **Opportunities for Improvement**

- Given the parallel work to develop and implement the assurance framework, it was agreed that there would be benefit in providing additional staff training on this, which would provide the opportunity to introduce staff to elements of different risk management techniques.
- Not all significant projects were routinely assessed for risk.

Final Issued – May 2020

Overall grade: Good

The objective of this audit were to obtain reasonable assurance that:	Grade
1. There is a process in place to provide reasonable assurance to the Board of Management and to the Principal in relation to the declaration on risk required for the financial statements	Good
2. The process in place applies good practice in risk management	Good
3. Key risks have been identified and are being appropriately controlled, mitigated, reported and discussed at appropriate levels of management and the Board of Management	Satisfactory
<b>Overall Level of Assurance</b>	<b>Good</b>

## 2020/04 – Procurement and Creditors / Purchasing

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 which is followed and the procedures which are in place support the delivery of best value purchasing across the College in relation to non-pay spend, recognising that procurement legislation in Scotland has been significantly revised in recent years. The table opposite notes each separate objective for this review and records the results.

### Strengths

- There is a dedicated Procurement team, with a Procurement Strategy, Policy, guidance and information on the intranet and College website;
- The PECOS system provides a robust system for requesting and authorising purchase orders;
- Invoices require authorising by an appropriate member of staff;
- Finance have a range of controls in place to check the accuracy of invoices and check that the person approving this has the required authorisation level;
- There are checks undertaken by Finance staff processing items for payment on online banking or through payment transmission software, including ensuring that there is appropriate supporting documentation;
- There are checks in place over credit card use and petty cash claims; and
- Approvers on PECOS, and users on the finance system, online banking and payment transmission software were appropriate.

### Weaknesses

- There is currently no formal process in place for the checking of procurement evaluation scoring by an independent person to ensure that the proposed successful tender was appropriately supported by documentation held on file;
- There is currently no review of actual contract spend against the spend set out in the contract;
- Not all procurement files reviewed in our sample testing contained all of the required documentation;

Final Issued – May 2020

Overall grade: Satisfactory

The specific objectives of this audit were to obtain reasonable assurance that the College has:	Grade
<b>Procurement</b> 1. The College's procurement 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')	Good
2. Procurement procedures ensure that: <ul style="list-style-type: none"> <li>• areas of high spend across the College are monitored appropriately;</li> <li>• opportunities for pooling of expenditure are identified in order to achieve best value; and</li> <li>• collaborative procurements and frameworks available to the College are utilised where appropriate</li> </ul>	Satisfactory
3. The College's procurement guidance on quotes and tenders are being complied with	Satisfactory
<b>Purchasing / Creditors</b> 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
5. All liabilities are fully and accurately recorded	Satisfactory

**2020/04 – Procurement and Creditors / Purchasing (continued)**

- There were a number of areas for improvement noted around petty cash, confirmation of changes in bank account details, and security over proposed payment files; and
- There would be benefit in providing ongoing training to staff on the need for vigilance and the application of “professional scepticism” when raising and authorising purchase orders, and in approving invoices.

6. All payments are properly authorised, processed and recorded	<b>Good</b>
7. Appropriate controls are in place over the amendment of standing supplier data on the finance system	<b>Satisfactory</b>
<b>Overall Level of Assurance</b>	<b>Satisfactory</b>

**2020/05 – Web-based services**

The scope of the audit was to consider the controls in place over the College’s web-based services and their usefulness to staff and students.

The table opposite notes each separate objective for this review and records the results.

**Strengths**

- Overall, staff interviewed spoke positively on the range of systems and services which are available within the College and that staff were satisfied with the training and guidance available for most systems.

**Weaknesses**

- We noted that there is no end of year exercise to formally seek the views or feedback of College departments on how well the website has served the needs of departments during the year (e.g. recruitment, marketing, communications, highlighting achievements, etc), nor is there a mechanism for collating the views or identifying future development opportunities for the website.
- Single Sign-On (SSO) is a property of identity and access management (IAM) that enables users to securely authenticate with multiple applications and websites by logging in only once, with just one set of credentials (username and password). We noted that there is no SSO for providing ease of access to each College system. A single sign-on process for accessing College services would improve access, improve the user experience and free up staff time to focus on learning activity.
- Several weaknesses and limitations of the College server based VLE were identified and having considered these we have concluded that there is a case for conducting a review of any potential benefits, costs, and opportunities of moving to another VLE platform.
- We identified data protection risks arising from the use of user group profiles which potentially result in inappropriate staff access to student data and we have recommended additional controls to address this issue.

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**Final Issued – May 2020**

**Overall grade: Satisfactory**

<b>The objective of this audit was to obtain reasonable assurance that web-based services:</b>	<b>Grade</b>
<ul style="list-style-type: none"> <li>• conform with users’ needs;</li> <li>• are user friendly, including that navigation capabilities make the website utilisation intuitive;</li> <li>• comply with laws and regulations, including over data protection;</li> <li>• are secure and reliable;</li> <li>• are appropriately managed; and</li> <li>• training is provided to users.</li> </ul>	<b>Satisfactory</b>
<b>Overall Level of Assurance</b>	<b>Satisfactory</b>

## 2020/05 – Web-based services (continued)

- Enquirer is a legacy reporting system, which was developed in-house prior to merger. Therefore, the system relies on the knowledge of a few specific College staff, who were involved in its development, to maintain and provide system support. This gives rise to a business continuity risk if these key staff were to leave the College mitigated by plans to phase out Enquirer. This risk is amplified due to a lack of user guide information for staff in relation to student applications and enrolment.
- Formal Service Level Agreements (SLAs) have not been established between the IT Service Desk and other college departments. Therefore, service delivery expectations have not been outlined to users and there is no defined set of metrics to gauge the ongoing performance of the IT Service Desk.
- The current IT Service Desk solution which Enquirer provides does not provide instant service desk metrics data and reporting functionality is limited. There is scope for implementing a service desk solution which tracks and reports performance metrics and allows the capture and reporting of user feedback on service desk performance in much shorter timescales, such as immediately after an IT Service Desk ticket is closed off. This would allow access for the IT team to analyse performance more efficiently and inform service delivery and improvement decisions.

## 2020/06 – IT Systems Development / Implementation

The scope of this audit was to carry out a review of the ICT project management controls in place within the College, along with a review of the ICT strategic planning process.

The table opposite notes each separate objective for this review and records the results.

### Strengths

- Several members of the IT team have received project management training.
- For each IT project a Project Team is created with involvement by relevant College staff and any external contractors brought in where necessary.
- Where applicable a functional specification is prepared which sets out users' requirements and a technical specification prepared based on this.
- Testing plans are incorporated into the project development and implementation phases.
- Relevant staff are appropriately trained at the right time in the new system and operational guides, user manuals and support are supplied to system users.

### Weaknesses

- For a sample of completed IT development projects reviewed we noted evidence that project management documentation had been maintained which demonstrated that project management principles had been applied. However, the College had not developed a formal suite of systems development project documents aligned with PRINCE2 or another recognised methodology. Whilst it is not realistic or practical to expect that a full project management methodology is applied for smaller projects there should be guidance that sets out the minimum requirement for projects of different sizes as well as the basic information required for all projects e.g. Business Case and PID (project initiation document). In order to ensure that staff are aware of the College's requirements for initiating and managing projects there should be guidance available to staff that provides a high-

Final Issued – September 2020 Overall grade: Satisfactory

The specific objectives of this audit were to obtain reasonable assurance that:	Grade
1. the College has established formal documented project management standards and policies, which reflect best practice.	Requires Improvement
2. project teams and managers receive adequate project management training.	Good
3. all requests for new projects are supported by a detailed business case and, where approved, a feasibility study, project initiation document and detailed project plan are established.	Satisfactory
4. a functional specification is prepared which sets out users' requirements and a technical specification prepared based on this.	Satisfactory
5. an outline testing plan with acceptance criteria is written at the functional specification stage and complied with during the implementation phase.	Satisfactory
6. relevant staff are appropriately trained at the right time in the new system and operational guides, user manuals and support are supplied to system users.	Good
7. post-implementation reviews are carried out by project teams to compare the actual costs and benefits etc. with those originally expected.	Requires Improvement



**2020/06 – IT Systems Development / Implementation (continued)**

- level summary of the minimum documentation that must be prepared for projects, details the methodology that should be applied and the circumstances in which it should be applied. This will enhance consistency in the approach to project management across the organisation and across projects.
- Post-implementation reviews are not carried out to compare the actual project benefits with those originally anticipated.

**Overall Level of Assurance**

**Satisfactory**

## 2020/07 – External Communications and Marketing

This audit considered the systems in place within the College for the management of positive and negative publicity externally.

The table opposite notes each separate objective for this review and records the results.

### Strengths

- A Communications Strategy, Communications Policy and Social Media Policy are in place to provide staff with a framework for external communications;
- Procedures and Guidelines are sent to all staff regarding External Communications to keep them informed and up to date;
- The College uses various channels for External Communication and Marketing and is proactive in maximising the benefits of positive publicity, through the use of a Communications Calendar;
- All members of the Executive Leadership Team have been provided with Media Training and are provided with regular refreshers; and
- There is now increased collaboration across the Glasgow Region in regard to communications, through a Marketing and Communications Steering Group.

### Weaknesses

- The College's Communications Strategy, Communications Policy and Social Media Policy are past their review date and require to be reviewed and updated; and
- There is no clear Communication Plan for students to ensure that expectations are met and that communication activity is planned by staff to meet these expectations.

Final Issued – September 2020 Overall grade: Satisfactory

The specific objective of this audit was to obtain reasonable assurance that:	Grade
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
<b>Overall Level of Assurance</b>	<b>Satisfactory</b>

## 2020/08 – Staff Recruitment, Retention and Development

The audit considered the adequacy and effectiveness of policies and procedures for staff recruitment and selection and the processes in place that ensure effective workforce planning contributes to the retention and engagement of staff, and arrangements for succession planning.

The table opposite notes each separate objective for this review and records the results.

### Strengths

- We reviewed the College's Recruitment and Selection Policy and procedures and found that these covered the roles and responsibilities around recruitment and contained detailed guidelines on the College's processes and that these were aligned with the College's Equality and Diversity Policy and the Equality Act 2010;
- the College has robust authorisation processes in place for the creation of new posts and for new starts;
- Our sample testing confirmed that Recruitment and Selection procedures are being followed in practice;
- The College's People and Culture Strategy outlines the College's aims and objectives relating to workforce planning and aligns to the Strategic Plan; and
- The College has recently reviewed and revamped the Personal Development Review process, following research around the effectiveness of the previous process from a staff member perspective.

### Weaknesses

- Neither the Recruitment and Selection Policy or the associated Procedures have been updated in line with the planned review timetable.

Final Issued – September 2020 Overall grade: Satisfactory

<b>The objectives of this audit were to obtain reasonable assurance that:</b>	
1. There are appropriate formal policies and procedures relating to recruitment and selection which meet legal requirements, including those regarding equality and diversity, and these are being followed in practice	<b>Satisfactory</b>
2. Effective Workforce planning is in place to manage the current work force and future demands and ensure it supports the Colleges' s strategic aims.	<b>Satisfactory</b>
<b>Overall Level of Assurance</b>	<b>Satisfactory</b>

## 2020/09 – Budgetary Control

This audit examined the College's budgetary control practices and protocols. It specifically considered budget monitoring procedures in place centrally and within a sample of Faculties and Support Services, as well as cash flow reporting to senior management and the Board, the Glasgow Colleges' Regional Board and the Scottish Funding Council (SFC).

The table opposite notes each separate objective for this review and records the results.

### Strengths

- Financial Regulations are in place and are up to date (last updated in October 2019);
- The annual budget is prepared and approved in line with the Financial Regulations;
- There is an established budget setting process in place within the College with a timetable set out to complete and approve the annual budget;
- Due to the current uncertain situation with Covid-19 the College has based its budget assumptions around scenarios for best, realistic and worst-case outcome and set its 2020/21 budget on a realistic outcome of a £3.1m deficit at year end;
- The College has identified savings in its annual expenditure with a reduction of 5% of spend on goods and services, and is developing further contingencies in case the financial situation deteriorates during the 2020/21 academic year;
- There are planned budget reforecasts in place during the year to review the budget as the actual financial position becomes clearer;
- Budget reports are provided to budget holders and managers on a monthly basis to allow them to monitor progress, with monthly consolidated reports provided to ELT members;
- Progress against the budgets is reported and discussed at the Board committees, the Finance and Physical Resources Committee, Development Committee (for Commercial Income) and the full BoM;
- Regular budget monitoring meetings are held between budget holders, budget managers and Finance staff;
- The budget reports provided to budget holders and managers include both detailed and summary information against phased budgets;
- 

Final Issued – September 2020

Overall grade: Satisfactory

The objectives of this audit were to obtain reasonable assurance that:	Grade
1. Budgets are controlled in accordance with the Financial Regulations and procedures	Satisfactory
2. Budget setting is linked to corporate and operational planning processes and budgets are revisited when plans change, or funding targets are not achieved	Satisfactory
3. Information is available to management in Faculties and Support Services which is up-to-date and in a format that can be easily understood	Satisfactory
4. Budget holders have the necessary skills for managing budgets	Satisfactory
5. Budget variations are reported and acted upon	Good
6. There is accurate cash flow reporting	Good
7. Senior management and the Board regularly review the College's overall financial position	Good
<b>Overall Level of Assurance</b>	<b>Satisfactory</b>

### **2020/09 – Budgetary Control (continued)**

- Budget holders and managers have access to the BluQube system which provides daily updates on expenditure against their budget lines;
- The College has increased the level of delegation of its budget management process with over 50 budget holders and managers now in place: and
- Budget holders and managers advised that they had the necessary skills for managing their budgets.

### **Weaknesses**

- Although there is an established budget setting process within the College this approach is not formally documented;
- In discussion with the budget holders and managers it was evident that they felt that the 5% goods and services reduction is manageable. This indicates that there is still further scope for reductions in this area of spend within the College. The College has identified potential savings in other areas which could be used to mitigate any increase in the budget deficit, however, the current absence of a zero-based approach to budget setting reduces the potential to identify other areas of financial savings that may be available;
- The College does not have a defined approach to identify, record and report efficiency or cost savings and reductions in budget expenditure. The College should develop an approach to identify and deliver savings both in terms of reductions in current expenditure and changes in delivery which bring about sustainable financial savings; and
- There is no formal training in place for budget holders or managers, including targeted training on the use of BluQube.

## 2020/10 – Asset Management

This audit reviewed controls over the College’s asset registers, covering:

- capitalised items of equipment;
- non-capitalised computer hardware and related equipment; and
- the portable non-capitalised equipment where management is of the opinion that the nature and value of the items requires records to establish physical and financial control.

The table opposite notes each separate objective for this review and records the results.

### Strengths

- The College has updated its approach to the management of assets, with a new policy and approach to asset management implemented from October 2019;
- There are now robust registers in place for both the physical equipment in use and the IT equipment which are both maintained on Excel spreadsheets;
- Defined procedures are now in place to control the addition, loan and disposal of items on the asset registers;
- Asset tags are placed on the physical assets (including IT equipment) with the details recorded on the asset registers;
- IT equipment is also bar coded and the details recorded on the IT asset register;
- There are now quarterly checks in place to reconcile the College purchases against the details held on the asset register to ensure that it is correctly updated and to allow any discrepancies identified to be investigated;
- There is a consistent approach in place for managing staff equipment loans;
- There is an annual audit of physical assets undertaken by the Estates team to check the accuracy of the details held on the physical asset register. The physical asset register is updated when this check is completed;
- There are more robust security measures in place for the receipt, tracking and recording of IT equipment delivered to the College; and
- Physical security controls and measures are also in place including barrier controls and extensive CCTV covering key locations to further protect the College’s assets.

Final Issued – September 2020

Overall grade: Satisfactory

The objectives of this audit were to obtain reasonable assurance that:	Grade
1. Assets are recorded with sufficient and appropriate information (e.g. unique identification numbers, quantity, description, age etc.) and are tagged.	Satisfactory
2. There is a process to control additions to the asset registers.	Good
3. Processes are in place to control and authorise the transfer of assets and the removal of assets from the registers.	Requires Improvement
4. Management processes are in place to ensure compliance and monitor the asset registers, including physical checks that recorded assets exist.	Good
<b>Overall Level of Assurance</b>	<b>Satisfactory</b>

## 2020/10 – Asset Management (continued)

### Weaknesses

While it was evident from the audit that significant progress has been made to safeguard the College's assets, these measures would be further enhanced by the following:

- The College should develop a long-term software solution for managing its assets in a devolved manner across the College, as outlined in the approved policy. The current approach is an interim solution based on the use of Excel spreadsheets and this restricts the scope for further development due to the limitations of the software used;
- The College should develop a single repository to record all software licences for the IT systems in use across the College (particularly those which are business critical);
- Realistic targets should be set for the recovery of loaned devices and a proportionate approach should be implemented which will allow the College to strike the right balance between enforcement, in order to manage the cost of repairing damage or funding replacement equipment, and meeting Scottish Government expectations around the issue of devices to allow students in 'digital poverty' to continue to engage in their studies; and
- Identify and rectify data mismatches between the asset registers in place and the physical assets held by the College.

## 2020/11 – Leadership Reorganisation

The College commenced a leadership reorganisation exercise in February 2018, with posts subsequently advertised for Deans, Associate Deans, Directors, Associate Directors and Curriculum Heads. Senior Lecturers who chose not to apply for promoted posts, or were unsuccessful, reverted to Lecturer positions. A voluntary severance scheme was implemented to support the leadership reorganisation.

This reviewed considered whether the objectives set out for the Leadership Reorganisation event have been met.

The table opposite notes each separate objective for this review and records the results.

### Strengths

The review concluded that the revised leadership reorganisation is now in place and operating, with the following strengths evident:

- The new leadership organisational structure has been delivered and is now in place;
- As a result of the organisational changes the College has reduced its managerial operating costs;
- A range of training in the new roles was delivered to the new postholders to enable them to be successful in taking on their new roles; and
- There is ongoing training and development support for the new postholders as their roles continue to develop and evolve.

### Weaknesses

Although the leadership reorganisation exercise has been completed, our audit identified the following areas where improvements can still be made:

- There is no defined process or project management methodology in place to deliver, monitor and report on the success or otherwise of any organisational transformational change projects delivered within the College;

Final Issued – November 2020

Overall grade: Satisfactory

The objectives of this audit were to obtain reasonable assurance that:	Grade
1. The key objectives of the leadership reorganisation have been achieved or developments arising from the reorganisation are underway to ensure that these are achieved.	Satisfactory
2. Members of staff promoted into posts have been given sufficient guidance, training and support to assist them in their role	Satisfactory
<b>Overall Level of Assurance</b>	<b>Satisfactory</b>



### **2020/11 – Leadership Reorganisation (continued)**

- Resources required for the planning and delivery of significant organisational or transformational change projects should be identified and protected in order to ensure their successful delivery; and
- There was no consistent approach applied to the evaluation of the training delivered to the successful candidates recruited into the new leadership roles.

## 2020/12 – Student Activity Data

### Final Issued – November 2020

In accordance with the Credits Audit Guidance we reviewed and recorded the systems and procedures used by the College in compiling the returns and assessed and tested their adequacy. We carried out further detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily as described to us.

Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Dominant Programme Group (DPG) and dominant Price Group.

Our testing was designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to Credits Audit Guidance and the key areas of risk identified in Annex D.

Our report was submitted to the SFC on 14 October 2020. We reported that, in our opinion:

- the student data returns have been compiled in accordance with all relevant guidance.
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- on the basis of our testing we can provide reasonable assurance that the FES return contains no material misstatement.

No issues were identified from our audit testing for 2019/20 that required a recommendation for improvement to be made.

## **2020/13 – Follow-Up Reviews 2019/20**

### **Final Issued – November 2020**

We carried out a follow-up review of recommendations made in the following Internal Audit reports issued during 2018/19 and 2019/20:

- 2019/08 – Quality Assurance
- 2019/09 – Staff Organisational Development
- 2019/11 – Follow Up Reviews
- 2019/12 – Business Continuity
- 2020/02 – Payroll
- 2020/03 – Risk Management
- 2020/04 – Purchasing Procurement
- 2020/05 – Web Based Services

The objective of each of our follow-up reviews was to assess whether recommendations made in previous reports had been appropriately implemented and to ensure that, where little or no progress had been made towards implementation, that plans were in place to progress them.

The College has made some progress in implementing the recommendations followed-up as part of this review with 18 (33%) of the 54 recommendations which are past their completion date being classified as 'fully implemented'. 21 recommendations (39%) were assessed as 'partially implemented' and six were classified as 'little or no progress made'. Six had not yet reached their due completion date. These 41 recommendations will be subject to follow-up at a later date. A further three recommendations were considered by management but were not implemented.

2020/13 – Follow-Up Reviews 2019/20 (continued)

From Original Reports							
Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	Considered but not implemented	Not yet past completion date
Quality Assurance	1						
	2						
	3	1			1		
<b>Total</b>		<b>1</b>			<b>1</b>		
Staff Organisational Development	1						
	2						
	3	3		3			
<b>Total</b>		<b>3</b>		<b>3</b>			
Follow Up Reviews	1						
	2	13		13			
	3	17	9	3	4	1	
<b>Total</b>		<b>30</b>	<b>9</b>	<b>16</b>	<b>4</b>	<b>1</b>	
Business Continuity	1						
	2						
	3	1				1	
<b>Total</b>		<b>1</b>				<b>1</b>	
Payroll	1						
	2						
	3	1				1	
<b>Total</b>		<b>1</b>				<b>1</b>	
Risk Management	1						
	2						
	3	2	1				1
<b>Total</b>		<b>2</b>	<b>1</b>				<b>1</b>
<b>Total carried forward</b>		<b>38</b>	<b>10</b>	<b>19</b>	<b>5</b>	<b>3</b>	<b>1</b>

**2020/13 – Follow-Up Reviews 2019/20 (continued)**

*From Original Reports*

Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	Considered but not implemented	Not yet past completion date
<b>Total brought forward</b>		<b>38</b>	<b>10</b>	<b>19</b>	<b>5</b>	<b>3</b>	<b>1</b>
Purchasing / Procurement	1						
	2						
	3	9	8	1			
<b>Total</b>		<b>9</b>	<b>8</b>	<b>1</b>			
Web Based Services	1						
	2						
	3	7		1	1		5
<b>Total</b>		<b>7</b>		<b>1</b>	<b>1</b>		<b>5</b>
<b>Grand Total</b>		<b>54</b>	<b>18</b>	<b>21</b>	<b>6</b>	<b>3</b>	<b>6</b>

The grades, as detailed below, denote the level of importance that should have been given to each recommendation within the internal audit reports:

Gradings for recommendations from MHA Henderson Loggie internal audit reports:

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

Gradings for residual recommendations from BDO internal audit reports, which are captured within the Follow-Up Reviews 2017/18 report are:

<b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

## Time Spent - Actual v Budget

	Report number	Planned days	Actual days feed	Days to fee at Nov 2020	Days to spend / WIP	Variance
<b>Reputation</b>						
External Communications and Marketing	2020/07	5	5	-	-	-
<b>Staffing Issues</b>						
Staff recruitment and retention	2020/08	5	5	-	-	-
Payroll	2020/02	5	5	-	-	-
Leadership reorganisation	2020/11	4	4	-	-	-
<b>Estates and Facilities</b>						
Asset management	2020/10	5	5			
<b>Financial Issues</b>						
Budgetary Control	2020/09	5	5	-	-	-
Procurement and Creditors/ Purchasing	2020/04	5	5	-	-	-
General Ledger	N/A	5	-	-	5	-
<b>Organisational Issues</b>						
Risk management	2020/03	4	4	-	-	-
<b>Information and IT</b>						
Web-based services	2020/05	5	5	-	-	-
IT Systems development / implementation	2020/06	5	5	-	-	-
<b>Other Audit Activities</b>						
2019/20 Student Activity Data	2020/12	8	8	-	-	-
Management and Planning )		5	4	-	-	-
External audit / SFC )						
Attendance at audit committees )						
Follow-up Reviews	2020/13	4	4	-	-	-
<b>Total</b>		70	65	-	5	5
		=====	=====	=====	=====	=====



## Operational Plan for 2020/21

- 5.1 Following our appointment as internal auditors for the period from 1 August 2016 to 31 July 2020 we prepared an Audit Needs Assessment and Strategic Plan for (2016 to 2020) (internal audit report 2017/01, issued in September 2016). This Strategic Plan has now ended.
- 5.2 As discussed at the September 2020 meeting of the Audit and Assurance Committee the decision has been taken to invoke the one year extension option which was built into the contract. It has been agreed with the Vice principal Corporate services that a one year plan for 2020/21 would be developed based on the key risks on the College's Strategic Risk Register and taking into account previous internal audit coverage. The proposed planned activity for 2020/21 is shown below.

## Proposed Allocation of Audit Days

	Category	Priority	Actual 17/18 Days	Actual 18/19 Days	Actual 19/20 Days	Planned 20/21 Days
<b>Reputation</b>						
External Communications and Marketing	Gov	M			5	
Internal Communications	Gov	M				
Health and Safety	Gov	M		5		
Equality and Diversity	Gov	M				4
<b>Student Experience</b>						
Curriculum planning	Perf	M				5
Quality assurance and improvement	Perf	M		5		
Libraries and learning technologies	Perf	M		5		
Student recruitment targets	Fin/Perf	M		5		
Student admissions / MIS process review	Perf	M				
Student funding	Fin/Perf	M				
Learning support	Perf	M	5			
Student welfare (incl. Duty of Care)	Perf	H/M				
Student engagement )	Perf	M	7			
Student Association )	Gov	M				
<b>Staffing Issues</b>						
Staff recruitment and retention	Perf	M			5	
Staff / organisational development	Perf	M		6		
Teaching staff utilisation / timetabling	Fin/Perf	H/M	6			
Payroll	Fin	M			5	
Leadership Reorganisation	Perf	M			4	
<b>Estates and Facilities</b>						
Infrastructure contract management)	Fin/Perf	H	7			
Help Desk )	Perf	H				
Planned maintenance	Perf	H				
Estates strategy / capital projects	Fin/Perf	M				5
Sustainability	Gov/Perf	M				
Space management	Perf	M				
Cleaning management	Perf	M				
Asset management	Perf	H			5	



	Category	Priority	Actual 17/18 Days	Actual 18/19 Days	Actual 19/20 Days	Planned 20/21 Days
<b>Financial Issues</b>						
Budgetary control (incl. scenario planning)	Fin	H			5	
Student fees	Fin	M		6		
General ledger	Fin	M				5
Procurement and creditors / purchasing	Fin	H			5	
Debtors/ Income	Fin	M				5
Cash & Bank / Treasury management	Fin	M				
Fraud Prevention, Detection and Response	Fin	H				5
<b>Commercial Issues</b>						
Innovation and Research	Fin/Perf	H/M		4		
Business Development )	Fin/Perf	H/M	6			
International activities )	Fin/Perf	H/M				
Industry Academies	Fin/Perf	H/M				5
Lifelong learning	Fin/Perf	M				
<b>Organisational Issues</b>						
Risk Management	Perf	M			4	
Business Continuity	Perf	H		5		
Corporate Governance	Gov	M				
Corporate Planning	Perf	M				
Partnership Working	Gov/Perf	H/M				5
<b>Information and IT</b>						
IT network arrangements / security	Perf	H				5
Data protection / FOI	Gov	H/L	5	4		
Systems development / implementation	Perf	H			5	
Web-based Services	Perf	M			5	
IT strategy	Perf	M				
<b>Other Audit Activities</b>						
Credits Audit	Required		8	8	8	8
Management and Planning )			5	5	5	5
External audit / SFC )						
Attendance at audit committees )						
Follow-up reviews		Various	4	4	4	4
Audit Needs Assessment						
Forensic review				5		
Total			53	67	65	61
			=====	=====	=====	=====

### Key

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

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

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MHA Henderson Loggie is a trading name of Henderson Loggie LLP, which is a limited liability partnership registered in Scotland with registered number SO301630 and is a member of MHA, an independent member of Baker Tilly International Ltd, the members of which are separate and independent legal entities

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