

Board of Management

| Meeting | Audit Committee |
|---------------|---------------------------------|
| Date and time | Monday 29 May 2017 at 8.30 a.m. |
| Location | Boardroom, 1 Inverness Campus |

College Secretary 22 May 2017

AGENDA

Welcome and Apologies

Declarations of Interest

ITEMS FOR DECISION

1. MINUTES

Meeting of the Audit Committee held on 28 February 2017

2. EXTERNAL AUDIT ANNUAL AUDIT PLAN FOR THE YEAR ENDED JULY 2017

Covering report by Finance Services Manager and Report by External Auditors, Ernst & Young

3. INFORMATION SECURITY POLICY Covering report by Quality Officer

ITEMS FOR DISCUSSION

4. AUDIT REPORTS

- a) **PROCUREMENT AND CREDITORS/PURCHASING**
- b) DATA PROTECTION
- c) IT NETWORK ARRANGEMENTS

Audit Reports by Internal Auditors, Henderson Loggie

- 5. OUTSTANDING AUDIT RECOMMENDATIONS Report by Principal
- 6. INTERNAL AUDIT PROGRESS REPORT 2016/17 ANNUAL PLAN Report by Internal Auditors, Henderson Loggie
- 7. APPOINTMENT OF INTERNAL AUDITORS 2017 Report by Finance Services Manager
- 8. RISK MANAGEMENT AND BUSINESS CONTINUITY Report by Principal

9. HEALTH AND SAFETY

Report by Director of Organisational Development

- **10. OPERATIONAL PROCUREMENT REVIEW** Report by Finance Services Manager
- 11. MEETING WITH INTERNAL AUDITORS Report by College Secretary

ITEMS FOR NOTING

- 12. COMPLAINTS UPDATE REPORT Report by Quality Manager
- **13. STUDENTS' ASSOCIATION ACCOUNTS AND AUDIT 2015/16** Covering Report by Finance Services Manager
- 14. AOCB
- **15. DATE OF NEXT MEETING** Tuesday 19 September 2017 (provisional)



Board of Management

MINUTES of the MEETING of the AUDIT COMMITTEE held in the Boardroom, 1 Inverness Campus, on Tuesday 28 February 2017

| PRESENT: | Hazel Allen, Jaci Douglas, Louise James, Lindsey Mitchell, Steve Walsh |
|------------|--|
| CHAIR: | Louise James (items 1 & 2) Hazel Allen (items 3 – 10) |
| APOLOGIES: | - |
| ATTENDING: | Principal |
| | Depute Principal |
| | Director of Organisational Development |
| | Finance Services Manager |
| | ICT Services Manager |
| | David Archibald, Henderson Loggie |
| | College Secretary |

1. MINUTES

- a. The minute of the Meeting of the Audit Committee held on 29 November 2016 was **AGREED** as a correct record and was approved and signed.
- b. The minute of the Meeting of the Joint Audit and Finance and General Purposes Committee held on 8 December 2016 was **AGREED** as a correct record and was approved and signed.

2. POLICIES

a. Records Management

A number of revisions had been made to the records management policy and these had been discussed at Scrutiny Panel in December 2016 and at SMT in February 2017. The revisions were highlighted in a covering report.

The Committee **AGREED** to recommend the revised policy to the Board of Management for approval.

b. Health and Safety

A number of revisions had been made to the health and safety policy and these had been discussed at Scrutiny Panel in October 2016 and at SMT in December 2017. The revisions were highlighted in a covering report.

The Committee **AGREED** to recommend the revised policy, which included the health and safety policy statement, to the Board of Management for approval and subsequent signing by the Chair of the Board and the Principal.

Hazel Allen joined the meeting.

3. OUTSTANDING AUDIT RECOMMENDATIONS

A report by the Principal advised that the College had made significant progress in efficient and timely implementation of action points arising from internal audit recommendations. The outstanding action points from previous years had been reduced to two and one of these, relating to a function managed by UHI, was beyond the College's control.

Of the outstanding actions from 2016-17, two had been fully implemented and three had been partly implemented. The report provided a summary of each of the outstanding actions and the progress in implementing the recommendations.

The Committee **NOTED** the significant progress which had been made and were pleased to note that Executive Office had, together with other UHI partners (North Highland, Moray and West Highland Colleges) committed to a joint procurement exercise for a health and safety system through APUC. The cost had reduced considerably as a result of the joint procurement exercise.

4. RISK REGISTER AND BUSINESS CONTINUITY

A report by the Principal provided an update on risk management from an Inverness College and UHI partnership perspective. UHI Court had proposed that all partners adopt and score 11 generic risks to facilitate improved oversight and management of risk at the level of Regional Strategic Body. The addition of these risks to the Inverness College register did not preclude the recording and management of additional risks identified as being specifically pertinent to the organisation.

UHI as the Regional Strategic Body had in the last year been attempting to play a greater role in the risk management of academic partners. Meetings of Audit Chairs with the Chair of UHI's Audit Committee were being held and some effort was being made to discuss and align risk management across the partnership.

The UHI Court regularly received copies of the risk register of individual academic partners but was concerned that some generic high level risks were not being monitored by all partners and had identified the following 11 generic risks.

- Partner does not achieve allocated HE student number targets.
- Partner does not achieve allocated FE credits
- The institution has a poor reputation
- Disruption to services/projects and/or partnership working resulting from loss of a key staff member
- Non-compliance with relevant statutory regulations
- Governance Failure
- Financial failure/operating loss. Inability to achieve a balanced budget
- College estate not fit for purpose
- Academic quality is sub standard
- Poor Student Experience
- Research outputs are sub standard

The UHI Court had also requested that each academic partner regularly update their risk register directly to the UHI system and adopt the UHI process.

Following the proposed rationalisation, under the current register, there were 3 additional local risks that Inverness College would retain, namely

- Reduction in HE unit of resource
- The College is unable to continue to be locally responsive and accountable to its community
- The College fails to identify or pursue opportunities for development

The Committee discussed the financial position of two of the partner colleges and the requirement for the 5 incorporated colleges to achieve a balanced budget by the end of March 2017. They also considered the 11 generic risks and were very concerned that a number of risks could not be managed on an individual partner basis and that any risks to the College as a result of the governance structure of UHI were not included.

Reference was also made to the risks associated with the implementation of the new Finance System across the partnership and the specific risk to Inverness College UHI of the Director of Corporate Services position remaining vacant. The Principal advised that there had been a request to delay the recruitment as a result of issues affecting the wider partnership.

The Committee **AGREED** that the Chair of the Committee should raise these concerns with the UHI Court.

The Committee further **AGREED**

- 1. To endorse the proposals of the UHI Court to adopt 11 generic risks
- 2. To adapt the Inverness College UHI Risk Register to include the generic risks proposed
- 3. that the Risk Register be adopted and scored, subject to final review against the new Strategic Plan for 2017/20 and associated under-pinning strategies
- 4. that the Principal would provide timely updates to the Committee on the implementation of the new Finance System.

5. ICT SERVICES REPORT

A report by the ICT Services Manager provided an update on strategic and key ICT operational activities within the College. The report covered the key areas of

- ICT Infrastructure and Business Continuity
- Service update
- Information security

The ICT Services Manager was pleased to report that almost all staff had completed the mandatory online training modules on data protection and on information security. Internal audit reports on IT Network arrangements and Data Protection would be presented to the next meeting at the end of May.

The Committee **NOTED** the report.

6. HEALTH AND SAFETY

A report by the Health and Safety Manager provided an update on matters pertaining to health and safety.

The contract for the HSG 65 (Management System) H&S software was to be signed later in the day with the implementation phase of the project scheduled from 1 March through to the go live date of 10 July. The system and system users would be fully operational in advance of the 17/18 Academic year.

21 accident/incident/near miss reports had been received in Q2. Four of these were considered to be significant incidents and the mitigating actions were outlined in the report.

The fire management plan had been further refined following three fire evacuations, staff briefing sessions had been held and the duty managers had received guidance on the fire management procedure when on evening and Saturday duty. The Fire Brigade familiarisation visits were scheduled for both Beechwood and Balloch.

The Committee **NOTED** the actions and progress which was being made in a number of areas.

7. ACADEMIC PARTNER AUDIT COMMITTEE CHAIRS MEETING – 2 MAY 2017

The next Academic Partner Audit Committee Chairs meeting was scheduled for the beginning of May and it was important that the Committee consider any items which it wanted to be included in the agenda for this meeting.

The Chair confirmed that she and the College Secretary would review the list of previously agreed actions which had included, e.g. the sharing of the UHI Audit Plan and UHI Audit reports.

The Committee also **AGREED** that it would be appropriate for the Audit Committee to consider succession planning at partnership level.

8. AOCB – INTERNAL AUDIT TENDER

The Finance Services Manager advised that the contract with Henderson Loggie, the College's internal auditors would come to an end on 31 July 2017. A tender exercise was therefore required to ensure that internal audit service provision was maintained.

APUC had been approached to seek their assistance and they had advised that they were running a collaboration exercise with Executive Office, North Highland College and West Highland College. The intended start date was 1 August 2017 which aligned with our timing. There were a number of advantages in participating in the exercise, both in terms of the tender process itself and thereafter the ongoing provision of services.

The Committee discussed the potential that Henderson Loggie could be successful in the tendering process and continue as the College's internal auditors, already having held this position for 5 years. As there would be a new Director of Corporate Services, or equivalent, the Committee were comfortable that a professional relationship would be maintained. There was some concern about loss of control of the process. The Finance Services Manager confirmed that the process would be led by a member of APUC staff. The Committee **AGREED** that Inverness College UHI should participate in a collaborative tender exercise for the provision of internal audit services and that the College should be able to influence the criteria and weighting within the tender documentation and be involved in the selection process which should include presentations by all tenderers.

The following items were included in the agenda for noting only and therefore no discussion took place at the meeting.

9. DATA PROTECTION, FREEDOM OF INFORMATION, COMPLAINTS AND PUBLIC INTEREST DISCLOSURE ANNUAL REPORT 2016

A joint report by the College Secretary, Quality Manager and Information Development Manager provided an annual update on activity relating to data protection, freedom of information, public interest disclosure and complaints at Inverness College.

10. DATE OF NEXT MEETING

Tuesday 23 May 2017 at 8.30 a.m.

| Signed by the Chair: | |
|----------------------|------|
| Date: | |
| | |



Board of Management

| Subject/Title: | External Audit - Annual Audit Plan for year ending July 2017 | | | |
|---|--|--|---|--|
| Meeting and date: | Audit Committee, 29 May 2017 | | | |
| Author: | Fiona Musta | Fiona Mustarde, Financial Services Manager | | |
| Link to Strategic Plan: | | | | |
| Cost implications: | Yes If yes, please s | specify | : | |
| Risk assessment: | Yes If yes, please specify: Financial: Operational: Organisational: | | | |
| Status – Confidential/Non confidential | Non-confidential | | | |
| Freedom of Information Can this paper be included in "open" business | Yes | | | |
| If a paper should not be inclu | ded within "open" | " busine | ess, please highlight below the reason. | |
| Its disclosure would substantially prejudice a programme of research (S27) | | Its disclosure would substantially prejudice the effective conduct of public affairs (S30) | | |
| Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33) | | Its disclosure would constitute a breach of confidence actionable in court (S36) | | |
| Its disclosure would constitute a breach of the Data Protection Act (S38) | | Other (please give further details) | | |
| For how long must the paper either as the time which need which needs to be met.) | | | | |

Recommendation

The Audit Committee are asked to approve the external audit plan, including the audit fee and pending finalisation of the detailed audit timetable.

Purpose of report

To advise the Audit Committee of the current position regarding the plan for the external audit of the accounts for the year ended July 2017.

Background

Every five years, Audit Scotland appoint external auditors for each of the incorporated colleges. For the past five years the College accounts have been audited by Scott Moncrieff, as appointed by Audit Scotland, with the accounts to July 2016 marking the end of this contract. Inverness College UHI, along with the other incorporated colleges within the UHI partnership, will now have our external audit conducted by Ernst & Young.

Planning Meeting

The first planning meeting was held on Monday 15 May 2017 by telephone. Following this meeting Ernst & Young have submitted their Annual Audit Plan for the Year ending 31 July 2017 and a copy of this plan is attached.

Audit Fee

The expected audit fee for 2016/17 has been proposed by Audit Scotland. Audit Scotland have published a document "Our approach to setting audit fees" which outlines their fee strategy and from 2016/17 onwards they will provide a breakdown of the total audit fee.

For Inverness College UHI the 2016/17 fee breakdown is as follows:

| Fee Breakdown | 2016/17 |
|--------------------------------------|---------|
| Auditor remuneration | £14,230 |
| Pooled costs | £890 |
| Contribution to Audit Scotland costs | £810 |
| Total expected fee | £15,930 |

Note that the audit fee for 2015/16 was £16,800, the top of the previous scale

The Audit Committee is asked to approve the proposed audit fee of £15,930.

Audit Timetable

Section 6 of the attached plan refers to deliverables although there is no detailed timetable for the audit included in this document. We will work with Ernst & Young to agree a realistic timetable of activities to ensure that all key deadlines are achieved. We have already agreed dates for the initial walkthrough testing to take place during June 2017 and have proposed dates for the main audit visit in early October 2017.

Inverness College

Year ending 31 July 2017 Annual Audit Plan

Audit Committee - 29 May 2017





About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Auditor General for Scotland has appointed us as external auditor of Inverness College (the College) for financial years 2016/17 to 2020/21.

This report is for the benefit of the College and is made available to the Auditor General for Scotland and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aw are that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid w ho is our partner responsible for services under appointment by A udit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all w e can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Public sector audit framework

The Code of Audit Practice (the Code) <u>http://www.audit-scotland.gov.uk/report/code-of-audit-practice-2016</u> sets out the responsibilities of audited bodies, in accordance with statute and other relevant guidance, in respect of the preparation of financial statements.

We issue our audit opinion on the 'truth and fairness' of the College's financial statements in accordance with management's timetable, and by 31 December 2017. The nature of public sector audit means that the focus of audit work is broader than just the financial statements, covering the four dimensions of public sector audit as set-out in the Code.

Understanding the College

Our audit approach responds to our understanding of the College, and the environment in which it operates.

The College has developed a new three year strategic plan focused on development and growth. The delivery of the College's strategic aims and priorities will be challenging. The strategic focus of development and growth will need to be carefully managed against a backdrop of pressures on central government funding and operating costs pressures.

The current full year management accounts forecast an operating deficit, reflecting lower than projected income and clarification from the SFC of treatment of deferred capital grants resulting in variances from original projections.

Financial statements audit

Materiality

Planning Materiality for the audit has been determined at £400,000, representing 1.5% of estimated gross expenditure. Tolerable Error is set at £200,000. Our Summary of Audit Differences (SAD) nominal amount is £10,000.

Risk assessment

In line with auditing standards we identify significant risks in respect of fraud in income and expenditure recognition, and in respect of the risk of management override of controls.

The valuation of property, plant and equipment, and also of pension liabilities, are assessed as inherent risks. Management involves specialists in the preparation of these accounting valuations and estimates. We use our own specialists, as appropriate, in undertaking procedures on these balances.

Audit approach

We obtain an understanding of the College's control environment and key accounting processes in operation. We also consider and test the key management procedures across accounting processes, as appropriate.

Management has primary responsibility for the prevention and detection of fraud. We design appropriate audit procedures in response to identified fraud risk factors, for the purpose of detecting material misstatements.

Wider scope audit and other work

The wider scope audit as set out in the Code plays a key role in the public sector audit framework in Scotland.

We have not identified any wider scope audit focus areas for 2016/17 at this stage in our audit planning.

We undertake certain audit procedures which impact on the wider scope audit dimensions as a consequence of our financial statements audit and we will report our findings to you on completion of our audit.

Team, fees and deliverables

Stephen Reid is your audit engagement partner, supported principally by Keith Macpherson and John Boyd.

Audit Scotland communicate an expected fee broken down by auditor remuneration, pooled costs and central overheads.

We have agreed with management to set the auditor remuneration at the expected fee element, being £14,230, with a total audit fee for 2016/17 of £15,930 (2015/16: £16,800).

Appendices

We confirm our independence to act as your external auditor.

We provide you with details of the key communications we are required to provide you with in accordance with Auditing Standards.

Pages 6-7

Pages 8-12

Pages 3-5

Pages 13-14

Pages 15-17

Pages 18-22

1. Public sector audit framework



The Auditor General for Scotland has appointed us as auditor of the College under the Public Finance and Accountability (Scotland) Act 2000 ("the Act"). The period of appointment is 2016-17 to 2020-21, inclusive.

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; relevant Auditing Standards and applicable Practice Notes issued by the Auditing Practices Board; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Plan, prepared for the benefit of College management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 July 2017, in accordance with the responsibilities placed on us through the public sector audit framework in Scotland.

Financial statements audit

The College's responsibilities

The College is responsible for the preparation of the financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation. The Code also sets out the College's responsibilities for maintaining accounting records and supporting working papers that have been prepared to an acceptable professional standard.

In accordance with the Accounts Direction for Scotland's colleges and universities, the College is also required to prepare and publish, along with the financial statements, a performance report, an accountability report, a corporate governance statement, a remuneration and a staff report and, where applicable, a parliamentary accountability report, that are consistent with the disclosures within the financial statements.

Our responsibilities

We are responsible for conducting an audit of the financial statements of the College. We will provide an opinion on the financial statements as to:

- Whether they give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the College's affairs as at 31 July 2017 and its surplus or deficit for the year then ended.
- Whether they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102: 'The Financial Reporting Standard applicable in the UK and Ireland'.
- Whether they have been properly prepared in accordance with the in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

We also review and report on the consistency of the other information prepared and published by the College along with its financial statements.

Wider scope audit

The College's responsibilities

The Code sets out the broader responsibilities of the College in respect of ensuring proper financial stewardship of public funds. In particular the College should establish proper arrangements:

- For ensuring the proper conduct of its affairs, including the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements
- > For the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct
- > To ensure that their financial position is soundlybased having regard to, for example, balances and reserves including strategies about levels held, their future use and how they plan to deal with uncertainty in the medium and longer term
- The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.



The Code of Audit Practice sets out the four audit dimensions which comprise the wider scope audit framework for the public sector in Scotland. These are:

- Financial sustainability
- > Financial management
- Governance and transparency.
- > Value for money.

As auditors we are required to provide judgements and conclusions on the four wider-scope audit dimensions.

Wider scope audit (continued)

Our responsibilities

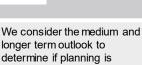
Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider-scope public audit. Our audit work over the wider scope audit dimensions compliments our financial statements audit.





We conclude on the effectiveness of financial management arrangements. This includes considering w hether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.





longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.



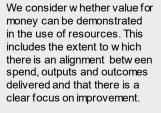
Governance and transparency



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Value for money

We review the adequacy of governance arrangements. In particular, we consider and report on; w hether these are appropriate and operating effectively and that there is effective scrutiny, challenge and transparency on decisionmaking.



Key messages

The Code of Audit Practice (the Code) <u>http://www.audit-scotland.gov.uk/report/code-of-audit-practice-2016</u> sets out the responsibilities of audited bodies, in accordance with statute and other relevant guidance, in respect of the preparation of financial statements.

We issue our audit opinion on the 'truth and fairness' of the College's financial statements in accordance with management's timetable, and by 31 December 2017. The nature of public sector audit means that the focus of audit work is broader than just the financial statements, covering the four dimensions of public sector audit as set-out in the Code.

2. Understanding the College



In accordance with the principles of the Code, our audit work is designed to be proportionate and risk based. It is based on an understanding of the strategic environment in which the College operates.

Through our knowledge and experience, plus our assessment of how the wider environment impacts on your activities, we tailor our approach to risk assessment.

Through discussion with senior management, and from review of corporate planning documents, we develop an understanding of your priorities and the specific challenges which the College faces.

Strategic context

The College is one of the largest partners of the University of the Highlands and Islands (UHI), attracting over 6,500 full and part-time students. The College delivers a range of education provision covering all Scottish Credit and Qualification Framework levels. The College has experienced particular growth in higher education provision, as the presence of UHI in Inverness.

The College has made significant capital investment in recent years, including relocating to a new campus. The new development is a key element of the delivery of the College's strategic plan and in providing seamless pathways between school and college and college and university.

Understanding the College's priorities

The College recently developed a three year Strategic Plan 2017-20, defining the College's keystrategic aims and objectives over the term of the plan and how the College will contribute to UHIs' strategic objectives. The College's key strategic areas are opportunity and growth in: student life; curriculum; professional practice; organisational development; research and innovation; and sustainability.

The strategy is focused on development and growth. This was reflected in the College's financial plan for 2016/17 with forecast growth in further and higher education student targets. This includes an 8% increase on the higher education full-time equivalent targets achieved in 2015/16.

Financial challenges

The College reported net deficit for the year ended 31 July 2016 of £1.5 million, which along with actuarial losses of £1.5 million resulted in an overall negative reserves balance of £8.5 million. The net liability reflects the net defined benefit pension scheme liability of £9.2 million, and the College reported an underlying operating surplus of £0.2 million. The budget for 2016/17 projected a breakeven position for the year. Following clarification from SFC regarding treatment of deferred capital grant funding, the impact on the 2016/17 is anticipated to result in a net operational deficit of £1 million.

The College recognises financial challenges including pressures on government funding through SFC. The college also faces increasing cost pressures, particularly across payroll costs. Management has a number of initiatives to address these challenges including ongoing savings programmes and growth initiatives to generate further revenue outside of the regional funding model from SFC via UHI.

In addition to the Strategic Plan, the College also commits to delivering a Regional Outcome Agreement. Regional Outcome Agreements are intended to enable the SFC and colleges to demonstrate the impact of the college sector and its contribution to meeting Scottish Government priorities.

The Regional Outcome Agreement is also a funding contract between the SFC and each region. As the College is defined as a central government body, it is required to operate within revenue and capital resource limits. With reductions in SFC funding, the College has recognised that significant savings are required over the three year period to 2019/20. In order to effectively manage these challenges, it is essential that the College has effective budgetary processes and robust internal controls that operate effectively.

Key messages

Our audit approach responds to our understanding of the College, and the environment in which it operates.

The College has developed a new three year strategic plan focused on development and growth. The delivery of the College's strategic aims and priorities will be challenging. The strategic focus of development and growth will need to be carefully managed against a backdrop of pressures on central government funding and operating costs pressures.

The current full year management accounts forecast a deficit, reflecting lower than projected income and clarification from the SFC of treatment of deferred capital grants resulting in variances from original projections.



3. Financial statements audit

We provide an opinion on the financial statements as to whether they give a true and fair view of the financial position of the College, and whether they have been properly prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended). We also review and report on the consistency of the other information prepared and published by the College along with its financial statements.

We undertake our financial statements audit work in accordance with the four phases of EY's Global Audit Methodology: *Planning*; *Identification and assessment of risk*; *Design and execution of our response to those risks*; and *Conclude and communicate*.

Planning our audit work

Initial planning, independence and quality assurance

Our initial planning for any audit engagement includes client and engagement acceptance, which includes our documentation of the service requirements. We did not identify any specific audit risks arising from these procedures.

Part of these procedures are designed to ensure compliance with all relevant ethical standards, including independence which we assess for both EY as a firm and the individuals assigned to the audit. We set out more information on our independence in AppendixA.

We identify the team with primary responsibility for performance of the audit. Stephen Reid is the audit partner-in-charge.

Materiality

In accordance with ISA 320 we apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion. Materiality is the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. We determine:

- > Planning materiality (PM) this is set for the financial statements as a whole, and is used to set the scope for our audit. We have determined this to be £400,000, representing 1.5% of estimated gross expenditure.
- Tolerable Error (TE) materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set this at 50% of PM, being £200,000.
- Summary of Audit Differences (SAD) Nominal amount this is the amount below which misstatements, whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. We have set this at £10,000.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At the end of the audit we will form, and report to you, our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

Financial statement risks

We outline our initial assessment of the financial statement risks facing the College, identified through our knowledge of the environment in which the College operates; discussion with those charged with governance and management; and through handover and transition arrangements with your previous auditor.

Our risk assessment is ongoing throughout the conduct of our audit and we will report to you any notable changes in our risk assessment during the course of our work.

Key messages

Planning Materiality for the audit has been determined at £400,000, representing 1.5% of estimated gross expenditure. Tolerable Error is set at £200,000. Our Summary of Audit Differences (SAD) nominal amount is £10,000

In line with auditing standards we identify significant risks in respect of fraud in income and expenditure recognition, and in respect of the risk of management override of controls. The valuation of property, plant and equipment, and also of pension liabilities, are assessed as inherent risks. Management involves specialists in the preparation of these accounting valuations and estimates. We use our own specialists, as appropriate, in undertaking procedures on these balances.

Auditing standards require us to consider whether anyof the risks identified are 'significant' risks to our audit of the College. Significant risks are defined as those with a higher likelihood of occurrence and, if they were to occur, a higher magnitude of impact which could result in a material misstatement of the financial statements. We are required to specifically highlight these significant risks to 'those charged with governance' i.e. the Audit Committee.

We perform specific procedures over significant risks, including consideration of the design and implementation of controls to address these risks plus performance of additional substantive procedures in response to the specific risk.

Risk assessment includes the inherent risk relating to the susceptibility of a transaction, disclosure or account balance in the financial statements to material misstatement. These inherent risks are broader in nature than significant risks, but require tailored audit procedures to be performed.

| Significant risks (including fraud risks) | Our audit approach |
|---|--|
| Risk of fraud in revenue recognition | We will: |
| Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. | review and test all relevant income and expenditure policies against the relevant accounting standards and SORP review, test and discuss with management any accounting estimates on income and expenditure |
| Given the nature of SFC funding to the College, we rebut the presumed revenue recognition risk for this income stream. How ever we recognise a revenue recognition risk for tuition income and other material income in respect of possible manipulation of cut-off around the financial year end. We also recognise the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10. | recognition for evidence of bias develop a testing strategy to test material income and expenditure streams review and test income and expenditure cut-off around the year end. |
| Risk of management override | Based on the requirements of auditing standards our approach will focus on: |
| Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. | identifying fraud risks during the planning stages inquiry of management about risks of fraud and the controls put in place to address those risks |
| The risk of management override is pervasive to the audit and impacts the testing of all areas. Our responsibility is to plan and performaudits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk. This takes account of the fact that management are in a unique position to override controls which otherwise appear to be operating effectively. | consideration of the effectiveness of management's controls designed to address the risk of fraud determining an appropriate strategy to address those identified risks of fraud focusing our audit procedures on manual journals that could be used by management to manipulate the true and fair position of the College's financial statements. |
| Other financial statement risks – inherent risks | Our audit approach |
| Valuation of property, plant and equipment and capital funding | Our approach will focus on: |
| The College's property portfolio totals £52 million as at 31 July 2016. Land and buildings are revalued to fair value with a full revaluation taking place at least every five years. | analysis of the source data and inquiries as to the procedures used by management's specialist to establish w hether the source data is complete |
| Given the size of this balance and the fact that a number of assumptions are made in the valuation, we assign a higher inherent risk to property, plant and equipment. | assessment of the reasonableness of the assumptions and methods used, including their compliance with the SORP |
| We do not, how ever, at the planning stage have any specific concerns over management's approach to property valuations. | consideration of the appropriateness of the timing of w hen the specialist carried out the w ork |
| | assessment of w hether the substance of the specialist's findings are properly reflected in the financial statements. |



In addition to the significant risk areas highlighted above, our audit work will also consider the following areas of audit emphasis, reflecting the fact that these areas have additional compliance, regulatory or sustainability implications. Our risk assessment includes the inherent risk relating to the susceptibility of a transaction, disclosure or account balance in the financial statements to material misstatement. These inherent risks are broader in nature than significant risks, but require tailored audit procedures to be performed.

| Other financial statement risks – inherent risks (continued) | Our audit approach |
|---|--|
| Capital financing arrangements | Our response will comprise: |
| New Campusfinancing In July and August 2015, the College procured its new campus buildings at Balloch and Inverness using the Scottish Futures Trust's Non-Profit Distributing (NPD) model. Under the NPD arrangement, the College makes monthly service charge "unitary charge" payments w hich include the capital element of the loan funding together w ith interest, facilities management and building lifecycle costs. As at 31 July 2016 the present value of future lease payments w as reported as £38.4 million. | review ing the College's NPD accounting and disclosures against the requirements of the SORP and FRS102 and against the underlying contracts review ing the NPD agreements and accounting model to consider the reasonableness of the NPD disclosure within the financial statements review ing capital funding transactions, including SFC capital grants, against the requirements of the FRS 102 based SORP |
| Given the material value of the NPD liability as well as the complexity of the associated accounting treatment we consider this as an area of higher inherent risk. | Review ing the College's recognition of any assets held for disposal or any disposal, including the appropriateness of the value these are held at within the financial statements. |
| Valuation of pension liabilities | Our response will comprise: |
| The College participates in two pension scheme; the Local Government Pension Scheme (LGPS) administered by Highland Council and the Scottish Teachers Superannuation Scheme (STSS). While both are defined benefit pension schemes, the College is unable to identify its share of the underlying assets and liabilities of the STSS scheme on a consistent and reasonable basis and therefore, the scheme is accounted for as if it were a defined contribution scheme. The LGPS is accounted for as a defined benefit scheme. The net pension liabilities on the Balance Sheet arising from participation in the scheme were £9.232 million. In addition the College recognises a provision for future early retirement liabilities of £2.1 million. | obtaining an actuarial report at the year end date for the LGPS and considering the reasonableness and consistency of underpinning assumptions, in light of guidance available ensuring compliance with funding agreements w e will utilise our in-house actuaries to assess the reasonableness of key assumptions such as discount |
| | rate, inflation and expected market return w e will perform substantive testing on the verification of the pension assets w e will also audit the calculation of the College's valuation of future early retirement liabilities at 31 July. |

Key accounting and auditing updates

The Financial Reporting Council has introduced a number of revised International Standards on Auditing (UK) (ISAs (UK)) which are effective to audits of financial statements commencing on or after 17 June 2016. On adoption of ISAs (UK), all audit reports will need to comply with revised requirements in ISA (UK) 700 (Revised June 2016), which change the structure some of the detailed content. For example, the audit report content will be re-ordered with the auditor's opinion being at the start of the report, followed by the basis for the opinion. The exact format of our opinion will follow Audit Scotland guidance.

Consultation on FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland

We would draw your attention to the fact that the Financial Reporting Council issued FRED 67 'Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland' for consultation in March 2017, with responses due 30 June 2017. The further and higher education SORP 2019 will be based on the revisions to FRS 102 arising from this triennial review and so the College maywish to consider making a response.



Our approach is designed to develop an audit strategy that is responsive to the College's risks of material misstatement for transactions and account balances in the financial statements. It is designed to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.

In addition, we plan and perform certain general audit procedures on every audit to address areas that are not directly related to financial statement account assertions. Examples of such procedures include compliance with applicable laws and regulations, litigation and claims, related parties and consideration of fraud.

As a first year audit, we also have additional procedures to perform in respect of opening balances.

Overview of audit approach

We determine which accounts, disclosures and relevant assertions could contain risks of material misstatement based on our understanding of the business, understanding of internal control arrangements and our determination of planning materiality.

We document and walkthrough the key accounting processes within the College, in particular with respect to classes of transactions associated with identified significant and fraud risks. We also consider, and where appropriate and beneficial to the efficiency of the audit process, test management procedures established across keyfinancial processes.

To ensure efficiency in our audit work, we employ data analytics as appropriate to allow the testing of full populations of financial transactions where possible to minimise extensive sample testing and reduce the burden of compliance on management and the finance team.

Responsibilities in respect of fraud and error

Management has primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- > Identifying fraud risks during the planning stages.
- > Enquiry of management about risks of fraud and the controls to address those risks.
- > Understanding the oversight given by those charged with governance of management's processes over fraud.
- > Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- > Determining an appropriate strategy to address any identified risks of fraud.
- > Performing mandatory procedures regardless of specifically identified risks.

First year audit procedures

As a first year audit, we also have additional procedures to perform in respect of opening balances. We follow Audit Scotland's protocol for handover from the previous auditor and will be holding discussions with your previous auditor in advance of the year end audit, in addition to reviewing the key reporting outputs as part of our planning procedures. Also, we are required to perform a full review of opening balances, with a specific focus on judgemental areas such as provisions and accrued income as at 31 July 2016. As part of our interim audit procedures we will review these year end balances, in particular assessing the retrospective accuracy of key estimates through evaluating the trued up value after 31 July 2016.

Key messages

We obtain an understanding of the College's control environment and key accounting processes. We also consider and test the key management procedures across accounting processes, as appropriate.

Management has primary responsibility for the prevention and detection of fraud. We design appropriate audit procedures in response to identified fraud risk factors, for the purpose of detecting material misstatements.



4. Wider scope audit and other work



Together the Auditor General for Scotland and the Accounts Commission agreed the four dimensions set out in the Code which comprise the wider-scope audit for public sector in Scotland. These are: financial sustainability, financial management, governance and transparency, and value for money.

The Code sets out an expectation that 'significant' risks identified through our planning process that relate to the wider scope dimensions will be communicated with you.

In undertaking our risk assessment in respect of the wider scope audit areas, we distinguish between the definition of 'significant risks' which apply to the audit of the financial statements, by referring in our report to 'Wider Scope Audit Focus Areas', where these have been identified.

Risk Assessment

We have not identified any wider scope audit focus areas for the year.

We do, however, undertake routine work in respect of each of the audit dimensions, by considering the evidence available to us through various aspects of our work. We will report accordingly our findings in respect of the following:

- Financial sustainability our view on the effectiveness of the financial planning systems and identifying and addressing risks to financial sustainability across shorter and longer terms.
- Financial management our view on whether the College can demonstrate the effectiveness of the budgetary control system in communicating accurate and timely financial performance and whether arrangements to ensure systems of internal control are operating effectively.
- Governance and Transparency our view on how the College's arrangements comply with best practice in respect of corporate governance including ensuring the regularity of transactions.
- > Value for Money this dimension is focused on how the College effectively utilises its resources and the arrangements to continually improve services.

Key messages

The wider scope audit as set out in the Code plays a key role in the public sector audit framework in Scotland. We have not identified any wider scope audit focus areas for 2016/17 at this stage in our audit planning.

We undertaken certain audit procedures which impact on the wider scope audit dimensions as a consequence of our financial statements audit and we will report our findings to you on completion of our audit.



5. Team, fees and deliverables

We identify an audit team with the relevant skills and experience. All member of our core team have experience in the audit of further education. The engagement team is led by Stephen Reid, who is one of three partners leading EY's Government and Public Sector practice in the UK. Stephen is supported by Keith Macpherson, our Head of Government & Public Sector Audit in Scotland. John Boyd will be the senior manager for the financial statements audit.

The audit fee is determined in line with Audit Scotland's fee setting arrangements, set out in recent communications to all audited bodies in line with their publication on '*Our Approach to setting audit fees*' (http://www.audit-scotland.gov.uk/uploads/docs/um/audit_fee_approach.pdf).

Audit team

| Individual | Contact details |
|------------------|---|
| Stephen Reid | T: 07795 307 033 E: sreid2@uk.ey.com |
| Keith Macpherson | T: 07831136496 E: kmacpherson@uk.ey.com |
| John Boyd | T: 0141 226 7341 E: jboyd1@uk.ey.com |

2016/17 Audit fee

The expected fee for each body, set by Audit Scotland, assumes that it has sound governance arrangements and controls operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year from what would normally be expected by the Code, including in respect of wider scope audit work.

| Expected Fee Element – per Audit Scotland fee letter | 2016/17 | 2015/16* |
|--|---------|----------|
| Auditor remuneration | £14,230 | n/a |
| Pooled costs | £890 | n/a |
| Contribution to Audit Scotland costs | £810 | n/a |
| Total expected fee | £15,930 | £16,800 |

* The breakdown of the prior year fee into these components is not available from Audit Scotland.

The auditor remuneration element of the fee is for final agreement between College management and the appointed auditor, and can be increased dependent on circumstances in the audited body.

We have agreed with management to set the auditor remuneration at the expected fee element, being £14,230, with a total audit fee for 2016/17 of £15,930 (2015/16: £16,800).

Key messages

Stephen Reid is your audit engagement partner, supported principally by Keith Macpherson and John Boyd.

Audit Scotland communicate an expected fee broken down by auditor remuneration, pooled costs and central overheads.

We have agreed with management to set the auditor remuneration at the expected fee element, being £14,230, with a total audit fee for 2016/17 of £15,930 (2015/16: £13,990).



We agree a timetable with management, in line with the College's internal reporting requirements, and in accordance with Audit Scotland's planning guidance.

There are a number of deliverables required during the year, as set out in the table.

As part of our transparency to you, and to allow you to assess the performance of your external auditor, we will report to you annually on how we have performed against the timetable for audit deliverables.

Timeline and deliverables

| Audit activity | Deliverables | |
|---|--|--|
| Planning: January – May 2017 | | |
| Introductory meetings with senior management | 1. Annual Audit Plan, presented to Audit Committee, May 2017 | |
| Handover discussions with outgoing auditor | | |
| Review of Audit Scotland planning guidance | | |
| Review of College documentation | | |
| Identification of risks and design and execution of response to thos | e risks: May – October 2017 | |
| Onsite fieldw ork, documentation and w alkthrough of key | 2. Submit NFI return to Audit Scotland by 30/6/2017 | |
| accounting processes | 3. Submit any fraud returns to Audit Scotland by 26/5/2017 | |
| Testing of key management procedures as appropriate | | |
| Understanding of College's response to results from National Fraud Initiative (NFI) | | |
| Performance of year-end substantive audit fieldw ork on draft financial statements | | |
| Conclude and communicate: November – January 2018 | | |
| Conclude on results of audit procedures | 5. Annual Audit Report – to Audit Committee (date tbc) | |
| Audit clearance meeting with senior management, and report | 6. Certify Annual Financial Statements – by 31/12/2017 | |
| findings to those charged with governance | 7. Submit Minimum Dataset Return to Audit Scotland by | |
| Issue opinion on the College's financial statements | 3/1/2018 | |
| Submission of minimum dataset to Audit Scotland | | |

Appendices

- A Auditor Independence
- **B** Required Communications



In order to carry out our duties and responsibilities as auditor, we are required to consider our independence and objectivity within the context of the regulatory and professional framework in which we operate.

The Financial Reporting Council's Ethical Standards and International Standard on Auditing (UK) 260 (Revised June 2016), *Communication with those charged with governance*, require us to communicate on a timely basis and at least annually on all significant facts and matters that bear upon our independence and objectivity since our last letter.

The aim of these communications is to ensure full and fair disclosure is made by us to you on matters in which you have an interest.

| Required communication | | | |
|--|--|--|--|
| Planning stage | Final stage | | |
| The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships betw een you, your affiliates and directors and us. The safeguards adopted and the reasons why | A w ritten disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and w hy they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed. | | |
| they are considered to be effective, including any Engagement Quality Review. | Details of non-audit services provided and the fees charged in relation thereto. | | |
| The overall assessment of threats and safeguards. Information about the general policies and | Written confirmation that w e are independent. Details of any inconsistencies between APB Ethical Standards, Audit Scotland's Terms of Appointment and your policy for the supply of non-audit | | |
| process within EY to maintain objectivity and independence. | services by EY and any apparent breach of that policy.An opportunity to discuss auditor independence issues. | | |

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the College.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with any of the policies that the College may have approved and that are in compliance with Audit Scotland's Terms of Appointment. At the time of writing, no non-audit services have been provided.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the College. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in accordance with the requirements of the Financial Reporting Council's Ethical Standards and International Standard on Auditing (UK) 260 (Revised June 2016).

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.



Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

The 2016/17 audit year is the first year that Stephen Reid has led the audit of Inverness College. We assessed this relationship prior to the commencement of the audit period and concluded that there are no considerations that compromise, or could be perceived to compromise, Stephen Reid's independence or objectivity.

Overall Assessment

Overall we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, the Audit Engagement Partner and the audit engagement team have not been compromised.



EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016

There are certain additional communications that we must provide to the Audit Committee, which are set out below.

| Required communication | Reference |
|--|---|
| Planning and audit approach | Annual Audit Plan |
| Communication of the planned scope and timing of the audit including any limitations. | |
| Significant findings from the audit | Annual Audit Report |
| Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures | |
| Significant difficulties, if any, encountered during the audit | |
| Significant matters, if any, arising from the audit that were discussed with management | |
| Written representations that w e are seeking | |
| Expected modifications to the audit report | |
| Other matters if any, significant to the oversight of the financial reporting process | |
| Findings and issues regarding the opening balances on initial audits | |
| Misstatements | Annual Audit Report |
| Uncorrected misstatements and their effect on our audit opinion | |
| The effect of uncorrected misstatements related to prior periods | |
| A request that any uncorrected misstatement be corrected | |
| In writing, corrected misstatements that are significant | |
| Fraud | Annual Audit Plan |
| Enquiries of the Audit Committee to determine w hether they have know ledge of any actual, suspected or alleged fraud affecting the entity | Annual Audit Report |
| Any fraud that we have identified or information we have obtained that indicates that a fraud may exist | |
| A discussion of any other matters related to fraud | |
| Related parties | Annual Audit Report |
| Significant matters arising during the audit in connection with the entity's related parties including, when applicable: | |
| Non-disclosure by management | |
| Inappropriate authorisation and approval of transactions | |
| Disagreement over disclosures | |
| Non-compliance with law s and regulations | |
| Difficulty in identifying the party that ultimately controls the entity | |
| External confirmations | Annual Audit Report |
| Management's refusal for us to request confirmations | |
| Inability to obtain relevant and reliable audit evidence from other procedures | |



| Required communication | Reference |
|--|---|
| Significant deficiencies in internal controls identified during the audit | Annual Audit Report |
| Consideration of laws and regulations | Annual Audit Report |
| Audit findings regarding non-compliance w here the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off | |
| • Enquiry of the Audit Committee into possible instances of non-compliance with law s and regulations that may have a material effect on the financial statements and that the Audit Committee may be aw are of | |
| Independence | ► Annual Audit Plan |
| Communication of all significant facts and matters that bear on EY's objectivity and independence | Annual Audit Report |
| Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: | |
| The principal threats, and any safeguards adopted and their effectiveness | |
| An overall assessment of threats and safeguards | |
| Information about the general policies and process within the firm to maintain objectivity and independence | |
| Going concern | Annual Audit Report |
| Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: | |
| Whether the events or conditions constitute a material uncertainty | |
| Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements | |
| The adequacy of related disclosures in the financial statements | |
| Group audits | Annual Audit Report |
| An overview of the type of w ork to be performed on the financial information of the components, and of the nature of the group audit team's planned involvement in the w ork to be performed by the component auditors on the financial information of significant components | |
| Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work | |
| Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted | |
| Fraud or suspected fraud involving group management, component management, employees w ho have significant roles in group-w ide controls or others where the fraud resulted in a material misstatement of the group financial statements | |
| Fee information and confirmation of additional certification work | ► Annual Audit Plan |
| Details of the audit fee | Annual Audit Report |
| Summary of additional audit certification w ork undertaken | |

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Board of Management

| Subject/Title: | Information Security Policy | | | |
|---|--|--|--|--|
| Meeting and date: | Audit Committee – 29 May 2017 | | | |
| Author: | Martin Robinson (ICT Services Manager) author of policy | | | |
| Author. | Claire Fraser (Quality Officer) – author of cover report | | | |
| Link to Strategic Plan: | 3.1, 3.2, 3.3 | | | |
| Cost implications: | Yes / No (delete as applicable) | | | |
| Cost implications: | If yes, please specify: | | | |
| Risk assessment: | Yes / No (delete as applicable) | | | |
| Status – Confidential/Non confidential | Non Confidential | | | |
| Freedom of Information | | | | |
| Can this paper be included in "open" business | Yes | | | |
| If a paper should not be inclu | ded within "open" busir | ness, please highlight below the reason. | | |
| Its disclosure would substantially prejudice a programme of research (S27) | | Its disclosure would substantially prejudice the effective conduct of public affairs (S30) | | |
| Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33) | | Its disclosure would constitute a breach of confidence actionable in court (S36) | | |
| Its disclosure would constitute a breach of the Data Protection Act (S38) | | Other (please give further details) | | |
| For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.) | | | | |

Recommendation(s)

The Audit Committee is asked to approve the revised Information Security policy.

Purpose of report

To inform the Audit Committee of the changes to the Information Security policy. As the revisions are minor, they do not need approval of the Board of Management.

Background

The Information Security Policy is due to be updated by June 2017 and is submitted now to both meet this timescale and to reflect the changes in Information Security

In addition, the Information Security Policy has been reviewed and updated to reflect the output and requirements of the on-going Information Security Check Up Project.

The Information Security Check Up has also led to a thorough revision of the Information Security Management System which is included in these papers for reference.

This revised policy has been discussed at Scrutiny Panel (8 March 2017) and SMT (18 May 2017).

Following approval, the policy will be published.

Main body of Information Information Security Policy Overview

The main change to the Information Security Policy is to support and provide a more comprehensive Information Security Management System (ISMS). The previous ISMS was included as an Appendix as a work in progress, this is now a separate document with a more thorough approach based on recent best practice and recommendations from ICO and National Cyber Security Centre. This is included in papers for information.

Other changes are summarised below.

Policy Statement

Added statement that failure to secure information increases risk of significant financial and reputational losses.

Policies

Updated related policies.

Information Security Management System (ISMS)

Included reference to training as key part of ISMS. Updated to reference that the College has an ISMS in place, the previous policy referred to being in process of implementation.

Information Security Incident Management

Added new section to ensure staff are aware how to raise an information security incident.

Appendix

As stated above, removed the work in progress ISMS from the Appendix which is now a separate document and will be updated more regularly than the Information Security Policy. That is, to reflect new and updated guidelines, procedures and other policies in place across the College that help protect the security and availability of information and personal data.

Approved by Board of Management: 19 March 2015 Amended:



Information Security Policy

REFERENCE: PL/IT/2017/001

DRAFT- 10th February 2017

| Lead Officer (Post): | Director of Corporate Services | Review date: | June 2020 |
|--|-----------------------------------|---|-------------------------|
| Area: | ICT | Review Lead Officer (Post) | ICT Services Manager |
| Responsible Committee: | Audit Committee | Date published: | |
| Date approved by Board of Management | 19 March 2015 | Equality Impact and Assessment complete | 08 March 2017 |

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1. Policy Statement

The purpose of the Inverness College Information Security Policy is to:

- Promote, develop and maintain a consistent and secure approach to the handling, storing and processing of information;
- Ensure all staff, students and relevant third parties understand their responsibilities with regards to Information Security;
- Ensure the College Information assets and IT infrastructure are not misused;
- Ensure the College adheres to relevant Information Security legislation.

Failure to adequately secure information increases the risk of significant financial and reputational losses. This policy outlines the College's commitment and approach to Information Security as well as the roles and responsibilities required to support this.

2. Legislative framework/related policies

2.1. The legislative frameworks applying to this policy are.

- Data Projection Act 1998;
- Computer Misuse Act 1990;
- The Regulation of Investigatory Powers (Scotland) Act 2000;
- Freedom of Information (Scotland) Act 2002;
- The Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000.
- 2.2. The related Inverness College policies are.
 - Data Protection Policy
 - Records Management Policy
 - UHI IS ICT Acceptable Use Policy
 - Business Continuity Policy
 - Risk Management Policy
 - Staff Recruitment and Selection Policy
- 2.3. External Standards relevant to this policy are:
 - Information Security ISO/IEC 27001;
 - Information Security ISO/IEC 27002;
 - Records Management ISO 15489-1;
 - The UCISA Information Security Toolkit.
 - JANET Acceptable Use Policy.

3. Scope

- 3.1. The policy scope is to ensure that the three key principles of Information Security are upheld. That is:
 - **Confidentiality**: Ensuring information assets are protected from unauthorised access or modification at all times;
 - Integrity: Ensuring information is accurate and complete and is delivered by reliable systems;
 - Availability: Ensuring information is accessible and useable when required for authorised use.
- 3.2. For the purpose of this policy, information includes data stored on computers (including mobile devices), transmitted across networks; printed out or written on paper; sent out by fax; stored on disk or tape;

or, spoken in conversation or over the telephone, including voicemail recordings.

3.3. As such, all information that is created, processed, stored or transmitted physically or electronically as part of Inverness College's educational and related business activities is an asset of the organisation and, therefore, should be appropriately protected.

4. Information Management Security System (ISMS)

- 4.1. This policy defines an approach to Information security based on implementing and maintaining a fit for purpose set of controls, including policies, procedures, training, software and hardware functions that formulate the Inverness College Information Management Security System (ISMS),
- 4.2. The ISMS will be integrated with the College's processes and management structure and, as defined in ISO 27000, appropriate for the educational purpose of the College.
- 4.3. The ISMS facilitates a risk-based approach to Information Security. For example, the management of personal data, such as student / staff records or financial records, would be different to that of public facing website or course materials
- 4.4 The ISMS allows the College to:
 - Understand how its information assets are protected against threats, both electronic and physical;
 - Maintain a framework for identifying and assessing security risks, as well as applying applicable controls to address these;
 - Classify information to indicate its sensitivity and importance to the College;
 - Maintain key Information System operations even in the event of disaster, such as floods or IT outages;
 - Maintain a programme, including training, to promote Information Security awareness across the college;
 - Ensure breaches of information security are reported, investigated and appropriate action is taken.
- 4.5 In addition to the legislative framework and College policies, referred to above, a number of other child Information Security polices and guidelines will from part of the ISMS.

5. Information Security Incident Management

5.1. Any member of staff, student or researcher aware of any information security incident should report it to the College Data Controller (data.controller.ic@uhi.ac.uk).

6. Responsibilities

- 6.1. The Inverness College Board of Management are responsible for approval of the Information Security Policy.
- 6.2. The **Inverness College Senior Management Team** is responsible for providing leadership and commitment to the application of Information Security, including ongoing review of the Information Security Policy.
- 6.3. The **Director of Corporate Services** has operational responsibility for Information Security.
- 6.4. The ICT Services Manager is responsible for:
 - Reviewing and maintaining information security policy annually and updating the ISMS to address new threats, legislation and operational requirements of the College;
 - Provision of specialist advice on matters of Information Security;
 - Identifying and addressing risks to information systems;
 - Ensuring that new systems or changes made to the College's ICT do not compromise the security of the existing infrastructure;

6.5. The Information Development Manager is responsible for:

- The classification scheme for information based on its importance to the College;
- Ensuring the implementation and the ongoing maintenance of the Records Management System
- Providing advice and guidance to staff with regard to record keeping, storage and destruction of documents;

6.6. The **MIS Manager** is responsible for:

• Ensuring business processes associated with the collation, interpretation and reporting of information across the College are robust, auditable and implemented by all staff;

6.7. The Estates and Campus Services Manager is responsible for:

 Ensuring the physical and environmental security of the Inverness College premises;

6.8. Information Asset Owners are responsible for:

 Determining and reviewing the level of access to be granted to staff, students and third parties to ensure the information they manage is appropriately accessible and secure;

6.9. All Managers are responsible for:

- Ensuring their staff are aware of their security responsibilities;
- Ensuring their staff have appropriate training for the systems and information they are using or processing.

All Staff should be aware that Information Security is their responsibility and should be considered as part of everyday working practice. As such, they are responsible for:

- Ensuring they comply with the ICT Acceptable Use Policy;
- Reporting any security incidents as and when they are aware of them.
- 5.10 All Students must abide by the Inverness College UHI ICT Code of Conduct which document how to use the College's ICT appropriately.

7. Compliance

- 7.1. This policy applies to all staff, students, contractors, third parties and partner organisations. Non-compliance should be raised as security incident to the Inverness College ICT Services Helpdesk.
- 7.2. This policy must be complied with and it will be audited regularly with reports going to the Audit Committee.

8. Monitoring

- 8.1. The effectiveness of the Information Security Policy and Information Security Management System requires periodic and event based monitoring. Any organisational changes to Inverness College, legislative change or major ICT changes may require review of this policy and others.
- 8.2. In addition, the evaluation of new Information Security risks may result in actions to add new, amend or delete existing controls. For example, a review of the Physical Security would be required on the College moving to the new campus.
- 8.3. Each college policy will be monitored and its implementation evaluated. Appropriate procedures for monitoring and evaluation are the responsibility of the lead officer. These procedures will be subject to audit.

8.4. The number of Information Security incidents raised is recordable via the ICT Helpdesk.

9. Review

9.1. The Information Security Policy shall be reviewed annually by the ICT Services Manager and presented for approval to the Board of Management or other designated committee every 3 years.

Information Security Management System (ISMS)

The Information Security Management System (ISMS), as defined in the Inverness College UHI Information Security Policy, is put in place to ensure information is managed appropriately. That the College safeguards information from inappropriate disclosure; that information is accurate, timely and attributable; and that information is available to all those that need to access it.

The ISMS is based on a set of controls, including policies, procedures, training, software and hardware functions that formulate the Inverness College Information Management Security System. The security of the building itself and the screening of new staff is just as important as security of ICT systems, which is recognised within the scope of the ISMS.

The ISMS recognises that the College is part of the wider UHI, and the College shares key networks and systems with UHI as well as working collaboratively on policies and procedures. Therefore, the ISMS will contain both UHI and Inverness College UHI components.

This document (ISMS) should be reviewed at least annually, or in response to changes in regulation, best practice or lessons learnt.

| Last Date of Approval: | Last Date of Review: |
|------------------------|----------------------|
| ТВС | ТВС |

| 1. Governance | Control | Status | IC UHI Owner | Last Review |
|---|---|-----------|-------------------------|-------------|
| 1.1 Information Security Policy | Information Security PolicyP:\Staff\QualityThe ISMS is defined in the Information SecurityPolicy that is reviewed and approved by theCollege Board of Management. | In place. | ICT Services Manager | March 2017 |
| 1.2 Information Security Management System | Information Security Management System P:\Staff\ICT Information The ISMS, for purpose of clarity, is this document. | In place. | ICT Services Manager | March 2017 |
| 1.3 Information Security Incident Management Procedure | This is referenced in the Information Security Policy. That is, all information security incidents are reported to the Data Controller (data.controller.ic@uhi.ac.uk). | In place. | ICT Services Manager | N/A |

| 1.4 Information Security Risk Assessment | ISMS Risk Management Am overall risk assessment of the organisation completed in the creation of the Information Security Management System. This was reviewed by SMT to enable the design of the ISMS. | In draft. | ICT Services Manager | December 2016 |
|--|---|-----------|--|---------------|
| 1.5 Information Security Risk Management | This is currently managed via the ICT Risk Register, using the Security category. | In place. | ICT Services Manager | N/A |
| 2. Access Control | | | | |
| 2.1 Acceptable Use Policy | UHI Partnership IS Acceptable Use Policy.P:\Staff\QualityThis replaces the previous College ICT Code ofConduct.Purpose is to document theacceptable use of UHI equipment and servicesfor staff, students and researchers. | Approved. | ICT Services Manager | March 2016 |
| 2.2 User Access Control | Joiners, Mover, Leavers (JML) Procedure This provides process for how staff file, system and building access is granted and revoked dependent on role within the College. | In raft. | ICT Services Manager | March 2017 |
| 2.3 Administrative and Privileged Access Rights | ICT Administrator Access Rights Summary of administrative access rights and password control of these accounts. | In place. | ICT Services Manager | March 2017 |
| 2.4 Clear Desk and Clear Screen Guidelines | Clear Desk Guidelines <u>P:\Staff\Data Protection</u> Guidance on, and benefits of, maintaining a tidy working environment. | In place. | Information Development Manager. | March 2017 |
| 2.5 Social Media Guidelines | Social Media Guidelines P:\Staff\ICT Information | In place | ICT Services Manager | March 2017 |

| | To complement the College Code of Conduct | | | |
|-------------------------------------|--|------------|------------------------------|---------------|
| | and UHI IS Acceptable Use Policy in guiding | | | |
| | acceptable behavior in using social media. | | | |
| 2. Human Resource Security | | | | |
| 2.1 Staff Recruitment and Selection | Staff Recruitment and Selection Policy | In place. | HR Manager | January 2014 |
| Policy | Leaving Inverness College Policy P:\Staff\Quality | | | |
| | These controls screen potential employees, to | | | |
| | ensure they have appropriate access in their | | | |
| | new role and that any changes in role are | | | |
| | manage, such as termination of employment. | | | |
| | | | | |
| 2.2 Training and Induction | All staff have mandatory induction materials which include Data Protection and Information | In place | Staff Development Officer | December 2016 |
| | Security which is available via Blackboard | | | |
| | (Virtual Learning Environment). | | | |
| | It is the line manager responsibility to ensure | | | |
| | staff are trained before accessing systems / | | | |
| | personal data. | | | |
| 3. Physical and Environmental | | | | |
| Security | | | | |
| 3.1 Physical Security (Building | Procedures in place managed by GTFM with | In review. | Estates and | N/A |
| Access) | Estates and Campus Services team to open / | | Campus Services | |
| | close / secure the building. | | Manager | |
| 3.2 Secure Areas | UHI Partnership IS Secure Areas Policy Link | In place. | ICT Services | March 2016 |
| | Control to manage and monitor access to key | | Manager | |
| | areas such as communization rooms. | | | |
| 4. Information Handling | | | | |
| 4.1 Data Protection Policy | Data Protection Policy | In place. | Information | December 2015 |
| | P:\Staff\Quality | | Development | |
| | | | Manager | |

| | To ensure the processing of personal data is only undertaken in the legitimate operation of the college's business. | | | |
|--|--|-----------|--|---------------|
| 4.2 Records Management Policy | Records Management Policy <u>P:\Staff\Quality</u> To adhere to legislation and best practice, and provide guidelines for efficient storage and retrieval of College information. | In place. | Information Development Manager | October 2015 |
| 4.3 Information Asset Owner Procedure | Information Asset Owner Guidelines <u>P:\Staff\Data Protection</u> To guide information asset owners in their responsibilities in protecting the confidentiality, integrity and availability of College data/records. | In place. | ICT Services Manager / Information Development Manager | February 2017 |
| 4.4 Information Asset Owner Register | The asset owner register is included in the Information Asset Owner Guidelines above. This provides ownership of, and responsibility for, all key College assets and systems. | In place. | ICT Services Manager / Information Development Manager | February 2017 |
| 4.5 Information Transfer Guidelines | Information Transfer Requirements P:\Staff\Data Protection The purpose of this policy is to ensure information, in particular personal data, does not get exposed outside of its intended recipients. For example, a report from a secure system copied to an all staff drive. | In place. | Information Development Manager | N/A |
| 4.6 Financial Records Procedure | Finance Strategy 2013-2020 Finance Regulations P:\Staff\Quality To determine the handling and managing of financial transactions and information. | In place. | Finance Manager | March 2013 |

| 4. ICT Infrastructure & System | | | | |
|-------------------------------------|---|-----------|------------------|------------|
| Policies | | | | |
| 6.1 Computer Operations | UHI Partnership IS Computer Operations | In place. | UHI Information | March 2016 |
| | Policy Link | | Security Officer | |
| | The purpose of this policy is to define the | | | |
| | baseline controls required for the | | | |
| | management and operation of information | | | |
| | processing facilities to protect from the | | | |
| | accidental corruption, loss or disclosure of | | | |
| | information. | | | |
| 6.2 Password Control Policy | UHI Partnership IS Password Control Policy | In place. | ICT Services | March 2016 |
| | Link | | Manager | |
| | This Password Control Policy is part of the | | | |
| | ISO/IEC 27001:2005 documentation set and | | | |
| | sets down the standards for password creation | | | |
| | and management. | | | |
| 6.3 Protection Against Malicious | UHI Partnership IS Protection Against | In place. | ICT Services | March 2016 |
| Software | Malicious Software Policy Link | | Manager | |
| | The university partnership must protect its | | | |
| | network from external threats including the | | | |
| | threat from malicious code, a generic | | | |
| | description for viruses, Trojans and various | | | |
| | other form of malware. | | | |
| 6.4 Third-Party Access Policy | UHI Partnership IS Third Party Access Policy | In place. | ICT Services | March 2016 |
| | Link | | Manager | |
| | This policy forms part of the ISO/IEC | | | |
| | 27001:2005 security document set and sets | | | |
| | out the security requirements for third parties | | | |
| | who need to connect to the university | | | |
| | partnership's computer network. | | | |
| 6.5 Vulnerability Testing Procedure | UHI Partnership IS Vulnerability Testing | In place. | ICT Services | March 2016 |
| | Procedures Link | | Manager | |
| | This procedure covers a centrally administered | | | |
| | vulnerability assessment (VA) service, provided | | | |

| | by the university partnership's IT departments. | | | |
|--------------------------------|--|-----------|--------------|---------------|
| | The VA service uses a software tool which | | | |
| | examines the services, ports, accounts and | | | |
| | programs on servers and other 'end-point' | | | |
| | devices, and compares the results with a | | | |
| | database of known vulnerabilities. | | | |
| 5. Mobile Device Security | | | | |
| 5.1 Mobile Device Guide | UHI Partnership Guide to Information Security | In place. | ICT Services | March 2016 |
| | for Mobile Devices Link | | Manager | |
| | Guidance on appropriate use of mobile | | | |
| | equipment and bring your own devices. | | | |
| 5.2 Use of Non-College devices | UHI Partnership IS Bring Your Own Device | In place. | ICT Services | March 2016 |
| (Bring Your Own Device) | Policy Link | | Manager | |
| | This Bring Your Own Device Policy is part of the | | | |
| | ISO/IEC 27001:2013 policy documentation set | | | |
| | and provides guidelines for Users using their | | | |
| | own devices. | | | |
| 5.3 User Acceptance Forms | All staff assigned a mobile device must sign a | In place. | ICT Services | December 2016 |
| | declaration to be responsible for that device | | Manager | |
| | and the information it contains. Such as, | | | |
| | ensure devices are password controlled and | | | |
| | where training is available for implementing | | | |
| | this. | | | |
| 5. Asset Management | | | | |
| 5.1 ICT Asset Inventory | All ICT assets are held within an inventory and | In place. | ICT Services | December 2016 |
| | those individual assigned are the responsibility | | Manager | |
| | of that individual (as detailed in the user | | | |
| | acceptance form). | | | |
| 5.2 ICT Asset Disposal | Assets are disposed of via 3 rd party who confirm | In place. | ICT Services | December 2016 |
| | each individual asset as it is decommissioned. | | Manager | |
| | Assets are marked as disposed of within the | | | |
| | asset inventory. | | | |
| 5.3 Media Handling | Encrypting USB Drives | In place. | ICT Services | December 2016 |
| | P:\Staff\ICT Information | | Manager | |

| 6. Business Continuity | Guidance and User Guide to ensure USB drives, when used for College data storage, are password encrypted using BitLocker. | | | |
|--------------------------------|--|-----------|-----------------------------------|---------------|
| 6.1 Business Continuity Policy | Business Continuity Policy <u>P:\Staff\Quality</u> The objective of business continuity is to promote organisational survival by ensuring that critical business activities can continue, or be recovered in a timely manner. | In place. | Director of Corporate Services | March 2015 |
| 6.2 ICT Business Continuity | ICT Business Continuity <u>P:\Staff\ICT Information</u> An overview of the network, telephony and systems and the resilience in place for this. As well as the backup and retention periods for local information storage. | In place. | ICT Services Manager | February 2017 |

Inverness College UHI Procurement and Creditors / Purchasing Audit Report No: 2017/06 Draft issued: 15 May 2017 Final issued: 17 May 2017 **LEVEL OF ASSURANCE: Satisfactory**

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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 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. |

1. Overall Level of Assurance

Satisfactory

System meets control objectives with some weaknesses present.

2. Risk Assessment

This review focused on the controls in place to mitigate the following risk on the Inverness College UHI ('the College') Risk Register:

- 23 Non-compliance with relevant statutory regulations (Risk rating: Medium); and
- 25 Financial failure / operating loss. Inability to achieve a balanced budget (Risk rating: Medium).

3. Background

As part of the Internal Audit programme at the College for 2016/17 we carried out a review of the systems in place for procurement, creditors and purchasing. The Audit Needs Assessment, completed in September 2015, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College's Financial Regulations cover key areas relating to non-pay expenditure, including procurement, purchase orders, tenders and quotations, receipt of goods and payment of invoices. Supporting the Financial Regulations are a number of other supplementary documents, including a Finance Manual and Procurement Strategy which were referred to and reviewed during the audit.

Procurement legislation in Scotland has been significantly revised in recent years. The Procurement (Scotland) Regulations 2016 give effect to provisions of the Procurement Reform (Scotland) Act 2014, and have been effective from 18 April 2016. These regulations apply to lower value contracts with higher value contracts regulated by the Public Contracts (Scotland) Regulations 2015.

4. Scope, Objectives and Overall Findings

This audit focused 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.

2

4. Scope, Objectives and Overall Findings (Continued)

| | Objective | Findings | | | | |
|----|---|-------------------------|---|----------------------------|---------|-------------------------------|
| | ne objective of this audit was to obtain asonable assurance that: | Assurance | | 2 of Agre Actions | 3 ed | Actions already planned |
| 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 | 0 | 0 | 0 | V |
| 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; and collaborative procurements and frameworks available to the College are utilised where appropriate. | Satisfactory | 0 | 0 | 0 | V |
| 3. | 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. | Requires Improvement | 0 | 1 | 1 | 1 |
| 4. | The College's procurement guidance on quotes and tenders, together with the Act and Regulations, are being complied with. | Good | 0 | 0 | 0 | |
| 5. | All liabilities are fully and accurately recorded. | Good | 0 | 0 | 0 | |
| 6. | All payments are properly authorised, processed and recorded. | Good | 0 | 0 | 0 | |
| 7. | Appropriate controls are in place over the amendment of standing supplier data on the finance system. | Good | 0 | 0 | 0 | |
| 0 | verall Level of Assurance | Satisfactory | | 1 n meets c some wea | | |

5. Audit Approach

From discussions with Procurement staff we established what procurement strategies, procedures and monitoring arrangements are in place within the College. These were then evaluated to establish if they follow recognised good practice.

Specifically, we established whether the procurement procedures ensure that areas of high spend across the College are monitored appropriately, identifying opportunities for pooling of expenditure in order to achieve best value, and ensuring that joint purchasing arrangements available to the College are utilised where appropriate.

We also documented controls in place within the purchasing / payments system through interviews with Finance staff and also established whether the expected key controls are in place by reference to standard control risk assessment templates. We also performed compliance testing where considered necessary to determine whether key controls were working effectively, including selecting a sample of items of expenditure from the financial ledger and testing to ensure compliance with the College's Financial Regulations and Procedures.

6. Summary of the Main Findings

Strengths

- We found that the College's draft Procurement Strategy is in line with the guidance produced by the Scottish Government.
- The College makes use of information provided by APUC (Advanced Procurement for Universities and Colleges) to monitor areas of high spend and identify potential opportunities for pooling.
- The College makes regular use of the framework agreements to which it has access. The Procurement and Contracts Co-ordinator is also involved in a Strategic Procurement Team organised by APUC which is used to identify collaborative procurement opportunities.
- From our testing of a sample of 15 invoices we found that these had been accurately entered onto the SUN finance system. Invoices can either be entered manually or can be transferred from the e-procurement system, PECOS, to SUN by journal.
- For a sample of 15 PECOS purchase orders we found that these had been appropriately authorised by staff members within their delegated limit.
- All payments are authorised by the Financial Services Manager or an Accountant. They also sample check the invoices in each payment run to ensure these are genuine.
- All changes to supplier standing data are reviewed by the Financial Services Manager or an Accountant. A member of the Finance team will also check with the supplier to ensure that requests are genuine.

Weaknesses

- The College does not have a comprehensive list of the staff members with delegated purchasing authority and their authorisation limits.
- A significant amount of expenditure is not being processed through PECOS. The Procurement and Contracts Co-Ordinator has been working with College staff to try and address this. Going forward the College will be using a new finance system and this system will require all purchase orders to be processed through its e-procurement function.

6. Summary of the Main Findings (Continued)

Weaknesses (Continued)

- For a sample of 15 non-PECOS purchases tested we found that a purchase order requisition had only been raised in two instances. The instances where purchase order requisitions had not been raised related mainly to recurring supplies such as for utilities, cleaning, recycling, rent, leasing etc. and, from discussion with the Financial Services Manager, we were advised that it would not be expected that an order would be raised in all these instances. Only four instances were highlighted where an order should have been raised, based on annual spend. The current Financial Regulations require an official College purchase order to be placed for the purchase of all goods or services and, other than in emergency circumstances, no exceptions are set out. We recommend that the College should fully document appropriate exceptions where no purchase order is required to be raised and ensure that purchase orders are raised in all other instances.
- The College BACS software only requires a single authorisation for payments. Risk could be reduced by requiring two authorisations for each payment but the Financial Services Manager advised that this is not practical due to staffing levels. A similar point has been raised in previous audits.

7. Acknowledgements

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

8. 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')

The Procurement Reform (Scotland) Act 2014 ('the Act') was enacted on 18 April 2016 and created new public procurement rules aimed at improving public sector purchasing of goods, works and services in Scotland. The Act applies to the Further Education sector. All procurement for services and supplies above £50,000 in value and all works above £2 million have now become 'regulated contracts'. The Act also requires larger spending contracting authorities with significant procurement spend (where the total value of regulated contracts in a year exceed £5 million) to produce a Procurement Strategy before the start of any given financial year, setting out how it intends to carry out its regulated procurements (or to review its Procurement Strategy for the current financial year and make such revisions to it as the authority considers appropriate).

The Scottish Government Guidance under the Act encourages contracting authorities to produce a Procurement Strategy even if its spend is lower than the threshold, to maximise its transparency and allow businesses to understand what policies are important to that authority when delivering procurement contracts. A contracting authority was required to prepare its first Procurement Strategy to cover the remainder of the financial year in which 31 December 2016 occurs and the first financial year starting after 31 December 2016 i.e. 1 January 2017 to 31 July 2018 for the College.

A good Procurement Strategy should include the following:

- strategic procurement objectives;
- clear procurement responsibilities, including responsibility for sustainable procurement; and
- an implementation plan for each strategic objective, setting out the key outcomes, actions and key performance indicators to measure these.

Although the College does not expect to reach the £5 million threshold of regulated procurements in the 2016/17 financial year a draft Procurement Strategy 2017 – 2020 has been prepared and this was presented to the Finance and General Purposes Committee in March 2017, with amendments identified prior to finalisation. These had not been made at the time of our audit fieldwork. We compared the draft Strategy with Scottish Government guidance and found it to be in line with the guidance. The College sets out within the Strategy that it intends to comply with the new legislative requirements, including sustainable procurement and community benefit requirements. We did note that the draft Strategy refers to a Procurement Policy while the College does not currently have a Procurement Policy and management advised that it was not the intention to create one. This reference it to be amended for the final version. Although we have noted that UHI, and other colleges where we have carried out similar audits, have both a Procurement Strategy and a Procurement Policy in place we have accepted management's view that the content of the College's Procurement Strategy and other procurement guidance is sufficient and that there is little added value in having a separate policy document.

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)

There is further procurement guidance available to staff on the College network. A Step by Step Procurement guide provides an overview of the College procurement process for staff to reference. This states that for all procurement carried out over £10,000 the budget holder should contact the Contracts and Procurement Co-Ordinator who will provide support. Above that threshold, the Contracts and Procurement Co-Ordinator will be able to ensure that all procurement exercises including regulated procurements are compliant with legislation. Procurement Bulletins are issued regularly by the Contracts and Procurement Co-Ordinator highlighting key issues. The Contracts and Procurement Continuous Improvements Action Register lists updating of the Procurement Manual as one of the actions for the year which should further improve clarity for staff members.

The College's Financial Regulations and Finance Manual also cover procurement. It was noted that there were some differences between the current Financial Regulations and the Step by Step Procurement guide, including in relation to thresholds applying for different procurement routes. A new draft of the Financial Regulations is due to be finalised shortly. This has been updated to include thresholds in line with the Step by Step Procurement guide. Similarly, the College Finance Manual will be updated once the new Financial Regulations have been finalised as this also uses the College's previous thresholds.

To reinforce the importance of the procurement guidance the College is also offering procurement training to staff. Procurement sessions were held at recent staff development days and a procurement e-learning module is to be introduced shortly. Topics covered so far have included the new procurement legislation and its provisions. Going forward the Contracts and Procurement Co-ordinator is looking to include procurement training to relevant staff as part of the induction process. This action is included in the Contracts and Procurement Continuous Improvements Action Register.

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; and
- collaborative procurements and frameworks available to the College are utilised where appropriate

Data is sent by the College Accountants to APUC (Advanced Procurement for Universities and Colleges). This information is analysed by APUC and returned to the College in the form of a report on its spend over the past four years. This information is regularly monitored by the Contracts and Procurement Co-ordinator and informs decisions regarding pooling of expenditure and use of collaborative procurement opportunities and frameworks.

The importance of pooling expenditure is underlined to staff to ensure that departments do not separately procure a commodity that may be used throughout the College. Potential issues should be identified through the monitoring of areas of high spend noted above. Through educating staff and monitoring of high spend areas the Contracts and Procurement Co-Ordinator hopes to improve the pooling of expenditure throughout the College.

The Contracts and Procurement Co-Ordinator is part of a Strategic Procurement Team for the University of the Highlands and Islands (UHI) which includes staff from APUC and UHI partners. The team meets regularly to discuss procurement issues at UHI partners which may identify potential collaborative procurement opportunities. As APUC receives spend information from all partner colleges it can evaluate this and provide information to facilitate these discussions. The draft Procurement Strategy states that the College plans to maximise collaborative opportunities with UHI, the wider education sector and the public sector.

The College makes regular use of national frameworks such as those available through APUC. The Contracts and Procurement Co-Ordinator is looking to set up some local frameworks where it is considered that these will result in better value. From our sample testing we noted a number of instances where frameworks had been used. Both the draft Procurement Strategy and the Step by Step Procurement guide refer to the use of framework agreements where possible however these have limited details on the practical application of this. The Operational Procurement Review carried out by APUC noted that some staff had been unsure of how to use certain frameworks and as a result training had been carried out to address this. Objective 3: 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

The College has two purchase order systems at present. PECOS, the e-procurement system, is the preferred route or alternatively paper purchase order requisitions can be passed to Finance. Where no purchase order is raised the related purchase invoice should be signed-off by a staff member with appropriate delegated authority.

The College's current Financial Regulations state that, where possible, orders must be placed using the PECOS system. Official College purchase orders must be placed for the purchase of all goods or services. In exceptional circumstances, emergency orders may be given orally, but must be confirmed by an official purchase order endorsed 'confirmation order only' not later than the following working day. Similar guidance is provided in the Finance Manual.

We selected a sample of 15 purchase orders processed through PECOS to ensure that these had an appropriate authorisation trail, including authorisation by a staff member within their delegated limit. No issues were noted from this testing.

It was noted that a significant amount of expenditure still does not go through the PECOS system. The Procurement and Contracts Co-Ordinator has been working with staff to try and ensure that more expenditure is processed through PECOS. Going forward the College will be using a new finance system. This system will require all purchase orders to be processed through its e-procurement function. This will be used as an opportunity to clarify to all staff their obligations relating to advanced authorisation of expenditure. Objective 3: 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 (continued)

| Observation | Risk | Recommendation | Management R | esponse |
|--|--|---|---|---|
| We selected a sample of 15 non-PECOS invoices to ensure that these matched an appropriately authorised purchase order requisition or, where no purchase order had been raised, that the invoice had been signed as authorised. We found that a purchase order requisition had only been raised in two instances although, in all other instances, the invoices had been authorised by an appropriate signatory within their authorisation limits. The instances where purchase order requisitions had not been raised related mainly to recurring supplies such as for utilities, cleaning, recycling, rent, leasing etc. and, from discussion with the Financial Services Manager, we were advised that it would not be expected that an order would be raised in all these instances. Only four instances were highlighted where an order should have been raised, based on annual spend. As noted above, the current Financial Regulations require an official College purchase order to be placed for the purchase of all goods or services | Unauthorised expenditure may be committed to. | R1 Fully describe in the Financial Regulations and / or other College documents appropriate exceptions where no purchase order is required to be raised. Ensure that purchase orders are raised in all other instances, including, where appropriate, annual orders for recurring spend. | Agreed. We will an Regulations to refer but the detailed list within the Finance N updating as and whe To be actioned b No Later Than: Ju | rence exceptions will be contained Manual to enable en required. y: Accountant |
| and, other than in emergency circumstances, no exceptions are set out. | | | Grade | 2 |

Objective 3: 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 (continued)

| Observation | Risk | Recommendation | Management Response | |
|--|---|--|---|------------------------|
| The College does not maintain a complete list of staff with purchasing authority and their authorisation limits. We used a provisional list of | Lack of clarity over the authorisation limits for staff members may | R2 The College should maintain a full list of staff with delegated purchasing authority | Agreed. The Team Leader will arrange for an updated list to be prepared and maintained. | |
| authorisation limits prepared for the new finance system to test the purchase order and invoice authorisations for reasonableness. No issues | result in invoices or purchase orders being inappropriately | and their authorised limits to ensure that all purchase orders or invoices are | To be actioned by: Leader | Business Services Team |
| were noted with our sample however greater assurance would be gained if a full list of staff with delegated purchasing authority was maintained. | authorised. | appropriately authorised. | No Later Than: July 2017 Grade 3 | |
| | | | | |

Objective 4: The College's procurement guidance on quotes and tenders, together with the Act and Regulations, are being complied with

The College's procurement thresholds are set out in the table below:

| Procurement Thresholds | | | | |
|--|-------------------------------------|--|--|--|
| Procurement Route 1 | Under £999 | Two quotations – Evidence to be retained by budget holder and also attached internally to the requisition and system purchase order. | | |
| Procurement Route 2 | £1,000 - £9,999 | Three written quotations – Evidence to be retained by budget holder and also attached internally to the requisition an system purchase order. | | |
| Procurement Route 3 | £10,000 - £49,999 | Competitive quotation (use of Public Contracts Scotland (PCS) - Quick Quote System mandatory). | | |
| Procurement Route 4 | Over £50,000 but below EU threshold | Competitive tender (use of PCS-Tender mandatory). | | |
| EU Threshold Tender (Services / Supplies) | Over £164,176 | Full formal tendering process and advertise the contract in the Official | | |
| EU Threshold Tender (Works) | Over £4,104,394 | Journal of the European Union, as well as on PCS. The Board of Management must provide approval. | | |

Source: Financial Regulations

We tested a sample of 15 purchases selected from the financial ledger. We enquired as to the procurement route followed for each and found that in each instance these had been carried out appropriately in line with the College's procurement guidance on quotes and tenders, the Act and Regulations. For 10 of the 15 purchases a framework supplier had been used.

Objective 5: All liabilities are fully and accurately recorded

Invoices from the PECOS system are transferred through an import journal into the SUN finance system. These are only transferred once they have been fully matched to an authorised purchase order.

For non-PECOS purchases, invoices are manually input into the finance system. All invoices entered are checked by a second member of staff.

We tested a sample of 15 purchases selected from the ledger and reviewed a copy of the original invoice. We found that all had been appropriately entered into the finance system with no issues noted.

Objective 6: All payments are properly authorised, processed and recorded

Payment files are generated from SUN and the payments are processed using BACS software. The BACS software only requires a single authorisation for each payment giving rise to a potential risk of misappropriation. Due to staffing levels, the College does not believe that it is practical to operate with two required authorisations as this may cause undue delay to payments. Payment files are prepared by Finance staff and processed by either the Financial Services Manager or one of the Accountants who sample check the payment file to invoice to ensure that all expenditure is genuine.

We tested a sample of 10 payment runs to ensure that each had been signed-off by appropriate staff members and that there was evidence of sample checking of invoices within the payment run to supporting documentation. We noted one instance where there was no evidence of sample checking but we are satisfied that this is an exception.

Objective 7: Appropriate controls are in place over the amendment of standing supplier data on the finance system

Any request for changes to supplier standing data are verified by a member of Finance staff calling a known contact at the supplier to ensure that these are genuine. Periodically the Financial Services Manager or an Accountant review a report from the system showing all changes to standing data to ensure that these are genuine.

We checked a sample of 10 reports to ensure that they showed evidence of review and this testing proved satisfactory. We tried to trace one change from each report to supporting documentation but noted that only two of the 10 had supporting evidence on file. From discussion with the Financial Services Manager we are satisfied that senior staff verify all changes to supporting documentation, such as invoices from the supplier, although in some cases this documentation may not then be placed on file.



Inverness College UHI

Data Protection

Internal Audit Report No: 2017/07

Draft Issued: 27 April 2017

Final Issued: 10 May 2017

LEVEL OF ASSURANCE

Good

Contents

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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 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. |

1. Overall Level of Assurance

| Good | System meets control objectives. |
|------|----------------------------------|
|------|----------------------------------|

2. Risk Assessment

This review focused on the controls in place to mitigate the following risks on the College's Risk Register:

• Non-compliance with relevant statutory regulations (risk rating: medium)

3. Background

As part of the Internal Audit programme at Inverness College UHI ('the College') for 2016/17 we carried out a review of the arrangements in place in relation to Data Protection. Our Audit Needs Assessment, completed in September 2015, identified this as an area where risk can arise and where internal audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

In accordance with the Data Protection Act 1998, the College, as a data controller, should set appropriate security safeguards for the personal information it processes. All data, sources of data and disclosure which relate to an individual, must be registered under the Act. The College currently has an entry on the Data Protection Register in respect of personal data held for relevant purposes.

On 15 December 2015, negotiations over the text of the new EU General Data Protection Regulation (GDPR) were concluded. The European Parliament and Council of Ministers formally adopted the GDPR in April 2016 and the Regulation came into force in May 2016. It will apply from 25 May 2018. The GDPR represents the most significant overhaul of Data Protection legislation in over 25 years. If an organisation cannot confirm full compliance with the Data Protection Act 1998 then it will struggle to comply with the higher standards required under the GDPR without significant work to enhance existing processes.

4. Scope, Objectives and Overall Findings

The scope of the review was to assess the adequacy and effectiveness of the processes and procedures in place to ensure compliance with the Data Protection Act 1998, and also the College's preparations for the implementation of the GDPR in May 2018.

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

4. Scope, Objectives and Overall Findings (continued)

| | Objective | | Finding | 5 | | Actions already |
|--|--|--------------|----------------------|---------------|--------------|--------------------|
| The specific objectives of the audit were to obtain reasonable assurance that: | | | 1 No. of <i>I</i> | 2 Agreed A | 3 Actions | planned |
| 1. | Members of staff have been formally appointed with overall responsibility for implementation of the Data Protection Act 1998 and responsibilities for these members of staff have been clearly documented and communicated to all staff. | Good | 0 | 0 | 1 | |
| 2. | Data Protection policies and procedures exist within the College that comply with legislation, are revisited and revised regularly and are effectively communicated to all staff. | Good | 0 | 0 | 0 | |
| 3. | There are appropriate information security arrangements in place, including guidance on identification checks prior to releasing information and a Data Protection breach plan or procedure. | Satisfactory | 0 | 0 | 1 | \checkmark |
| 4. | Where relevant, adequate Data Protection statements are included on College forms. | Good | 0 | 0 | 0 | \checkmark |
| 5. | The College has developed an awareness and training programme for all staff, including sufficient awareness training during the induction process, and that all staff have received this training. | Satisfactory | 0 | 0 | 0 | \checkmark |
| 0 | erall Level of Assurance | Good | 0 | 0 | 2 | |
| 00 | erall Level of Assurance | Good | System | n meets co | ontrol obj | ectives |

5. Audit Approach

The Information Development Manager was interviewed to determine current working practices and the systems in place within the College in relation to Data Protection were documented.

Checklists produced by the Information Commissioner's Office (ICO) were utilised as a basis to review Data Protection policies and procedures for compliance with legislation, including completion of the ICO online self-assessment checklist.

We also established through discussions with the Information Development Manager whether there is an adequate system in place to ensure policies and procedures are revisited and revised regularly and that updated policies and procedures are effectively communicated to staff.

6. Summary of Main Findings

Strengths

- A member of staff has been formally appointed with overall responsibility for implementation of the Data Protection Act 1998;
- Data Protection responsibilities are documented within staff job descriptions;
- Staff induction training includes Data Protection and Information Security;
- All staff have access to the Data Protection Policy on the College's internal computer network. The Policy is reviewed every three years as part of the College's policy review cycle;
- Detailed Data Protection procedures have been developed, which have been communicated to staff. These procedures are reviewed annually, or following any significant changes in College processes;
- The College's IT security policy contains a reference to data protection requirements and appropriate IT security controls are in place to prevent unauthorised access to personal data that is stored electronically;
- Data protection statements are included on College forms that capture personal and sensitive data; and
- The College is undertaking a comprehensive internal information security review which includes a review of current arrangements for compliance with the Data Protection Act but also preparations for compliance with the GDPR which becomes effective in May 2018.

Weaknesses

- The College Data Protection Policy sets out the responsibilities of the Data Controller only. It would be beneficial to formalise the Data Protection roles and responsibilities of the Board of Management, Senior Management Team, departmental managers and staff, particularly the obligations of each group; and
- We noted from a review of the information request register that although there is a field available for recording confirmation that the requester's identity has been verified this field had not been completed. Discussions with the Information Development Manager determined that checks are done, however these checks had not been recorded on the register. However, we have received management assurances that the checks will be recorded on the register with immediate effect.

7. Acknowledgements

We would like to take this opportunity to thank the College's Information Development Manager who helped us during the course of our audit.

8. Findings and Action Plan

Objective 1: Members of staff have been formally appointed with overall responsibility for implementation of the Data Protection Act 1998 and responsibilities for these members of staff have been clearly documented and communicated to all staff.

The College's Data Protection Policy sets out the responsibilities of the College in terms of the Data Protection Act (the Act) and sets out how the College will meet the requirements of the eight principles of the Act. As noted on the College's entry on the Information Commissioners' Office Data Protection Register, the Information Development Manager, as Data Controller, is responsible for the implementation of the Data Protection Act 1998. Their role and responsibilities with regards the College's data and maintaining compliance with the Act and related legislation are documented within their job specification, including:

- ensuring that access to appropriate data and systems is available to College staff as appropriate, whilst maintaining security and confidentiality of data within best practice and legislative guidelines;
- as college data controller, ensure College compliance with the Data Protection Act and related legislation and maintain the College Data Protection Register;
- work with the College Secretary to ensure data protection and freedom of information protocols are followed and responses provided to identified timescales; and
- undertake Data Protection Audits of relevant information systems.

The Data Protection Policy is available to all employees and the public on the College's website.

Objective 1: Members of staff have been formally appointed with overall responsibility for implementation of the Data Protection Act 1998 and responsibilities for these members of staff have been clearly documented and communicated to all staff (continued).

| Observation | Risk | Recommendation | Management Re | sponse |
|--|--|---|---------------|--------|
| The Information Development Manager has day-to- day responsibility for ensuring that the College is compliant with the Act and that policies and procedures are compliant. The Information Development Manager also works with departmental managers to ensure that staff training needs in relation to data protection are identified and addressed. A review of the existing Data Protection Policy noted that it sets out the | Each group may not fully understand its obligations to ensure that the College achieves compliance with data protection legislation. | R1 Define the roles and responsibilities of the Board of Management, Senior Management Team, departmental managers and staff in the Data Protection Policy at the time of the next review which is scheduled for 2018. | | |
| responsibilities of the Data Controller only. Although the strategic responsibility regarding Data Protection is included in the remit of the Audit Committee, it would be beneficial to formalise the Data Protection roles and responsibilities of the Board of Management, Senior Management Team, | | | | |
| departmental managers and staff, so that the specific actions required by each group are clear to all parties. | | | Grade | 3 |

Objective 2: Data Protection policies and procedures exist within the College that comply with legislation, are revisited and revised regularly and are effectively communicated to all staff.

The Data Protection Policy summarises the eight principles of the Act. The policy is supported by detailed data protection guidelines for staff which outline the key aspects of the Act based on ICO guidance, including: identifying and responding to data access requests; data collection and processing; data security; and data sharing with third parties. The Policy is supported by a number of related College policies, including:

- Freedom of Information Policy
- Information Security Acceptable Use Policy
- Public Interest Disclosure (Whistleblowing) Policy
- Secure Handling, Use, Storage and Retention of Disclosure Information
- Records Management Policy

The above policies are reviewed on a three yearly basis, although the associated procedures which provide guidance for staff are reviewed annually. Any updates to policies and procedures are communicated to staff via the staff intranet.

As outlined in our audit approach, we made use of the ICO data protection checklists, specifically the ICO data protection self-assessment checklist in order to measure the College's compliance with ICO guidance. On the basis of the answers submitted on the checklist, the College achieved an overall rating of green, meaning that the majority of measures expected by the ICO have been implemented.

The subsequent report arising from the completion of the ICO data protection self-assessment checklist assessed 10 areas as 'partially implemented'. Our assessment is that of these 10 areas, nine of these would move to successfully implemented once the College has completed its information audit and delivered further data protection training to departmental staff. We have received assurances that this work will be completed later this year. The remaining one area marked as partially implemented relates to the use of privacy impact assessments. The College has recently drafted a template for conducting privacy impact assessments, which was tested as part of a recent systems development project to gauge its usefulness. We understand that this template was well received by staff and the College plans to apply this to future systems development projects.

One further area was marked as 'not yet implemented' in relation to a data breach response plan. No formal plan has yet been produced however after discussion with the Information Development Manager we obtained assurance that this will be developed as part of the GDPR preparations. As a result, we have not raised a formal recommendation in relation to this.

Objective 3: There are appropriate information security arrangements in place, including guidance on identification checks prior to releasing information and a Data Protection breach plan or procedure.

A College wide Information Security audit is currently being conducted by the ICT Services Manager with the specific data protection workstream being led by the Information Development Manager. The purpose of the Information Security audit is to review the Information Security Policy in adherence of latest security guidelines and recommendations, such as ISO 27001, Centre for the Protection of National Infrastructure (CPNI) and the Information Commissioner's Office (ICO), and to ensure a suitable Information Security Incident Management process is in place. The scope of the Information Security audit is to cover all data systems, ICT devices, data protection breaches, staff recruitment, building access and secure access to rooms containing sensitive data.

The IT security aspect of the College's Information Security audit was recently considered in internal audit report 2017/05 - IT Network Arrangements, which was issued on 12 April 2017. The internal audit report concluded that the IT control environment was robust and that adequate controls are in place to ensure that data held on the College's IT network is suitably protected from unauthorised access from staff, students or guests or cyber-attack.

At the time of our audit on Data Protection the latest available update on the Information Security review was presented to the Senior Management Team (SMT) in February 2017. This update reported that the project was in its first phase with a key objective to provide basic training in information security and data protection having been completed by 73% of staff overall having accessed online training modules. Further opportunities were provided for the remaining staff to access the modules in March and April 2017. Since that time information security documentation has been updated based on UHI policies and procedures, which was notified to the Audit Committee in February 2017 within the ICT Services report.

Access to data held on the College's business systems is based on job role and depends on whether a user is staff, student or guest with each group granted access to different levels and classification of College data. Staff access is a HR led process who notify ICT staff of new starts and their job roles. ICT staff then create a user account and establish access privileges as determined by job role or instruction from HR or departmental managers.

Similarly, changes in job roles are notified to ICT staff by HR or a departmental manager and any required changes in access rights amended accordingly.

As part of the recent IT Network Arrangements audit (internal audit report 2017/05) we noted that there has been no recent review of user accounts to ensure that user accounts correlate to HR records, and that user permissions are appropriate for their job role. However, we received assurances that as part of the ongoing Information Security audit, departmental managers have been instructed to review staff access rights to data to confirm that these are appropriate. Findings will be reported to the Information Development Manager when complete and any access issues will be addressed when identified.

Objective 3: There are appropriate information security arrangements in place, including guidance on identification checks prior to releasing information and a Data Protection breach plan or procedure (continued).

Prior to the campus move in 2015 the College undertook a records management audit to identify all areas where data is captured, recorded and stored both electronically and in paper format. Due to College resources being focussed on the move to the new campus the audit did not proceed beyond the initial data identification exercise. For the current Information Security audit the starting point has been to issue the results of the previous records management audit to departmental managers and ask them to review and update the records. Areas where personal data is held have been identified and this will be the starting point for the Information Development Manager's discussion with departmental managers. Other issues that are to be covered in this dialogue include:

- identifying systems used for gathering personal data (both electronic and hardcopy);
- identification of the legal basis for gathering the data;
- communication of privacy information;
- use of privacy impact assessments;
- storage, access, control and management of personal data, including: file shares (drives/folders); accessibility and retrieval of data from electronic systems; and use of mobile devices; and
- adherence to the records retention schedule for both hard copy and electronic records.

This proposed approach is in line with guidance produced by the ICO for GDPR preparations. We noted that a timeframe for completion of the various tasks within the data protection audit has not yet been prepared, however we understand that an outline timeframe will be presented to the next meeting of the Operational Managers Group (OMG) and SMT in May 2017. During our review, we discussed with the Information Development Manager a general approach that should be taken when developing a timeframe.

The data protection staff guidelines state that staff must not disclose personal data to anyone unless such disclosure is required within the course of their duties. All staff are responsible for ensuring that personal information is not disclosed either orally or in writing (accidentally or otherwise) to any unauthorised third party. If in any doubt regarding disclosure requirements, staff should seek advice from the college Data Controller. Unauthorised disclosure of information is treated as a disciplinary matter. A data sharing checklist is available to staff within the data protection toolkit which is available in the "Staff Room" section of the College intranet. This provides staff with guidance on the points that should be considered when sharing data with partners and collaborators and that any formal data sharing arrangement should be covered by a data sharing agreement. The College requires that the Data Controller is involved in all data sharing negotiations. The College records all known personal data security breach notifications. A review of the register noted eight breaches had been recorded since September 2015, which includes two instances which were required to be reported to the ICO. The remaining six were not reported as further investigation conducted at the time of the breach found that the impact of the data breach was low, the breach was contained, or no breach actually occurred. A formal breach plan has not yet been produced however after discussion with the Information Development Manager we obtained assurance that this will be developed as part of the GDPR preparations. Objective 3: There are appropriate information security arrangements in place, including guidance on identification checks prior to releasing information and a Data Protection breach plan or procedure (continued).

| Observation | Risk | Recommendation | Management Re | sponse |
|--|--|--|---|---------------------|
| Information Access requests are logged by the Information Development Manager using an information request register template provided by JISC (the UK's expert body for digital technology and digital resources in higher education, further education and research), which records details of who made the request, what information was requested, when the request was made, who received the request, the time taken to respond to the request and the action taken. We noted from a review of the register that although there is a field available for recording confirmation that the requester's identity has been verified this specific field had not been completed. Discussions with the Information Development Manager determined that checks are undertaken, for example, if a request for information is received from the police then badge numbers etc. are taken, or if a request is received by letter then they are contacted by telephone to confirm their identity. However, these checks are | If the ICO were to undertake a compliance audit after a reported data breach then one area that they would examine would be how information access requests are handled and it is likely that any gaps in the requester verification process would be reported unfavourably. | R2 Ensure that details of checks undertaken to verify the identity of individuals or organisations submitting data access requests are fully recorded on the information request register. | Recording of verifica To be actioned by Development Manag No later than: Imm | : Information er |
| not being formally recorded on the information request register. | | | Grade | 3 |

Objective 4: Where relevant, adequate Data Protection statements are included on College forms.

From our review of a sample of forms, including employment application forms and student application forms, we noted that Data Protection statements were included which meet the requirements of the Data Protection Act.

The ongoing internal information security review will provide additional assurance on the forms in use within the College, some of which may not have been previously brought to the attention of the Information Development Manager. This internal security review will provide a definitive picture on compliance with the current Act and will also allow identification of the steps required to amend the data protection statements contained within College forms in preparation for the introduction of GDPR in May 2018.

Objective 5: The College has developed an awareness and training programme for all staff, including sufficient awareness training during the induction process, and that all staff have received this training.

All staff have access to two online training modules which cover data protection and information security.

Both data protection and information security training are provided to new staff as part of induction training which is delivered by the Information Development Manager along with the Staff Development Manager.

Updated data protection training material for staff was provided to staff during the staff development event in January 2017. This was then followed up with further training targeted at senior management and departmental managers during March and April 2017 which covered a mix of general data protection information, group specific examples of non-compliance and how such situations can be prevented as well as the new EU GDPR. A review of training records noted that at the time of our review several senior managers had yet to receive this additional training but that a further session has been scheduled for May 2017.

A timetable for departmental team training has yet to be developed, however once the initial stage of the information audit has been completed and findings have been analysed further training plans will be developed for departmental teams to allow training to be tailored to address any specific training requirements for different groups.



Inverness College UHI

IT Network Arrangements

Internal Audit Report No: 2017/05

Draft Issued: 29 March 2017

Final Issued: 12 April 2017

LEVEL OF ASSURANCE

Good

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Appendix I National Cyber Security Centre 10 Steps to Cyber Security 11

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 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. |

1. Overall Level of Assurance

| Good | System meets control objectives. | |
|------|----------------------------------|--|
|------|----------------------------------|--|

2. Risk Assessment

This review focused on the controls in place to mitigate the following risks on Inverness College UHI's ('the College') Risk Register:

• People fail to adapt to and make the most effective use of the new campus's physical resources (risk rating: low)

3. Background

As part of the Internal Audit programme at the College for 2016/17 we carried out a review of the College's IT network security, and access to the College's systems and data. Our Audit Needs Assessment, completed in September 2015, identified this as an area where risk can arise and where internal audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Responsibility for ensuring an efficient and effective Information and Communications Technology (ICT) service delivery to all staff and students within the College lies with ICT Services. This includes first level support over some of the main application systems used in the provision and maintenance of user access to the network. ICT Services is also responsible for purchasing and maintaining the servers upon which the applications are housed, the personal computers (PCs) and mobile devices used by staff and students and the network which connects them.

The wider UHI IT network is maintained by the UHI IT Services team which forms part of Learning and Information Services (LIS) at UHI Executive Office. Connections between the College and UHI network to external networks are managed by LIS, including ensuring that robust security controls are in place to protect the UHI network from external threats. LIS is responsible for providing services such as the SITS student records system to Academic Partners and for ensuring that the databases are protected.

The UK National Cyber Security Centre (NCSC), the UK Government's national technical authority on cyber security, 10 Steps to Cyber Security guidance sets out what a common cyber-attack looks like and how attackers typically undertake them. Understanding the cyber environment and adopting an approach aligned with the 10 Steps is an effective means to help protect the College from attacks. The NCSC recommends organisations adopt an information risk management approach together with a further nine associated security areas described in Appendix I, in order to protect against the majority of cyber-attacks.

4. Scope, Objectives and Overall Findings

ICT security is an important element of ensuring that business applications are available for use and that sensitive information cannot be accessed by unauthorised users. This audit reviewed the controls in place to ensure that ICT security is adequate.

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

| Objective | | F | indings | | |
|--|------|-------|-------------|---------------|-------------------|
| The objective of our audit was to obtain reasonable assurance that | | 1 | 2 | 3 | Action already |
| adequate systems are in place covering: | | No. o | f Agreed A | ctions | planned |
| 1. Physical controls over access to network servers. | Good | 0 | 0 | 0 | \checkmark |
| Compliance with an acceptable usage policy, including mobile technology and the use of social media. | Good | 0 | 0 | 0 | \checkmark |
| 3. Logical access controls, including: checks to ensure user access and user functionality is appropriate; passwords; and procedures for setting up and revoking users. | Good | 0 | 0 | 0 | ~ |
| Adequate review of change control (upgrades, patches) and emergency access. | Good | 0 | 0 | 0 | |
| 5. Review of system administrator actions. | Good | 0 | 0 | 0 | |
| 6. Monitoring of attempted unauthorised access. | Good | 0 | 0 | 0 | |
| 7. Identifying unlicensed software. | Good | 0 | 0 | 0 | |
| 8. Remote user security procedures. | Good | 0 | 0 | 0 | |
| | | 0 | 0 | 0 | |
| Overall Level of Assurance | Good | Syst | em meets cc | ontrol object | tives |

5. Audit Approach

From discussion with the College's ICT Services Manager and the Head of IT Services at UHI LIS, and review of documentation, we identified the systems and internal controls currently in place in relation to security of the IT network and access to College data and compared these with expected controls. A walkthrough of key systems was then undertaken to confirm our understanding and this was followed-up with compliance testing, where considered necessary.

6. Summary of Main Findings

Overall, the College ICT team has a high awareness of the risks around IT network security. This is reflected in the control environment currently operating within the College, which demonstrates good practice in most areas.

Strengths

- Access to server and communication rooms is adequately controlled and appropriate environmental controls are in place to protect equipment;
- Hardware and software inventories have been created;
- Vulnerability scans of the UHI network are conducted regularly by UHI IT Services with relevant issues reported to Academic Partners, and both the College and UHI IT teams constantly monitor the health and activity on the IT network;
- Processes are in place for applying updates and patches to all devices connected to the College network;
- The IT architecture protects the College network through the use of firewalls and prevents direct connections to untrusted external services and protects internal IP addresses;
- Penetration testing of the external boundaries is conducted annually by Janet (Joint Academic Network) for UHI and any findings are acted upon by UHI IT Services to address any security weaknesses identified;
- Management of user accounts is linked to the College's Human Resources led starter, leaver and change of role procedures;
- The ICT Services Manager approves the use of all administrator accounts and also conducts periodic reviews of administrator accounts and actions;
- All mobile devices, such as smartphones and laptops that are issued to staff, are encrypted by ICT Services;
- Appropriate segregation and access controls are in place governing staff, student and guest access to the College network, databases and services;
- Network hardware is protected by an antivirus solution, which is updated daily and automatically scans for malware;
- All ICT equipment and removable media is scanned for malware when connected to the College network or networked equipment;
- Software is deployed across the network which monitors, amongst other things, the number of approved user licences and renewal dates;
- All upgrades, patches, hardware and software configurations that affect the UHI network, and therefore the Academic Partner's local area network, are approved by the UHI Change Control Board;

6. Summary of Main Findings (Continued)

Strengths (Continued)

- The College uses a Citrix solution which allows staff remote access to College data and applications via a virtual desktop environment without accessing the Active Directory database directly, thereby reducing the risk of compromise of data security; and
- A College-wide Information Security Project is currently being conducted which is reviewing security practices across the College, including ICT, Data Protection and records management.

Weaknesses

 No significant weaknesses were identified during our review. We noted that the ICT Services Manager has raised concerns over the access which facilities management company staff currently have to a server room, which jointly houses both College and UHI ICT equipment, in order to undertake routine maintenance. At the time of our audit, UHI IT Services had agreed to install CCTV within the server room on the Inverness campus, which is scheduled to be in place by the summer of 2017.

7. Acknowledgements

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

8. Findings and Action Plan

Objective 1: Physical controls over access to network servers.

During our review we undertook an inspection of the College's main ICT server and communications rooms to ensure that critical ICT hardware is adequately protected from both physical and environmental risks. We did not identify any significant dangers to the ICT hardware.

Controls to restrict entry were robust at all server rooms visited. Controls in place included swipe card entry systems; locks; and motion sensor alarms within the server rooms, with all locations situated within areas restricted to staff only. Logs of access to server rooms are kept and these are regularly reviewed by the ICT Services Manager to ensure that access is authorised and appropriate.

Several communications cabinets, essential for processing and transmitting data, were noted to be placed at various locations across the College. We are satisfied that the College has taken all reasonable security measures to ensure that these are protected from unauthorised access.

A server room is located on the Inverness campus site, which jointly houses both College and UHI ICT equipment. Although access to this room is controlled through the use of swipe cards, which are issued by the College's ICT team, we noted that the facilities management company has been issued with swipe cards and its staff are able to access the room if required to conduct routine building maintenance. During our audit we were not able to verify how the cards are being utilised by the facilities management company, such as whether cards are allocated to specific staff or are held for general use. We understand that the ICT Services Manager has raised concerns over uncontrolled access with the facilities management company previously. At the time of our audit, UHI IT Services had agreed to install CCTV within the server room on the Inverness campus which is expected to be in place by the summer of 2017.

Objective 2: Compliance with an acceptable usage policy, including for mobile technology and the use of social media.

The College has adopted the UHI Partnership Information Security Acceptable Use Policy (AUP), which was approved and issued in February 2017. Staff have access to the AUP via the College's staff portal, which can be accessed on the College website. There is no specific requirement for staff to acknowledge or accept the terms of the AUP, by way of on-screen pop-up for example, however staff have been made aware of the policy and all staff are required to comply with all of the College's policies and procedures under the terms of their employment.

At the time of our review the AUP had still to be issued to students, however we understand that this will be made available to them in the coming months.

The ICT Services Manager is currently leading on the College-wide Information Security Project which is reviewing current security practices across the College, covering ICT, Data Protection and records management. As part of this project ICT Services is currently developing a mobile working policy which will be based on UHI's policy for mobile devices. It is expected that a full review of ICT policies will be completed by July 2017.

All mobile devices issued by the College, such as smartphones and laptops, are encrypted by ICT Services before being issued. Staff are encouraged to use encrypted USBs however this is not yet enforced by policy. ICT Services is currently examining the use of centralising controls which would block unencrypted USBs from being recognised when connected to the College ICT equipment. However, this would require desktops to be re-imaged which will next be undertaken during the summer of 2017. The UHI Partnership Information Security Acceptable Use Policy, which has been adopted by the College, does not require the use of encrypted USBs however we understand that such a requirement is being considered for incorporation within the College's ICT related policies.

Separate social media guidelines have been issued to staff and students and social engineering is specifically included within the online information security training module which is available to staff.

Objective 3: Logical access controls, including:

- checks to ensure user access and user functionality is appropriate;
- passwords; and
- procedures for setting up and revoking users.

The College has procedures and controls in place which ensure that when an employee leaves or changes their employment, their access rights to ICT services are immediately reviewed and appropriate action is promptly taken. This process is driven by Human Resources (HR), who notify ICT Services of any changes by raising an ICT Service Desk request for action. The College has in recent years performed a review of user accounts to ensure that user functionality is appropriate. ICT staff assign new users to student or staff group profiles with permissions based on systems access requirements or job role. Our review confirmed that appropriate segregation and access controls are in place governing staff, student and guest access to the College network, databases and services including the SITS student records system.

Notifications of employee leaving dates are provided by HR to ICT Services who ensure that accounts are automatically disabled from that date. Account logins for non-permanent staff are enabled for a maximum of 30 days, or less if contract length is shorter. Access is then renewed at the end of the 30 days if the contract is longer. Permanent staff user accounts that have been inactive for a period of 30 days are not currently disabled automatically, in order to allow staff who are absent from work due to annual leave, sickness or training, to retain access to College services. There is no annual review conducted of user accounts to ensure that active accounts are still required based on HR records. However, the ICT Services Manager has identified this as an action to be implemented in academic year 2017/18 and we understand that this will be incorporated into the ICT operational plan for 2017/18 which will be finalised later in the year.

To ensure a consistent approach is adopted across the UHI IT network, all Academic Partners (including the College) have adopted the UHI suite of ICT policies and procedures. This includes adopting the UHI password policy, which is enforced across the Academic Partners through Active Directory. This is a database that keeps track of all user accounts and passwords in the College, and allows the College to store user accounts and passwords in one protected location, thereby improving security.

ICT Services has not established set procedures and standards for configuring the system audit log facilities. Instead ICT Services has adopted a holistic approach whereby the general health of the network is monitored on a continual basis with audit logs reviewed on an ad hoc basis. The risk of security breaches is mitigated through a range of controls, including: username and password controls; group and user profiling, which restricts access to critical files; anti-virus software; and reliance on network perimeter security such as firewalls.

Objective 4: Adequate review of change control (upgrades, patches) and emergency access.

All upgrades, patches, hardware and software configurations which affect the UHI network, and therefore the Academic Partners local area network, are approved by the UHI Change Control Board. Where applicable, upgrades and patches are applied weekly. Any changes approved by the UHI Change Control Board affecting the Academic Partners' systems are notified to each partner in advance.

The College and UHI network is based around Microsoft windows systems and associated servers. For Microsoft applications, all patches and updates for windows and Active Directory are pre-tested by Microsoft to ensure that no bugs are present before being made available for download to Microsoft enabled devices. Patches and updates are then downloaded directly to the network servers. UHI IT Services staff also review notifications of all other systems updates and patches which are applied across the network once they have been reviewed and tested.

Procedures are in place to ensure that all network connected devices are regularly updated with the latest anti-virus and security updates. There are a number of devices, such as laptops used by students in classrooms, which are not regularly used and therefore these devices are at risk of not having the latest ant-virus and security protection. However, ICT Services ensure that such devices are updated during the College winter and summer breaks. Additionally, anti-virus is configured to automatically scan all devices at point of connection to the College network. Anti-virus software is applied by UHI IT Services across the UHI network and is updated daily.

Where external contractors are required to undertake systems maintenance, separate user accounts are created by ICT Services, which ensures that access to services and data is restricted. Contractor accounts are disabled when no longer required.

Objective 5: Review of system administrator actions.

Senior members of ICT Services, who are responsible for the maintenance and configuration of the College ICT infrastructure, have been allocated administrator privileges. The ICT Services Manager approves the use of all administrator accounts and also conducts periodic reviews of administrator accounts and actions. Full audit trails of ICT Services staff actions are available through the Systems Centre Configuration Manager (SCCM) software and other log files. A group administrator account is shared amongst ICT Services staff for responding to Service Desk queries however the system is set up to ensure that accountability can be fully traced to individual staff and actions are again monitored by the ICT Services Manager.

Objective 6: Monitoring of attempted unauthorised access.

Logs are maintained and reviewed of all external access attempts made to the UHI network.

Scanning software is active across the UHI local area network which scans activity passing through all open IP addresses and ports, both between UHI and each Academic Partner and through the external boundary firewalls. Reports are run every week and reviewed by UHI IT Services. In addition, penetration testing of external boundaries is conducted periodically by Janet, which is a high-speed network for the UK research and education community. Random internal scanning of networked devices is also performed by UHI IT Services. Where vulnerabilities are identified an IT service desk ticket is raised at UHI and depending on where the vulnerability is located the issue is dealt with by either UHI or passed to the ICT team at the appropriate Academic Partner affected. Both the College ICT Services and UHI IT Services teams constantly monitor the health and activity on the College sub-network and UHI wide network.

Objective 7: Identifying unlicensed software.

The ICT Services Manager is responsible for purchasing or renewing software licences. Systems Centre Configuration Manager (SCCM) software deployed across the network monitors, amongst other things, the number of approved user licences and renewal dates. SCCM automatically detects the number of users using the software at any one time and would alert ICT staff when limits are reached. Microsoft licensing for servers means that any users exceeding the licensing agreement are simply denied access to the service. Software providers also remind the College of its need to renew licences which prompts the renewal of existing licences and ensures that the College has valid licenses in place.

SCCM performs checks on individual computers and servers to identify any unauthorised software, however the design of the College IT infrastructure and network is such that software can only be installed on the College's network or equipment centrally by ICT staff with Administrator access rights.

We were advised that there have been no recorded incidents of staff installing unauthorised software on the College's IT equipment or any breaches in software user licences in recent years.

The College has adopted the UHI Partnership Information Security Acceptable Use Policy which prohibits the installation of software, other than that which is specifically licensed for use in connection with the College's business. Normally, no external software will be used on the College's systems in order to prevent the possible introduction of malware and viruses. If it is necessary to introduce other software, ICT Services must agree its use. The College does not permit the use of unlicensed software.

Objective 8: Remote user security procedures.

The College uses a Citrix solution, which allows staff remote access to College data and applications via a virtual desktop environment without accessing the Active Directory database directly, thereby reducing the risk of compromising data security. Only devices that have been approved by ICT Services, and have XenApp software installed, can access the virtual desktop environment. Citrix is controlled by UHI IT Services.

Inverness College UHI IT Network Arrangements - Appendix I: NCSC 10 Steps to Cyber Security

National Cyber Security Centre

10 Steps to **Cyber Security**

Defining and communicating your Board's Information Risk Regime is central to your organisation's overall cyber security strategy. The National Cyber Security Centre recommends you review this regime - together with the nine associated security areas described below, in order to protect your business against the majority of cyber attacks.



Network Security Protect your networks from attack.

Defend the network perimeter, filter out unauthorised access and malicious content. Monitor and test security controls.



User education and awareness

Produce user security policies covering acceptable and secure use of your systems. Include in staff training. Maintain awareness of cyber risks.



Malware prevention

Produce relevant policies and establish anti-malware defences across your organisation.

Removable media controls

Produce a policy to control all access to removable media. Limit media types and use. Scan all media for malware before importing onto the corporate system.



Secure configuration

Apply security patches and ensure the secure configuration of all systems is maintained. Greate a system inventory and define a baseline build for all devices.

Set up your Risk Management Regime

Marke cyper using the cyper with the toduce supporting risk management policies Assess the risks to your organisation's information and systems with the same vigour you would for legal, regulatory, financial or operational risks. To achieve this, embed a Risk Management Regime across your organisation, supported by the Board and senior managers.

Determine your risk appetite

Managing user privileges



Establish effective management processes and limit the number of privileged accounts. Limit user privileges and monitor user activity. Control access to activity and audit logs.

Incident management

Establish an incident



response and disaster recovery capability. Test your incident management plans. Provide specialist training. Report criminal incidents to law enforcement.

Monitoring



supporting policies. Continuously monitor all systems and networks. Analyse logs for unusual activity that could indicate an attack.

Home and mobile working



Develop a mobile working policy and train staff to adhere to it. Apply the secure baseline and build to all devices. Protect data both in transit and at rest.

For more information go to www.ncsc.gov.uk w@ncsc



Audit Committee

ITEM 5

| Subject/Title: | Outstanding Au | udit Actions |
|---|----------------------|--|
| Meeting and date: | Audit Committe | ee - 29 th May 2017 |
| Author: | Diane Rawlinso | on, Principal and Chief Executive |
| Link to Strategic Plan: | Yes: sustainab | ility |
| Cost implications: | n/a | |
| Risk assessment: | If yes, please spe | ecify: |
| Status – Confidential/Non confidential | Non-confidential | |
| Freedom of Information Can this paper be included in "open" business | Yes | |
| If a paper should not be inclu | ided within "open" b | usiness, please highlight below the reason. |
| Its disclosure would substant prejudice a programme of res | | Its disclosure would substantially prejudice the effective conduct of public affairs (S30) |
| Its disclosure would substant the commercial interests of a organisation (S33) | | Its disclosure would constitute a breach of confidence actionable in court (S36) |
| Its disclosure would constitute of the Data Protection Act (S | | Other (please give further details) |
| For how long must the paper either as the time, which nee condition that needs to be me | ds to pass, or a | ess |

Purpose of report / Summary

This report provides the Board with an updated position regarding the implementation of action points arising from Internal Audit reports. It reports on action points outstanding from previous audit cycles in addition to those arising from the most recent reports.

Background

The College is committed to following up on internal recommendations and implementing these timeously and has made significant progress in efficient and timely implementation of action points arising from internal audit recommendations.

Action Points outstanding from previous years

The Outstanding action points from previous years are now reduced to two and one of these, relating to a function managed by UHI, is beyond the College's control.

Action Points outstanding from 2016/17 Audits

The three action points agreed in the Health and Safety Audit report this academic year are in the process of implementation. The procurement of the Health and Safety Management System is now complete. The timescale for this was extended due to additional academic partners joining the procurement process but our expectation nevertheless is that implementation will be complete by June. The Health and Safety Manual is complete with the exception of sections relating to risk assessment and incident reporting. These sections are awaiting final confirmation of the format of forms to be rolled out as part of the Health and Safety Management System implementation.

The Audit of Data Protection carried out in March gave an overall level of assurance of 'Good'. Two recommendations were made. These were points carrying a minor level of risk that will be addressed during this calendar year.

The Audit of Procurement and Creditors/Purchasing gave an overall level of assurance of satisfactory. Two recommendations were made, one at level 2, the other at level 3. Both related to a need to update documentation to give clarity to finance procedures and ensure consistency in approach. Each of these will be actioned before July 2017.

The ICT Audit carried out in March also gave an overall audit level of assurance of 'Good'. No recommendations emerged from this report.

Diane Rawlinson Principal and Chief Executive

AUDIT ACTION PLAN (Outstanding Actions from 2015/16)

| Action No | Audit Recommendation | Action Required | Actioned By | Date of Rec. | Due Date | Comments |
|-----------|---|---|---------------------------------|--------------|------------|-------------------------------|
| | Student Fees and Contracts | | | | | |
| 2 | R2 - FE Students to use online enrolment The feasibility of allowing part-time FE students to select modules using the online enrolment system should be explored with UHI Executive Office Learning and Information Services. This would allow the enrolment process to be streamlined and reduce the time taken to raise student fee invoices. | Online module registration has been developed by EO for degree modules only. Feasibility of online unit selection for part-time FE students will be explored as part of the process mapping. It will also be raised with other Academic Partners. However, it is unlikely to be implemented by EO in the short term. | MIS Manager/ Finance Manager | 13/05/2016 | 30/06/2016 | Considered by not implemented |
| 5 | R5 - SITS & SUN transfers Amounts transferred between SITS and SUN should be reconciled regularly and explanations for any variances documented and corrections made if necessary. Such reconciliations should be reviewed and agreed by a second member of staff; with both the preparer and reviewer signing the reconciliations as evidence this is being done. | This task has been reallocated and reconciliations will be brought fully up-to-date. Thereafter this reconciliation is to be embedded into month end procedures. | Financial Services Manager | 13/05/2016 | 31/08/2016 | Partially implemented |

AUDIT ACTION PLAN (Outstanding Actions from 2016/17)

| Action No | Audit Recommendation | Action Required | Actioned By | Date of Rec. | Due Date | Comments |
|-----------|--|--|------------------------------|--------------|------------|-----------------------|
| | Health and Safety | | | | | |
| 1 | R1 Policy documentation The Health and Safety Manual is out of date and certain procedures within it may not fully reflect the improved working practices implemented throughout the College. | The re-drafting of the Health and Safety Manual should be completed within a reasonable timeframe, improving cnsistency, reducing duplication and accurately reflecting current practice, capturing processes that document safe operating practice at department level. | Health and Safety Manager | 01/11/2017 | 01/02/2017 | Partially Implemented |
| 2 | R2 Risk Identifcation and Assessment The risk assessment procedure in the H & S Maual does not reflect current practice. Not all Departments are using the same template and not all risk assessments are being reviewed to a relevant timescale. There was no systems for identification and follow of action points and no high level summary of risk in departments. | The H & S Management System should be implemented within a reasonable timeframe. The system should include: Recording of risk assessments in a standards form; Automatic flagging of risk assessments that require updating; and Identification of action points from risk assessments. | Health and Safety Manager | 01/11/2017 | 01/07/2017 | Partially implemented |

| 3 | R3 - Accident and Incident Reporting The current recording system is not as efficient as it could be. This may give rise to inaccuracies in reporting. | The planned H & S management system should contain the following functions: Recording of incidents and accidents; Identification and tracking of action points from incident and accident reports; and Action sign-off levels of authority relevant to the seriousness of the incident e.g. RIDDOR incident and accident actions may need to be signed off by department head, H & S Manager, meber of the SMT and Principal. | Health and Safety Manager | 01/11/2017 | 01/07/2017 | Partially implemented |
|---|---|--|------------------------------|------------|------------|-----------------------|
|---|---|--|------------------------------|------------|------------|-----------------------|

| Action No Audit Recommendation Action Required Actioned By Date of Rec. Due Date Comments |
|---|
|---|

Data Protection

| 1 | R1 Documenting Roles and Responsibilities Although the responsibilities of the Data Controller are set out in the Data Protection Policy the data protection roles of the Board of Management, SMT, Departmental Managers and staff are not. | The roles and responsibilities of Board of Management, SMT, Departmental Managers and staff to be clearly defined in the Data Protection Policy. | Data Controller | 27/05/2017 | 01/11/2017 | Outstanding |
|---|--|--|-----------------|------------|---------------------|-------------|
| 2 | R2 Information Security Arrangements (prior to information release) Although identity checks are being carried out prior to releasing information to requesters, there is no formal recording of that these checks have been carried out on the information request register. | Details of check undertaken to verify a requester's identity to be fully recorded on the information request register. | Data Controller | 27/05/2017 | immediate effect | Complete |

| Action No | Audit Recommendation | Action Required | Actioned By | Date of Rec. | Due Date | Comments |
|-----------|----------------------|-----------------|-------------|--------------|----------|----------|
|-----------|----------------------|-----------------|-------------|--------------|----------|----------|

Procurement and creditors/purchasing

| 1 | R1 Matching invoices to purchase order requisitions Not all non-PECOS invoices matched an appropriately authorised purchase order requisition, although all invoices sampled had been authorised by an appropriate signatory within their authorisation limits. This was due to a lack of clarity regarding exceptions to the requirement to raise a purchase order requisition. | Fully describe in the financial regulations and/or other college documents appropriate exceptions where no purchase order requisition is required to be raised. Ensure purchase orders are raised in all other circumstances, including, where appropriate, annual orders for recurring spend. | Accountant | 15/05/2017 | 01/07/2017 | Outstanding |
|---|---|---|----------------------------------|------------|------------|-------------|
| 2 | R2 Clarity over authorisation limits Lack of clarity over the authorisation limits for staff members may result in invoices or purchase orders being inappropriately authorised. | The college should maintain a full list of staff with delegated purchasing authority and their authorised limits to ensure that all purchase orders or invoices are appropriately authorised. | Business Services Team Leader | 15/05/2017 | 01/07/2017 | Outstanding |

AUDIT ACTION PLAN (Outstanding Actions from 2015/16)

| Action No | Audit Recommendation | Action Required | Actioned By | Date of Rec. |
|-----------|---|---|---------------------------------|--------------|
| | Student Fees and Contracts | | | |
| 2 | R2 - FE Students to use online enrolment The feasibility of allowing part-time FE students to select modules using the online enrolment system should be explored with UHI Executive Office Learning and Information Services. This would allow the enrolment process to be streamlined and reduce the time taken to raise student fee invoices. | Online module registration has been developed by EO for degree modules only. Feasibility of online unit selection for part-time FE students will be explored as part of the process mapping. It will also be raised with other Academic Partners. However, it is unlikely to be implemented by EO in the short term. | MIS Manager/ Finance Manager | 13/05/2016 |
| 5 | R5 - SITS & SUN transfers Amounts transferred between SITS and SUN should be reconciled regularly and explanations for any variances documented and corrections made if necessary. Such reconciliations should be reviewed and agreed by a second member of staff; with both the preparer and reviewer signing the reconciliations as evidence this is being done. | This task has been reallocated and reconciliations will be brought fully up-to-date. Thereafter this reconciliation is to be embedded into month end procedures. | Financial Services Manager | 13/05/2016 |

AUDIT ACTION PLAN (Outstanding Actions from 2016/17)

| Action No | Audit Recommendation | Action Required | Actioned By | Date of Rec. |
|-----------|----------------------|--|------------------------------|--------------|
| | Health and Safety | | | |
| 1 | | The re-drafting of the Health and Safety Manual should be completed within a reasonable timeframe, improving cnsistency, reducing duplication and accurately reflecting current practice, capturing processes that document safe operating practice at department level. | Health and Safety Manager | 01/11/2017 |

| 2 | R2 Risk Identifcation and Assessment The risk assessment procedure in the H & S Maual does not reflect current practice. Not all Departments are using the same template and not all risk assessments are being reviewed to a relevant timescale. There was no systems for identification and follow of action points and no high level summary of risk in departments. | The H & S Management System should be implemented within a reasonable timeframe. The system should include: Recording of risk assessments in a standards form; Automatic flagging of risk assessments that require updating; and Identification of action points from risk assessments. | Health and Safety Manager | 01/11/2017 |
|---|--|--|------------------------------|------------|
| 3 | R3 - Accident and Incident Reporting The current recording system is not as efficient as it could be. This may give rise to inaccuracies in reporting. | The planned H & S management system should contain the following functions: Recording of incidents and accidents; Identification and tracking of action points from incident and accident reports; and Action sign-off levels of authority relevant to the seriousness of the incident e.g. RIDDOR incident and accident actions may need to be signed off by department head, H & S Manager, meber of the SMT and Principal. | Health and Safety Manager | 01/11/2017 |

| Action No Audit Recommendation Action Required Actioned By Date of Rec |
|--|
|--|

Data Protection

| 1 | R1 Documenting Roles and Responsibilities Although the responsibilities of the Data Controller are set out in the Data Protection Policy the data protection roles of the Board of Management, SMT, Departmental Managers and staff are not. | The roles and responsibilities of Board of Management, SMT, Departmental Managers and staff to be clearly defined in the Data Protection Policy. | Data Controller | 27/05/2017 |
|---|---|--|-----------------|------------|
| 2 | R2 Information Security Arrangements (prior to information release) Although identity checks are being carried out prior to releasing information to requesters, there is no formal recording of that these checks have been carried out on the information request register. | Details of check undertaken to verify a requester's identity to be fully recorded on the information request register. | Data Controller | 27/05/2017 |

| Action No Audit Recommendation Action Required Actioned By Date of Rec. |
|---|
|---|

Procurement and creditors/purchasing

| 1 | R1 Matching invoices to purchase order requisitions Not all non-PECOS invoices matched an appropriately authorised purchase order requisition, although all invoices sampled had been authorised by an appropriate signatory within their authorisation limits. This was due to a lack of clarity regarding exceptions to the requirement to raise a purchase order requisition. | Fully describe in the financial regulations and/or other college documents appropriate exceptions where no purchase order requisition is required to be raised. Ensure purchase orders are raised in all other circumstances, including, where appropriate, annual orders for recurring spend. | Accountant | 15/05/2017 |
|---|--|---|----------------------------------|------------|
| 2 | R2 Clarity over authorisation limits Lack of clarity over the authorisation limits for staff members may result in invoices or purchase orders being inappropriately authorised. | The college should maintain a full list of staff with delegated purchasing authority and their authorised limits to ensure that all purchase orders or invoices are appropriately authorised. | Business Services Team Leader | 15/05/2017 |

| Due Date | Comments |
|----------|----------|
|----------|----------|

| 30/06/2016 | Considered by not implemented |
|------------|-------------------------------|
| 31/08/2016 | Partially implemented |

| Due Dute Comments | Due Date | Comments |
|-------------------|----------|----------|
|-------------------|----------|----------|

| 01/02/2017 Partially Implemented |
|----------------------------------|
|----------------------------------|

| 01/07/2017 | Partially implemented |
|------------|-----------------------|
| 01/07/2017 | Partially implemented |

Due Date Comments

| 01/11/2017 | Outstanding |
|---------------------|-------------|
| immediate effect | Complete |

| Due Date | Comments |
|----------|----------|
|----------|----------|

| 01/07/2017 | Outstanding |
|------------|-------------|
| 01/07/2017 | Outstanding |



Inverness College UHI

Internal Audit Progress Report 2016/17 Annual Plan

29 May 2017



5

 Progress with the annual plan for 2016/17, finalised in September 2016, is shown below.

| Audit Area | Planned reporting date | Report status | Report Number | Overall Conclusion | Audit Committee | Comments |
|---|--|--|------------------|-----------------------|--------------------|---|
| Annual Plan 2016/17 | September 2016 | Draft 08/07/16 2 nd Draft 01/09/16 Final 02/09/16 | 2017/01 | N/A | 13/09/16 | |
| Health and Safety | November 2016 | Draft 18/10/16 2 nd Draft 07/11/16 Final 21/11/16 | 2017/02 | Satisfactory | 29/11/16 | |
| Staff Recruitment and Retention – Succession Planning | March 2017 (May 2017 Audit Committee) | | | | | The audit fieldwork has been delayed at the request of College management, with a start date of 05/06/17 agreed. |
| New Campus – Maintenance and Unitary Charge Controls | September 2017 | | | | | |
| Procurement and Creditors / Purchasing | May 2017 | Draft 15/05/17 Final 17/05/17 | 2017/06 | Satisfactory | 29/05/17 | |
| IT Network Arrangements | March 2017 (May 2017 Audit Committee) | Draft 29/03/17 Final 12/04/17 | 2017/05 | Good | 29/05/17 | |
| Data Protection | May 2017 | Draft 27/04/17 Final 10/05/17 | 2017/07 | Good | 29/05/17 | |

| Audit Area | Planned reporting date | Report status | Report Number | Overall Conclusion | Audit Committee | Comments |
|--|------------------------------|----------------------------------|------------------|------------------------------|--------------------|----------|
| Credits Audit | November 2016 | Draft 13/10/16 Final 13/10/16 | 2017/03 | Audit opinion unqualified | 29/11/16 | |
| Bursary, Childcare and Hardship Funds | November 2016 | Draft 08/11/16 Final 22/11/16 | 2017/04 | Audit opinion unqualified | 29/11/16 | |
| Follow-Up Reviews | September 2017 | | | | | |



Board of Management

| Subject/Title: Internal Audit Tender Process | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|
| Meeting and date: | Audit Comm | Audit Committee, 29 May 2017 | | | | | | | | |
| Author: | Fiona Musta | Fiona Mustarde, Financial Services Manager | | | | | | | | |
| Link to Strategic Plan: | | | | | | | | | | |
| Cost implications: | Yes If yes, please specify: | | | | | | | | | |
| Risk assessment: | Yes If yes, please specify: Financial: Operational: Organisational: | | | | | | | | | |
| Status – Confidential/Non confidential | | Non-confidential | | | | | | | | |
| Freedom of Information Can this paper be included in "open" business | Yes | | | | | | | | | |
| If a paper should not be inclu | ess, please highlight below the reason. | | | | | | | | | |
| Its disclosure would substantion prejudice a programme of res | | | Its disclosure would substantially prejudice the effective conduct of public affairs (S30) | | | | | | | |
| Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33) | | | Its disclosure would constitute a breach of confidence actionable in court (S36) | | | | | | | |
| Its disclosure would constitute a breach of the Data Protection Act (S38) | | | Other (please give further details) | | | | | | | |
| For how long must the paper either as the time which need which needs to be met.) | | | 1 | | | | | | | |

Recommendation

The Audit Committee are asked to note the current position regarding progress with the internal audit tendering process.

Purpose of report

To update the Audit Committee on the current position of the APUC led tender for internal audit services for 2017-18 onwards.

Position Statement

At the last Audit Committee on 28 February 2017, approval was given for Inverness College UHI to enter into a collaborative process to procure internal audit services as our current providers are coming to the end of their contract in July 2017.

At that time, it was anticipated that the collaboration would be led by Advanced Procurement for Colleges and Universities (APUC) and involve Executive Office, North Highland College and West Highland College.

The collaboration now consists only of North Highland College and Inverness College. West Highland College have been excluded as they have recently appointed one of the framework providers (Henderson Loggie) to their external audit provision and Executive Office are not participating.

APUC supplied a draft strategy document for review on their approach to this tender and requested various items of information. We reviewed and made a number of comments to this document, including the requirement for a presentation to form part of the evaluation process. The strategy document was returned to APUC at the beginning of May but we have not yet had sight of a final version. All outstanding items of information have now been provided and we await a revised timetable of activity.

ITEM 8



Board of Management

| Subject/Title: | Risk Managem | nent | | | | | | | | |
|---|---|--|--|--|--|--|--|--|--|--|
| Meeting and date: | Audit Committee 29 th May 2017 | | | | | | | | | |
| Author: | Diane Rawlins | Diane Rawlinson Principal and Chief Executive | | | | | | | | |
| Link to Strategic Plan: | Yes – Sustaina | Yes – Sustainability, organisational development. | | | | | | | | |
| Cost implications: | n/a | | | | | | | | | |
| Risk assessment: | Yes If yes, please specify: Key foundation of risk management strategy | | | | | | | | | |
| Status – Confidential/Non confidential | Non-confidential | | | | | | | | | |
| Freedom of Information Can this paper be included in "open" business | Yes | | | | | | | | | |
| If a paper should not be inclu | ided within "open" b | ousiness, please highlight below the reason. | | | | | | | | |
| Its disclosure would substant prejudice a programme of res | | Its disclosure would substantially prejudice the effective conduct of public affairs (S30) | | | | | | | | |
| Its disclosure would substant the commercial interests of an organisation (S33) | | Its disclosure would constitute a breach of confidence actionable in court (S36) | | | | | | | | |
| Its disclosure would constitute of the Data Protection Act (S3 | | Other (please give further details) | | | | | | | | |
| For how long must the paper either as the time which need which needs to be met.) | | | | | | | | | | |

Recommendation:

The Audit Committee is asked to approve this interim amendment to the Risk Register, pending potential adjustments to be made should further adjustments be made to the under-pinning strategies.

Purpose of report / Summary

This report provides an update regarding amendments made to the risk register, including the scoring of the generic risks previously proposed by UHI and adopted by the UHI partnership colleges and research institutes.

Background

At the February Audit Committee meeting, the Committee endorsed the inclusion of the 11 generic risks proposed by the UHI Court to be included on the risk register of each academic partner. The Inverness College Risk Register was then adjusted accordingly.

Some rationalisation of risks has been carried out to remove duplication. Although some overlap remains, the SMT is comfortable that this ensures attention is paid to some of the contributory risks that are encompassed within the generic risks proposed by UHI. For instance, two of the generic risks proposed have a pan-UHI perspective. These are:

- Reduction in the HE unit of resource;
- Financial instability of UHI.

These risks relate to the additional risk posed to Inverness College UHI by policy decisions made nationally (in terms of the HE unit of resource) or UHI-wide (in terms of top slice or re-distribution of funding across the partnership). Later in the risk register, another financial risk is listed. This is:

• Financial failure/operating loss/Inability to achieve a balanced budget.

This risk was originally included on the Inverness College risk register. This risk has an internal focus and relates to internal budget-setting and budget management. It focuses on the need to sustain efficient operating processes and diversification of income to counter any on-going cost pressures. The SMT consider this risk to be still relevant.

The SMT has provisionally scored the generic risks, however a further review will be undertaken following the approval of the underpinning strategies at the June Board meeting.

Diane Rawlinson Principal and Chief Executive April 2017

| UHI STRATEGIC RISK REGISTER TEMPLATE | Inverness | TIMESCALE 3 Years | | | | | | | ACTIC | N PLAN Assign ar | n action owner who is the pe | erson responsible for | completing the identified ac | tion and select a realistic co | mpletion target date | Please input information abou | planned future action | s to reduce the risk score | |
|--|---|--|---|--------------------------------|---------------|---|---|------------------|-------|------------------|------------------------------|-----------------------|------------------------------|---|--|--|-----------------------------------|------------------------------------|--|
| Ref ID Risk Status Category Risk Description | Causes | Impacts/Evidence | Owner | Likelihood Impact | Gross Risk | Actions to minimise risk in place | Residual Residual Likelihood Impact | Residual Risk | | | | | | | Do Action Owner Completion (3) Date (3) | Actions to minimise risk/To Do (4) (4) | tion Owner Completion Date (4) | Actions to minimise risk/To (5) | Do Action Owner Completion (5) Date (5) |
| Inverness/9 Active Financial College fails to identify and take opportunities for development and progression | lack of investment; insufficient funding; focus on mitigating downside risks; lack strategic planning; lack of senior management resource; performance management focus on maintaining status quo; partners and stakeholders do not engage into proposed change; failure to develop commercial and international income streams. | reputational damage; curriculum becomes out of date; College is not seen as the partner of choice. | Principal | 4-Likely 4-Major | 16 | Oversight of curriculum planning proces led by Depute Principal. Chairing Reseac Committee to review progress income/investment balance of each research grouping, continued | | nt 9 | | | | | | | | | | | |
| Inverness/15 Active External Reduction in HE unit of resource | Government reduces HE funding; increase in top-slice. | Unable to meet staffing costs, unable to offer remitted time to develop research and therefore unable to enhance teaching and to attract and recruit new staff and students. | Services | 4-Likely 4-Major | 16 | Regular finance monitoring reports circulated to budget holders, SMT and Board of management. Monitor financia KPI's reported to Board to ensure we are | ial re | 16 | | | | | | | | | | | |
| Inverness/17 Active External Financial instability of UHI | Financial instability of UHI academic partners. | Reduced unit of resource to the College; unable to meet operating costs, unable to develop new curriculum, unable develop research, surpluses are taken from the College, | | 4-Likely 4-Major | 16 | meeting and exceedind collective activity Regular finance monitoring reports circulated to budget holders, SMT and BOM. Monitor financial KPIs reported to Board to ensure we are exceeding | 4-Likely 4-Major | 16 | | | | | | | | | | | |
| Inverness/18 Active Organisational College fails to maintain improvement in performance against national targets and outcomes | Staff recuritment; staff training; student recruitment; lack of staff built in to targets and outcomes. | uy Reputational damage; partners fail to support in College development; SFC intervention. | Depute Principal | 3-Possible 3-Significant | 9 | Implement targeted intervention and internal review of learning and teaching processes | | 8 | | | | | | Enhance student attendance and progress monitoring process | d Depute Principal | | | | |
| Inverness/19 Active Organisational College does not achieve allocated HE student number targets. | Failure to recruit sufficient students due to various factors such as: over ambitic PPF target, poor marketing, curriculum gaps, poor NSS result, poor relationship with schools etc | | | 5-Almost certain 3-Significant | 15 | Rigorous curriculum planning process in place, proactive development of school/college relationships, proactive development of relationships with employers, excellent quality management processes, systematic monitoring of applications through to | | nt 9 | | | | | | | | | | | |
| Inverness/20 Active Organisational College does not achieve allocated FE Credit targets. | Failure to recruit sufficient students due to various factors such as: reduction in school leaver numbers, curriculum that lacks relevance to local economy, curriculum gaps, ineffective marketing and engagement with local schools/employers | Reduction of college income from UHI, regional student number targe risk resulting in possible clawback to SFC from UHI in year or reduction future years grant. | | 5-Almost certain 4-Major | 20 | enrolment Rigorous curriculum planning process in place, proactive development of school/college relationships, proactive development of relationships with employers, excellent quality management processes, systematic monitoring of applications through to | | nt 6 | | | | | | | | | | | |
| Inverness/21 Active Organisational The institution has a poor reputation. | Significant or sustained adverse publicity, governance/management failure, negative comments on social media, poor academic results, poor performance i league tables, significant withdrawal rates, major health and safety incident, student/staff involvement in criminal activity | | Principal | 5-Almost certain 3-Significant | 15 | enrolment. Internal audit of governance procedures (supported by additional process of external validation of self-evaluation), current and effective policy environment closely monitored to ensure compliance, use of externally validated quality frameworks to support organisational commitment to quality enhancement. Close monitoring of PIs and implementation of systematic process to effect improvement where remedial action required. PVG checks undertaken Proactive promotion of collective ownership of Health and Safety management. H & S management system implemented and systematically reviewed. On-going media relationship | nt e, to en. | 4 | | | | | | | | | | | |
| Inverness/22 Active Organisational Disruption to services/projects and/or partnership working resulting from loss of a key staff member. | g Retirement, resignation or death in service of key staff member(s). Inadequate succession planning. Unsystematic management of corporate knowledge, Associated knock on impacts resulting from transition arrangements with staff acting up and possible failure of backfill solutions. | Projects delayed due to loss of continuity, corporate knowledge gaps a disruption/loss of established relationships and contacts. | nd Director of Organisational Services | 3-Possible 2-Minor | 6 | management. Workforce planning process adopted to anticipate future skill need, staff development funding aligned with strategic plan to support succession planning, in particular development of skill sets to support future curriculum developments, systematic recording of coporate procedures and corporate knowledge, systematic approach taken t development of supervisory skills and leadership and management to support succession planning. | to | nt 9 | | | | | | | | | | | |
| Inverness/23 Active Organisational Non-compliance with relevant statutory regulations. | Lack of awareness of relevant laws and penalties. Management failures. E.g. new General Data Protection Regulation from 25th May 2018, Bribery Act, Health an Safety Regulations etc. lack of incident and near miss reporting; high risk course e.g. forestery, construction, aquaculture, science; people failing to take responsibility or ownership for health and safety issues. | d obligations on data controllers and processors. GDPR will also introdu | nd n | 5-Almost certain 3-Significant | | Dedicated Health and Safety Management role, Health and Safety Management system implemented, systematic use of internal audit, SMT commitment and proactive leadership to develop a strong H & S management culture, strong emphasis on near miss recording and lessons learned, H & S Committee chaired by Principal, systematic recording and analysis of incident, accident and near miss trends, Dedicated Data Controller role with responsibility for awanreness raising and adaptation of policy/procedures win line with legislative change, current shared project on effective data management with IT Manager, rigorous implmentation of mandatory staff training. Director of Organisational Development with direct responsibility for awareness raising and adaptation of policy/procedure in line with legislative change. All of the above reported systematically to relevant Boar of Management Committees. | to ,, nd ne on f tt d e | nt 6 | | | | | | | | | | | |
| Inverness/24 Active Organisational Governance Failure. | Governing body does not have an appropriate balance of skills and experience. Role of a governor/director is perceived to be onerous making it difficult to attra a broad range of high calibre individuals to serve for non-remunerated roles. | | Chair of the Board of Management | 3-Possible 3-Significant | 9 | Regular recruitment drives undertaken. Skills matrix approach used to support recruitment of members with relevant skills base. Proactive approach taken to encourage application from diverse backgrounds, development of strong governance culture verified through internal audit processes and external validation of self-evaluation procedures. | 0 | 4 | | | | | | | | | | | |
| Inverness/25 Active Organisational Financial failure/operating loss. Inability to achieve a balanced budget. | Increased pay costs (national bargaining), pensions and NI contributions. Efficient savings are not achieved quickly enough to counteract reductions in income. | ncy Services cut resulting in reduction of teaching expertise and/or resear capacity leading to a reduction in service quality leading to student dissatisfaction and risk of reputational damage; missed opportunities development. | | 4-Likely 4-Major | 16 | Efficiency savings achieved through efficient and effective deployment of staff, effective cost control, all spend aligned to achievement of strategic aims and objectives. Lobbying regionally for share of regional funding that reflects actual learning and teaching delivered, lobbying nationally for increased funding for Highlands and Islands region to reflect on going increasing participation rates. Development of alternative income streams, SDS and apprencticeship family, bespoke provision, international summer schools catering business and events management. | ng n | nt 12 | | | | | | | | | | | |
| Inverness/26 Active Organisational College estate not fit for purpose. | Risk of little new capital project expenditure caused by partnership perception of significant recent estates development. Potential for rapid growth of student population without investment in new expanded facilities. Risk to student satisfaction scores in the absence of a dedicated student union social space. | | | 3-Possible 3-Significant | 9 | Space utilisation audits undertaken to support efficient use of the estate. Centralised timetabling to ensure efficient use of the estate. Twilight classes introduced to ease pressure on rooms. Collaborative projects pursued t create opportunities for growth that do not require estates development. Development work undertaken to maximise blended learning opportunities/use of VLE to reduce required face to face teaching. | to | nt 6 | | | | | | | | | | | |
| Inverness/27 Active Organisational Academic quality is sub standard Inverness/27 Active Inverness/27 Inverness/27 Inverness/27 Active Inverness/27 Inverness/27 Inverness/27 Active Inverness/27 Inverness/27 Inverness/27 Active Inverness/27 Inverness/27 Inverness/27 Inverness/27 In | Difficulty recruiting and retaining high calibre staff. Conditions and terms of employment are not competitve with limited scope for career progression; qual enhancement policies and processes are ineffective; student engagement is weaperformance management systems are ineffective. | ity to competitor institutions. Poor attainment levels, high level of | | 3-Possible 3-Significant | 9 | Achievement and maintenance of IiP Gold reflecting organisational commitment to staff, development and maintenance of attractive recognition and reward systems, alignment with national pay bargaining, investment in CPD and staff development, not least support for advanced degree study, development of research and scholarshi scheme, encouragement of staff ERASMUS exchange praticipation. Effective, rigorous quality management systems, systematic monitoring and reporting on PI trends and external verification processes. Effective staff induction and effective observation of learning and teaching. Maintenance of higher levels of formal teacher training certification. Development of research teaching linkages, promotion of conference attendance and speaking. Excellent employer engagement. Forma monitoring of quality of the student experience through the Learning and Teaching Committee of the Board of Management. | nip t t | nt 6 | | | | | | | | | | | |
| Inverness/28 Active Organisational Poor Student Experience | No student union provision, restricted space avaiable for students to interact socially our of college hours, inability to create a student community feel. | Poor performance in national student satisfaction surveys; difficulty in recruiting students; Risk to core income streams. | Principal | 2-Unlikely 2-Minor | 4 | Partnership approach in place to enhance the student experience evidenced by the Student Partnership Agreement, multi-faceted approach to student engagement and student feedback. Student feedback scores, trends and themes monitored systematically and inform action planning. Regional lobbying for capital funds to support the development of a students' union facility. | | nt 9 | | | | | | | | | | | |

| Inverness/29 | Active | Organisational | Research outputs are sub standard | Inability to fund remission to enable the publication of sufficient quality papers and upload to PURE; loss of opportunity to develop strong RTL; loss of key staff; lack of funding; terms and conditions of employment are not comparable with competitor organisations; impact of Brexit on access to European projects. |
|--------------|--------|----------------|-----------------------------------|--|
|--------------|--------|----------------|-----------------------------------|--|

| age to reputation. Brexit. Poor performance in next REF. Inability n staff and research teams. Reduced income; negative impact on uitment. | o Head of Research and Post Graduate Development | 3-Possible | 2-Minor | 6 | Significant college annual investment in research to support development of research institutes and research embedded in the curriculum. Research and scholarship fund established to encourage further staff engagement in the research agenda. Support for staff through staff development fund to attend and speak at conferences. Dedicated research posts created. Proactive targeting of grant funding to support research activity. Staff encouraged to seek financial support for activity through relevant available UHI funds. | | 2-Minor |
|--|--|------------|---------|---|--|--|---------|
|--|--|------------|---------|---|--|--|---------|

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LIKELIHOOD CRITERIA TIM

TIMESCALE 3 YEARS

| Score | Descriptor | Probability |
|------------------|--|-------------|
| 5-Almost Certain | More than likely – the event is anticipated to occur | >80% |
| 4-Likely | Fairly likely – the event will probably occur | 61-80% |
| 3-Possible | Possible – the event is expected to occur at some time | 31-60% |
| 2-Unlikely | Unlikely – the event could occur at some time | 10-30% |
| 1-Very Rare | Remote – the event may only occur in exceptional circumstances | <10% |

IMPACT - CRITERIA TIMESCALE 3 YEARS

| | | | | Reputational (need to link to communications |
|-----------------|---|---|--|---|
| Score | Descriptor | Financial | Operational | process for incident management) |
| 5 -Catastrophic | A disaster with the potential to lead to: • loss of a major UHI partner • loss of major funding stream | > £500,000 or lead to likely loss of key partner | Likely loss of key partner, curriculum area or department Litigation in progress Severe student dissatisfaction Serious quality issues/high failure rates/major delivery problems | Incident or event that could result in potentially long term damage to UHI's reputation. Strategy needed to manage the incident. Adverse national media coverage Credibility in marketplace and with stakeholders significantly undermined. |
| 4-Major | A critical event which threatens to lead to: major reduction in funding major reduction in teaching/research capacity | £250,000 - £500,000 or lead to possible loss of partner | Possible loss of partner and litigation threatened Major deterioration in quality/pass rates/delivery Student dissatisfaction | Incident/event that could result in limited medium – short term damage to UHI's reputation at local/regional level. Adverse local media coverage Credibility in marketplace/with stakeholders is affected. |
| 3-Significant | A Significant event, such as financial/operational difficulty in a department or academic partner which requires additional management effort to resolve. | £50,000 - £250,000 | General deterioration in quality/delivery but not persistent Persistence of issue could lead to litigation Students expressing concern | An incident/event that could result in limited short term damage to UHI's reputation and limited to a local level. Criticism in sector or local press Credibility noted in sector only. |
| 2-Minor | An adverse event that can be accommodated with some management effort. | £10,000 - £50,000 | Some quality/delivery issues occurring regularly Raised by students but not considered major | Low media profile Problem commented upon but credibility unaffected |
| 1-Insignificant | An adverse event that can be accommodated through normal operating procedures. | <£10,000 | Quality/delivery issue considered one-off Raised by students but action in hand | No adverse publicityCredibility unaffected and goes unnoticed |

Note: Select criteria most appropriate. Use highest score if more than one criterion applies.

| 5 | 10 8 | 15 12 | 20 16 | 25 20 |
|--------------|--------------|--------------|---|---------------------------------|
| 4 | | | | |
| | 8 | 12 | 16 | 20 |
| • | | | | |
| 3 | 6 | 9 | 12 | 15 |
| 2 | 4 | 6 | 8 | 10 |
| 1 | 2 | 3 | 4 | 5 |
| 1 -Very Rare | 2 - Unlikely | 3 - Possible | 4 - Likely | 5 - Almost Certain |
| | 1 | 1 2 | 1231 -Very Rare2 - Unlikely3 - Possible | 1 2 3 4 |

Attention should also be paid to risks that are very rare or unlikely that could cause a catastrophic impact.

| UHI ST | RATI | EGIC RISK RE | GISTER TEMPLATE | Inverness | TIMESCALE 3 Years | | | | | | | | |
|--------------|---------|----------------|---|---|--|--|------------------|---------------|---------------|--|------------------------|--------------------|------------------|
| Ref ID | Risk St | atus Category | Risk Description | Causes | Impacts/Evidence | Owner | Likelihood | Impact | Gross Risk | Actions to minimise risk in place | Residual Likelihood | Residual Impact | Residual Risk |
| Inverness/9 | Active | Financial | College fails to identify and take opportunities for developmen and progression | t lack of investment; insufficient funding; focus on mitigating downside risks; lack of strategic planning; lack of senior management resource; performance management focus on maintaining status quo; partners and stakeholders do not engage into proposed change; failure to develop commercial and international income streams. | Stagnation; lack of research and innovation; loss of potential income; reputational damage; curriculum becomes out of date; College is not seen as the partner of choice. | Principal | 4-Likely | 4-Major | 16 | Oversight of curriculum planning process led by Depute Principal. Chairing Reseach Committee to review progress income/investment balance of each research grouping, continued | | 3-Significant | 9 |
| Inverness/15 | Active | External | Reduction in HE unit of resource | Government reduces HE funding; increase in top-slice. | Unable to meet staffing costs, unable to offer remitted time to develop research and therefore unable to enhance teaching and to attract and recruit new staff and students. | Director of Corporate Services | 4-Likely | 4-Major | 16 | Regular finance monitoring reports circulated to budget holders, SMT and Board of management. Monitor financial KPI's reported to Board to ensure we are meeting and exceedind collective activity | | 4-Major | 16 |
| Inverness/17 | Active | External | Financial instability of UHI | Financial instability of UHI academic partners. | Reduced unit of resource to the College; unable to meet operating costs, unable to develop new curriculum, unable to develop research, surpluses are taken from the College, | Director of Corporate Services | 4-Likely | 4-Major | 16 | Regular finance monitoring reports circulated to budget holders, SMT and BOM. Monitor financial KPIs reported to Board to ensure we are exceeding | 4-Likely | 4-Major | 16 |
| Inverness/18 | Active | Organisational | College fails to maintain improvement in performance against national targets and outcomes | | Reputational damage; partners fail to support in College development; SFC intervention. | Depute Principal | 3-Possible | 3-Significant | 9 | Implement targeted intervention and internal review of learning and teaching processes | 2-Unlikely | 4-Major | 8 |
| Inverness/19 | Active | Organisational | College does not achieve allocated HE student number targets. | Failure to recruit sufficient students due to various factors such as: over ambitious PPF target, poor marketing, curriculum gaps, poor NSS result, poor relationship with schools etc | Reduction of college income from UHI, regional student number target at risk resulting in possible clawback to SFC from UHI in year or reduction in future years grant. | Depute Principal | 5-Almost certain | 3-Significant | 15 | Rigorous curriculum planning process in place, proactive development of school/college relationships, proactive development of relationships with employers, excellent quality management processes, systematic monitoring of applications through to enrolment. | | 3-Significant | 9 |
| Inverness/20 | Active | Organisational | College does not achieve allocated FE Credit targets. | Failure to recruit sufficient students due to various factors such as: reduction in school leaver numbers, curriculum that lacks relevance to local economy, curriculum gaps, ineffective marketing and engagement with local schools/employers | Reduction of college income from UHI, regional student number target at risk resulting in possible clawback to SFC from UHI in year or reduction in future years grant. | Depute Principal | 5-Almost certain | 4-Major | 20 | Rigorous curriculum planning process in place, proactive development of school/college relationships, proactive development of relationships with employers, excellent quality management processes, systematic monitoring of applications through to enrolment. | | 3-Significant | 6 |
| Inverness/21 | Active | Organisational | The institution has a poor reputation. | Significant or sustained adverse publicity, governance/management failure, negative comments on social media, poor academic results, poor performance in league tables, significant withdrawal rates, major health and safety incident, student/staff involvement in criminal activity | Inability to recruit students or attract and retain high calibre staff, inability to attract funding and/or develop strategic partnerships. | Principal | 5-Almost certain | 3-Significant | 15 | Internal audit of governance procedures (supported by additional process of external validation of self-evaluation), current and effective policy environment closely monitored to ensure compliance, use of externally validated quality frameworks to support organisational commitment to quality enhancement. Close monitoring of PIs and implementation of systematic process to effect improvement where remedial action required. PVG checks undertaken. Proactive promotion of collective ownership of Health and Safety management. H & S management syster implemented and systematically reviewed. On-going media relationship management. | | 2-Minor | 4 |
| Inverness/22 | Active | Organisational | Disruption to services/projects and/or partnership working resulting from loss of a key staff member. | Retirement, resignation or death in service of key staff member(s). Inadequate succession planning. Unsystematic management of corporate knowledge, Associated knock on impacts resulting from transition arrangements with staff acting up and possible failure of backfill solutions. | | Director of Organisational Services | 3-Possible | 2-Minor | 6 | Workforce planning process adopted to anticipate future skill need, staff development funding aligned with strategic plan to support succession planning, in particular development of skill sets to support future curriculum developments, systematic recording of coporate procedures and corporate knowledge, systematic approach taken to development of supervisory skills and leadership and management to support succession planning. | | 3-Significant | 9 |
| Inverness/23 | Active | Organisational | Non-compliance with relevant statutory regulations. | | | Principal | 5-Almost certain | 3-Significant | | Dedicated Health and Safety Management role, Health and Safety Management system implemented, systematic use of internal audit, SMT commitment and proactive leadership to develop a strong I & S management culture, strong emphasis on near miss recording and lessons learned, H & S Committee chaired by Principal, systematic recording and analysis of incident, accident and near miss trends, Dedicated Data Controller role with responsibility for awanreness raising and adaptation of policy/procedures win line with legislative change, current shared project on effective data management with IT Manager, rigorous implmentation of mandatory staff training. Director of Organisational Development with direct responsibility for awareness raising and adaptation of policy/procedure in line with legislative change. All of the above reported systematically to relevant Board of Management Committees. | re | 3-Significant | 6 |



| Inverness/24 Active | Organisational | Governance Failure. | Governing body does not have an appropriate balance of skills and experience. Role of a governor/director is perceived to be onerous making it difficult to attract a broad range of high calibre individuals to serve for non-remunerated roles. | Recent advertisements for new members have attracted few applications; | Chair of the Board of Management | 3-Possible | 3-Significant | 9 | Regular recruitment drives undertaken. Skills matrix approach used to support recruitment of members with relevant skills base. Proactive approach taken to encourage application from diverse backgrounds, development of strong governance culture verified through internal audit processes and external validation of self-evaluation procedures. | 2-Unlikely | 2-Minor | 4 |
|---------------------|----------------|---|--|---|--|------------|---------------|----|---|-----------------|---------------|----|
| Inverness/25 Active | Organisational | Financial failure/operating loss. Inability to achieve a balanced budget. | Increased pay costs (national bargaining), pensions and NI contributions. Efficiency savings are not achieved quickly enough to counteract reductions in income. | Services cut resulting in reduction of teaching expertise and/or research capacity leading to a reduction in service quality leading to student dissatisfaction and risk of reputational damage; missed opportunities for development. | Principal | 4-Likely | 4-Major | 16 | Efficiency savings achieved through efficient and effective deployment of staff, effective cost control, all spend aligned to achievement of strategic aims and objectives. Lobbying regionally for share of regional funding that reflects actual learning and teaching delivered, lobbying nationally for increased funding for Highlands and Islands region to reflect on going increasing participation rates. Development of alternative income streams, SDS and apprencticeship family, bespoke provision, international summer schools, catering business and events management. | | 3-Significant | 12 |
| Inverness/26 Active | Organisational | College estate not fit for purpose. | Risk of little new capital project expenditure caused by partnership perception of significant recent estates development. Potential for rapid growth of student population without investment in new expanded facilities. Risk to student satisfaction scores in the absence of a dedicated student union social space. | Unable to meet new growth targets; unable to diversify in line with emerging opportunities; unable to provide the economies of scale required to counter the financial challenges of smaller partners. | | 3-Possible | 3-Significant | 9 | Space utilisation audits undertaken to support efficient use of the estate. Centralised timetabling to ensure efficient use of the estate. Twilight classes introduced to ease pressure on rooms. Collaborative projects pursued to create opportunities for growth that do not require estates development. Development work undertaken to maximise blended learning opportunities/use of VLE to reduce required face to face teaching. | 2-Unlikely t | 3-Significant | 6 |
| Inverness/27 Active | Organisational | Academic quality is sub standard | Difficulty recruiting and retaining high calibre staff. Conditions and terms of employment are not competitve with limited scope for career progression; quality enhancement policies and processes are ineffective; student engagement is weak; performance management systems are ineffective. | Poor performance in quality monitoring/assurance reviews. Loss of staff to competitor institutions. Poor attainment levels, high level of withdrawal and poor retention, loss of income, damage to reputation. | Principal | 3-Possible | 3-Significant | 9 | Achievement and maintenance of IiP Gold reflecting organisational commitment to staff, development and maintenance of attractive recognition and reward systems, alignment with national pay bargaining, investment in CPD and staff development, not least support for advanced degree study, development of research and scholarship scheme, encouragement of staff ERASMUS exchange praticipation. Effective, rigorous quality management systems, systematic monitoring and reporting on P trends and external verification processes Effective staff induction and effective observation of learning and teaching. Maintenance of higher levels of formal teacher training certification. Development of research teaching linkages, promotion of conference attendance and speaking. Excellent employer engagement. Formal monitoring of quality of the student experience through the Learning and Teaching Committee of the Board of Management. | 1 | 3-Significant | 6 |
| Inverness/28 Active | Organisational | Poor Student Experience | No student union provision, restricted space avaiable for students to interact social our of college hours, inability to create a student community feel. | Y Poor performance in national student satisfaction surveys; difficulty in recruiting students; Risk to core income streams. | Principal | 2-Unlikely | 2-Minor | 4 | Partnership approach in place to enhance the student experience evidenced by the Student Partnership Agreement, multi- faceted approach to student engagement and student feedback. Student feedback scores, trends and themes monitored systematically and inform action planning Regional lobbying for capital funds to support the development of a students' union facility. | | 3-Significant | 9 |
| Inverness/29 Active | Organisational | Research outputs are sub standard | Inability to fund remission to enable the publication of sufficient quality papers and upload to PURE; loss of opportunity to develop strong RTL; loss of key staff; lack of funding; terms and conditions of employment are not comparable with competitor organisations; impact of Brexit on access to European projects. | retain staff and research teams. Reduced income; negative impact on | Head of Research and Post Graduate Development | 3-Possible | 2-Minor | 6 | Significant college annual investment in research to support development of research institutes and research embedded in the curriculum. Research and scholarship fund established to encourage further staff engagement in the research agenda. Support for staff through staff development fund to attend and speak at conferences. Dedicated research posts created. Proactive targeting of grant funding to support research activity. Staff encouraged to seek financial support for activity through relevant available UHI funds. | | 2-Minor | 6 |



| ACTION PLA | /To Do Action Owner | | Actions to minimise risk/To Do | | | on and select a realistic comp Actions to minimise risk/To Do | | Completion | Please input information a Actions to minimise risk/To Do | | Completion | Actions to minimise risk/To Do | Action Owner | Completio |
|---------------------|---------------------|----------|--------------------------------|-----|----------|--|------------------|------------|---|-----|------------|--------------------------------|--------------|-----------|
| 5 to minimise risky | TO DO ACION OWNER | Date (1) | (2) | (2) | Date (2) | (3) | | Date (3) | (4) | (4) | Date (4) | (5) | (5) | Date (5) |
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LIKELIHOOD CRITERIA

Score 5-Almost Certain 4-Likely 3-Possible 2-Unlikely 1-Very Rare

TIMESCALE 3 YEARS

| Descriptor | Probability |
|--|-------------|
| More than likely – the event is anticipated to occur | >80% |
| Fairly likely – the event will probably occur | 61-80% |
| Possible – the event is expected to occur at some time | 31-60% |
| Unlikely – the event could occur at some time | 10-30% |
| Remote – the event may only occur in exceptional circumstances | <10% |

IMPACT - CRITERIA

| Score | Descriptor | Financial |
|-----------------|---|---|
| 5 -Catastrophic | A disaster with the potential to lead to: loss of a major UHI partner loss of major funding stream | > £500,000 or lead to likely loss of key partner |
| 4-Major | A critical event which threatens to lead to: major reduction in funding major reduction in teaching/research capacity | £250,000 - £500,000 or lead to possible loss of partner |
| 3-Significant | A Significant event, such as financial/ operational difficulty in a department or academic partner which requires additional management effort to resolve. | £50,000 - £250,000 |
| 2-Minor | An adverse event that can be accommodated with some management effort. | £10,000 - £50,000 |
| 1-Insignificant | An adverse event that can be accommodated through normal operating procedures. | <£10,000 |

Note: Select criteria most appropriate. Use highest score if more than one criterion applies.

TIMESCALE 3 YEARS

| Operational | Reputational (need to link to communications process for incident management) |
|--|---|
| Likely loss of key partner, curriculum area or department Litigation in progress Severe student dissatisfaction Serious quality issues/high failure rates/major delivery problems | Incident or event that could result in potentially long term damage to UHI's reputation. Strategy needed to manage the incident. Adverse national media coverage Credibility in marketplace and with stakeholders significantly undermined. |
| Possible loss of partner and litigation threatened Major deterioration in quality/pass rates/delivery Student dissatisfaction | Incident/event that could result in limited medium – short term damage to UHI's reputation at local/regional level. Adverse local media coverage Credibility in marketplace/with stakeholders is affected. |
| General deterioration in quality/delivery but not persistent Persistence of issue could lead to litigation Students expressing concern | An incident/event that could result in limited short term damage to UHI's reputation and limited to a local level. Criticism in sector or local press Credibility noted in sector only. |
| Some quality/delivery issues occurring regularly Raised by students but not considered major | Low media profile Problem commented upon but credibility unaffected |
| Quality/delivery issue considered one-off Raised by students but action in hand | No adverse publicityCredibility unaffected and goes unnoticed |

RISK MAP (for Gross risk & residual risk)

| ІМРАСТ | | |
|-------------------|--------------|--------------|
| 5 - Catastrophic | 5 | 10 |
| 4 - Major | 4 | 8 |
| 3 - Significant | 3 | 6 |
| 2 - Minor | 2 | 4 |
| 1 - Insignificant | 1 | 2 |
| | 1 -Very Rare | 2 - Unlikely |
| | | |

Attention should also be paid to risks that are very rare or unlikely that could cause a

TIMESCALE 3 YEARS

| 15 | 20 | 25 |
|--------------|------------|--------------------|
| 12 | 16 | 20 |
| 9 | 12 | 15 |
| 6 | 8 | 10 |
| 3 | 4 | 5 |
| 3 - Possible | 4 - Likely | 5 - Almost Certain |
| LIKELIHOOD | | |

catastrophic impact.



Board of Management

| Subject/Title: | Health and Safety Report | | | |
|---|---|--|--|--|
| Meeting and date: | Audit Committee – 29 th May 2017 | | | |
| Author: | Director of Orga | Director of Organisational Development | | |
| Link to Strategic Plan: | No | | | |
| Cost implications: | No | | | |
| Risk assessment: | Yes If yes, please specify: | | | |
| Status – Confidential/Non confidential | Non-Confidential | | | |
| Freedom of Information Can this paper be included in "open" business | Yes | | | |
| If a paper should not be inclu | ided within "open" bu | siness, please highlight below the reason. | | |
| Its disclosure would substantially prejudice a programme of research (S27) | | Its disclosure would substantially prejudice the effective conduct of public affairs (S30) | | |
| Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33) | | Its disclosure would constitute a breach of confidence actionable in court (S36) | | |
| Its disclosure would constitute a breach of the Data Protection Act (S38) | | Other (please give further details) | | |
| For how long must the paper either as the time which need which needs to be met.) | | | | |

Recommendation:

The Committee are invited to discuss the report.

Purpose of report / Summary

To provide the Audit Committee with a report on matters pertaining to health and safety

HSG 65 (Management System) H&S Software– Update

The procurement for the H&S software has now been completed.

Below is current status of implementation.

Phase 1 - Organisation/framework and user set up/permissions - Completed.

Phase 2 – Incident and Risk Module design/input and user training complete by 19 May – Meeting to take place on Friday the 26th of May with partners to finalise changes to the incident module. Review of the risk module has taken place with minimal changes required.

Phase 3 – User testing and Rollout of modules complete by 8 June – This will continue right through until the start of the new academic year.

A meeting between the associated partners took place on Thursday the 18th of May with Edward Scotney (Project Manager SHE). Edward has taken over as Project Manager due to the previous PM leaving the business. This has resulted in a slight impact to the original project plan but will not affect the system being in place and online for the new academic year.

Main topics of discussion during the meeting were the incident and risk modules. Although each College will have its own specific structure, the modules, for example the incident reporting form, will be in the same format for all Colleges. As will the risk assessment module. As noted above, a meeting to finalise the incident module between the partners is scheduled for 26th of May.

RIDDOR

There was one RIDDOR reportable incident in Q3

RIDDOR Notification No 64D361E53D

Student was carrying out tree felling activities in Culloden woods approximately 1 mile from the School of Forestry. On his way back to the minibus to go for lunch he stood on a small piece of log which was embedded into the side of a small embankment he was walking up. The log was completely hidden from view. It was covered in grass and moss and was not visible. As he stood on this, the log displaced causing his left leg to come away from under him. His left knee took the full force of his weight as he fell down. The student suspected he had broken his leg. An ambulance was called and directed to the scene where the student was taken to Raigmore, where he was examined and it was discovered he had dislocated his knee. **Note:** This was reportable under RIDDOR as the student suffered an injury in connection with their work activity in which they were taken directly to hospital from the scene of the accident.

Accident/Incident/Near miss Reporting QTR 3

 18 reports received which were applicable to the College in comparison to 25 in Q3 last year

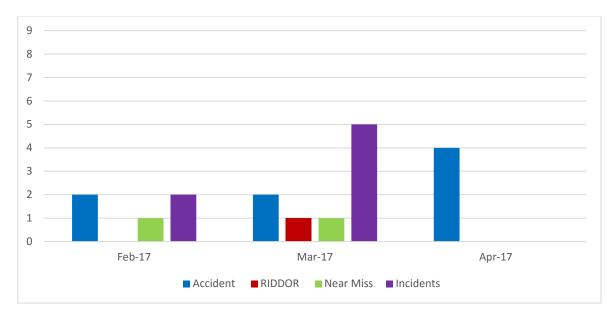
There were 54 reports received through the system but only 18 were college related.

Significant incidents

- A student was using the pillar drill as an operational element of manufacturing a screw vice. After he had secured the drill bit in the chuck, the chuck key was left in the chuck of the pillar drill. The student turned the drill on, ejecting the chuck key at speed approximately 2.5-3 metres behind and to the left of the student's standing position in front of the Pillar Drill. The chuck key hit a cupboard door on the workbench immediately behind the student, and dropped to the floor. It did not hit any person or equipment at any stage. Lecturer held a talk with the class to reiterate operating procedures when using the drill. Risk assessment reviewed but no further amendments required
- The Logbus forwarding trailer tipped on to its side whilst the student was operating the crane. This is because after re-positioning the tractor/trailer combination, the student forgot to deploy the stabilizer legs. Only the trailer tipped, not the tractor, due to the type of hitch on the trailer. Other students were out with the risk zone.
 Toolbox talk was carried out with students and risk assessment was reviewed by lecturer and updated to include use of stabilisers

Accident Reporting Charts

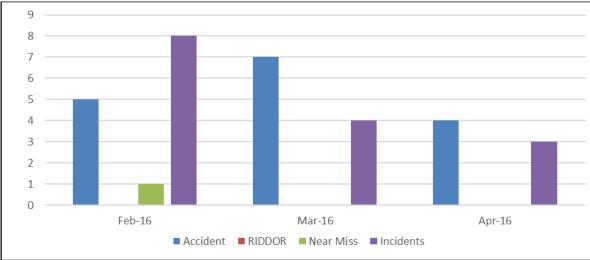
Below are the charts showing comparisons between Q3 2017 and Q3 2016



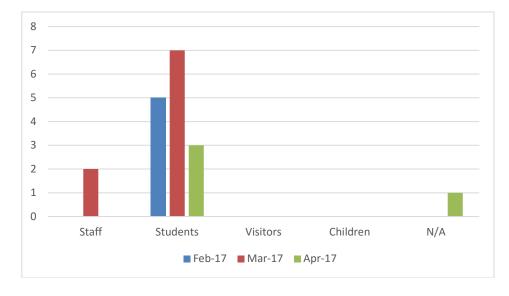
Reports Received Quarter 3 2017 (total of 18)

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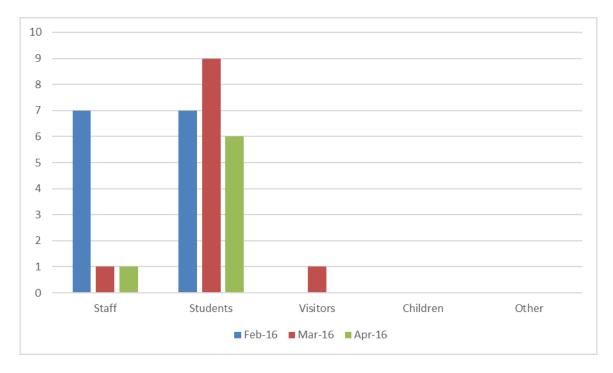
QTR 3 2016 Comparison (total of 25)



People Affected Qtr. 3 2017



People Affected Qtr. 3 2016



Fire

There have been 3 evacuations this quarter. All of which were false alarms. One of these alarms took place in the evening, and as a result of debrief with the manager who was on duty, the evening procedure has been updated.

Some other point's to note are;

- Radios Procurement of 25 radios has progressed and IT are now progressing the application for license. These radios will allow us to not only coordinate more effectively during an evacuation here at Beechwood, but also during evacuations at the Nursery or Forestry
- Fire doors Fire doors around the college have suffered some significant damage due to continued misuse (being used as exit points by students). As a result of this we will be fitting the outer fire doors with a localized 'screamer' alarm. This is being progressed through the ACN route with GTFM
- **Duty Managers** Duty Managers are continuing to receive familiarization training with procedure in event of an alarm
- Fire brigade The fire brigade will be returning for another familiarization visit to the campus. This is a visit for new operational firefighters of blue watch to get a general overview and idea of the building layout, utilities, water supplies, fire alarm panel location etc.

Conclusion

Out of the 18 reported accidents/incidents attributed to the college, 50% were hand/finger injuries. In all cases only very minor injuries were sustained.

In comparison to this quarter last year there was a 30% reduction in accidents/incidents. However there were some quite significant incidents which could have resulted in a more serious outcome. In relation to the incidents involving the drill and the forwarder trailer, these incidents were a result of someone 'forgetting' to implement a specific part of the safe operation process for the respective activity. The RIDDOR incident was very unfortunate. The piece of log that caused the student to stumble, was completely hidden from view. The students had been working in that area for several days and had been using the same access and egress points into the area during that period.

As we move into Q4 continued focus will be on the implementation of the new H&S software system and ensuring our H&S procedures are aligned to the new modules, particularly accident/incident reporting and risk assessment



Board of Management

| Subject/Title: | Operational Procurement Review (OPR) | | | |
|---|--|------------------------------|--|--|
| Meeting and date: | Audit Commi | Audit Committee, 29 May 2017 | | |
| Author: | Fiona Mustar | de, Fi | nancial Services Manager | |
| Link to Strategic Plan: | | | | |
| Cost implications: | Yes If yes, please s | specify: | | |
| Risk assessment: | Yes If yes, please specify: Financial: Operational: Organisational: | | | |
| Status – Confidential/Non confidential | Non-confidential | | | |
| Freedom of Information Can this paper be included in "open" business | Yes | | | |
| If a paper should not be inclu | ded within "open" | ' busine | ess, please highlight below the reason. | |
| Its disclosure would substantially prejudice a programme of research (S27) | | | Its disclosure would substantially prejudice the effective conduct of public affairs (S30) | |
| Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33) | | | Its disclosure would constitute a breach of confidence actionable in court (S36) | |
| Its disclosure would constitute a breach of the Data Protection Act (S38) | | | Other (please give further details) | |
| For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.) | | | | |

Recommendation

The Audit Committee is asked to discuss the draft Operational Procurement Review (OPR) report provided by Advanced Procurement for Universities and Colleges (APUC).

Purpose of report

To present the draft report resulting from the OPR of the College undertaken by APUC in February 2017. A final version has not been forthcoming but we are advised that there will be no change to the summary findings or recommendations.

Background

APUC (Advanced Procurement for Universities and Colleges) Limited is the procurement centre of expertise for all of Scotland universities and colleges. It is a private limited company, owned by its client institutions and established in response to the McClelland Report: <u>'Review of Public Procurement in Scotland'</u>, which made recommendations for public procurement reform.

The Development and Sustainability team within APUC is responsible for running the Procurement and Commercial Improvement Programme (PCIP) for the sector to assess procurement performance. This replaces the Procurement Capability Assessment (PCA) which was formerly used to assess procurement performance. The last PCA for Inverness College UHI was undertaken in November 2014.

OPR

The OPR for the College was carried out by two staff from APUC on 21 February 2017. This was attended by the College Contracts and Procurement Co-ordinator, Derek Cowie, and Amanda MacKenzie from APUC who provided support to the College in the lead up to the OPR. Amanda is the APUC Head of Procurement for UHI and would be expected to provide support to the College at a strategic level rather than operational.

In preparation for the OPR, an extensive list of information requirements to be provided was identified prior to the OPR day. This information was collated and completed by Derek Cowie with support from Amanda MacKenzie and the College Financial Services Manager.

Overall we have a positive outcome from the OPR although there are a number of recommendations to be considered. Positive statements from the OPR;

- procurement at Inverness College is well managed
- procurement controls are embedded within the College
- contract coverage is high and growing
- there is good engagement with stakeholders and the APUC led UHI Strategic Procurement Team
- collaboration with other UHI partners is ingrained

However they have identified adequate resourcing of the procurement function as a risk. We are currently exploring the key risks in relating to resourcing.

The final version of the report is to include information regarding future reporting requirements.

OPR Summary

| Institution | Date of OPR | In Attendance | | |
|-------------------|---------------------------|--------------------------------|--|--|
| Inverness College | | Name | | |
| | College 21/02/2017 | Derek Cowie, Inverness College | | |
| | | | | Amanda McKensie, Account Manager, APUC |
| | | Stephen Connor, APUC | | |
| | | Susan Fergusonm, APUC | | |
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Summary Statement

From the OPR it is clear that procurement at Inverness College is being well managed.

Procurement controls are embedded within the college. Contract coverage is reasonably high and growing. The is good engagement with stakeholders and a strong and vital link the UHI Strategic Procurement Team. Collaboration with other UHI partners is ingrained.

Steps have been undertaken to embed contract and supplier management although this is in its early stages and will take time to become effective. The issue of resource was highlighted during the OPR - whilst procurement is adequately resource at present it is unclear how this will carry on in the future. Without proper resource the college risks undoing some of the good work that has taken place to date.

| | Things to look for | What reasonable capability looks like | Summary | Recommended actions |
|--|--|---|---|---|
| | important in the institution, influencing a | | Contracts and Procurement Coordinator is in place within the finance department. Job description is aligned to his procurement responsibilities. | Whilst generally the procurement set-up in the college is good some concerns were raised regarding the long-term responsibility for procurement as the |
| | very significant proportion of institutional expenditure. Setting the sourcing procedures. and monitoring that these procedures are being followed/adhered to. | Procurement can demonstrate influence over the institution's end to end procurement processes, policies and procedures, coupled with involvement in departments' sourcing research and specification development activities. | The college maintains a central contracts register alongside Hunter. | current post-holder's contract ends in the summer. It is recommended that Hunter is used solely as the contracts register as this ensures all records of contracts are kept in one place and contains the correct |
| what does it deliver? Has the need for professional procurement resource been recognised and the procurement function influences the institution's end to end procurement processes, policies and procedures. | | institution. Procurement is responsible for this process. | | information for the published register legally required under the Reform Act. eSolutions assistance is available if required. |
| | | | | |
| Procurement Strategy approved by Senior Management Team (SMT) | is alert to the operational environment and how the function supports delivery of institutional objectives | 'Evidence that the procurement strategic objectives have been defined and approved by the institutional SMT and reflect the institution's corporate strategy, Scottish Model of Procurement, Local Economic Agenda and National Outcomes etc. Evidence that the Procurement Strategy acknowledges the Contract and Supplier Management approach that will be taken by the institution. Evidence that objectives are being managed and delivered by Procurement and action | own strategic plan. The strategic plan is expected to be approved by March 2017 which will | Ensure that the strategies are aligned and incorporate the current VfM report with the annual report. Include an action plan which will be reported on in the annual report |
| Economic Agenda, and/or National Outcomes etc.? | | plans are in place which are refreshed annually. | | |
| requirements been identified to | understands the procurement related | The Competency Framework (or similar) outputs are used to assess procurement | The APUC Procurement Manager job description is used as a guiding structure for all procurement roles within the UHI Strategic Procurement Team (SPT). A training log is maintained for the SPT which allows training to be identified so that this can be grouped together for shared training e.g. SPT meetings have included training on Sustain | A review and understanding of resource requirements is needed to clearly demonstrate the gap and the risks associated with this |
| deliver the procurement strategy, associated strategic objectives and business needs? | skillsets required to meet the business needs. | review/management process and are used to identify future developments and training requirements. There is adequate resource or there are plans to address this including shared services/collaborations. | and supported businesses. The shared service provides support for Derek and without this there would be limited scope for his training and development. There is also an over-reliance upon the shared service and | |
| | | Staff with responsibility for procurement, including those with Delegated Purchasing Authority (DPA), have clear roles and responsibilities which are reflected in job descriptions and performance reviews. | without it there is a resource is a resource gap for strategic and operational procurement. The workload is high for one person and although the tenders have mostly been below the regulated procurement level, analysis has shown that there will be a number of regulated procurements that are coming up soon and this will have a high impact on resource. The impact is deemed to affect contract management, maintaining contracts register and spend analysis. | |
| | | | A staff development day has been held so there is increasing awareness at senior level, however the resource is still not enough. | |
| 4. Learning & Skills: Capability What does the institution do to develop procurement individuals | develop individuals with procurement | Training is primarily a mixture of internal training and 'on the job' guidance, with access to a shared training fund as required. A training record/register is maintained | Internal staff training/procurement induction covers the step by step guide on procurement procedures and pecos training. Procurement is featured on the HR staff induction for relevant staff. | |
| and future talent? Is there a clear understanding of the procurement capabilities of current staff and there is some training and development to address gaps. | | Staff with DPA complete an induction to, and/or training on Procurement which covers, as a minimum, the policies and procedures that they must adhere to in order to carry out their Procurement responsibilities, and their Procurement responsibilities are reflected in their job role descriptions. | An away day was held and procurement carried out training to staff on low and high value procurement and contract management. Training is still to be organised for SMT and heads of department covering policies and | |
| | | | procedures - this will include a signed declaration to confirm training was received. An elearning induction module will be rolled out in May 2017 and will form part of the induction process for staff buying on a regular basis. There will be a minimum pass rate of 80% and 2 attempts to reach this. If a staff member fails to meet this it will be followed up with a 1:1. | |
| 5. Continuous Improvement of Procurement Activity What does the institution do to | | Evidence that procurement activity is referred to in the induction process for all new | There is full documentary evidence for any tender that is done by the SPT/APUC on behalf of the college. Derek has adopted the documents and folder structures for the college and this will be used for new tenders. | |
| commercial competence, and | ensure that every penny is spent wisely. In this regard the institution measures performance and seeks to improve. | The impact of commercial decisions (assessment of costs, benefits and risks) are understood, measured, recorded and supported by senior management. Stakeholders provide feedback to the member of staff with responsibility for | Work is ongoing for categorising spend and looking at C1 opportunities, with focus on the last 4 years spend and opportunities. A continuous improvement action register is maintained. A one-page supply chain bulletin is issued to staff to inform them of various updates e.g. on systems, routes to market. Customer | |
| | | | feedback forms are sent to staff and any issues identified are captured into he bulletin. For example, the feedback identified that staff were unsure on how to use certain frameworks so a training session was held to address this. Derek and the head of estates meet weekly and the focus is on what procurement activity is coming up and any contract management issues. The estates department also hold a | |
| | | | procurement action log. | |
| <u>6. Internal Control Systems, Risk</u> <u>Management, and Fraud</u> <u>Awareness and Prevention</u> | | | justification for order must be attached to pecos orders. | Future audit on procurement would be recommended to ensure that standards are still being met. This should be considered to become part of a regular audit plan/strategy. |
| Are the institution's processes and procedures adequate and effective in relation to managing risk and countering fraud? | (including procurement risks) to the institution. A Counter Fraud Strategy (CFS) is in place. | Authority levels and separation of duties (for contracts and purchasing transactions) within the institution are reviewed and updated regularly. The institution can demonstrate a CES, a hospitality and gifts policy and a conflict of | A procurement risk register is maintained and the operations director would feed any high risk areas onto the corporate risk register. There is a regular audit for finance and this was last done in October 2016. Pecos was last audited in 2014 and there is no sight of a future plan. | |
| | | An audit strategy/plan provides assurance that basic standards of procurement practice are adequate. Risks and issues identified are subject to a risk management process and documented in a Risk & Issue Register. | Code of Conduct and Fraud Policies in place. A gifts & hospitality register is maintained. | |
| understand its spend in order to | it does have and should have to identify opportunities, target efforts and drive | Expenditure analysis is undertaken at an institutional level to identify: Cat A, Cat B and Cat C spend profiles Top supplier spend | regularly. Data is cleansed every 6 months then analysed to identify C1 opportunities. The analysis has identified risk areas based on the lower levels of procurements under the | Efforts to capture both cash savings and sustainability benefit in recommendation reports should be made. This could something that is them summaries in annual report. Recording sustainability benefits (BT14) is a sector-wide issue. Further |
| | best value is well understood. Optimal use is made of shared service opportunities | Non-contract spend Top areas of spend An action plan addresses the output of this analysis. Market and supplier research is gathered using specialist knowledge and shared | High risk areas identified and immediately addressed were insurance and MFDs. There are a number of further regulated procurements that need to be put in place by the end of 2017. | guidance/support should be coming in 2017 |
| | | This is used by staff with responsibility for procurement to develop commodity/project | Local savings are tracked and recorded on Hunter. Concerns over BT14 in terms of capturing meaningful details on reports. | |
| | | | | |
| | | | | |
| requirements identified during the commodity strategy phase of | Examples of good specifications being developed and applied in the institution. | Specifications are developed as per the Procurement Journey (or equivalent). Evidence of use of sustainability considerations in specifications as appropriate. Stakeholder | stakeholder engagement to identify and develop specifications. Contract strategies have been | Greater stakeholder engagement would allow for better forward planning and help to avoid last-minute requests. |
| procurement exercises (mini- competitions and Cat C procurement exercises) to maximise value for the institution and its customers? | | | stakeholders to engage with procurement earlier instead of just turning up with a specification. Sustainability is considered in all regulated procurements and above. It has already been included in the MFDs tender and was heavily weighted. | |
| | | | | |

Operational Procurement Review [OPR]

| What is the institutional approach to use of appropriate evaluation to maximise efficiency, effectiveness | Evidence that requirement of the Reform Act are being met (e.g. PCS, Debriefs, ESPD) | Tender assessments take into account of technical and commercial criteria e.g. quality and a rigorous assessment of best price/quality ratio and that the specifications for any previous contract are not merely repeated Evidence that quality and cost evaluations are performed by different individuals, ensuring separation of duties. Evidence that debriefing is performed in line with Scottish Procurement Policy Note | Price/quality ratios are used in the evaluation criteria and evaluators sign off the evaluation before contract award. 'Award' has been used to evaluate some tenders. Debrief letters follow a standard template. It is intended that tender assessments will follow APUC methodology. | Examples all showed UHI SPT involvement. It is clear that good procurement practice needs to continue in the same vein. The flexible framework has been updated and should be completed to identify |
|--|---|---|---|--|
| What does the institution deliver in relation to Environmental, Social and Economic sustainability in its | embedded in procurement procedures and is delivering sustainability outcomes as a result. | Evidence of some social, environmental and economic sustainability outcomes having been delivered. The institution has completed the Flexible Framework and has an action plan in place. | | the college's current position in relation to the revised version |
| <u>11. Contract & Supplier</u> <u>Management</u> What does the institution do to manage contracts and suppliers and is this done on the basis of risk/value assessment? | The institution can demonstrate an understanding of who the key suppliers are and how they are managed. The benefits arising from contract and supplier management can be illustrated | Reporting undertaken on contact performance with Scottish Government/CoE for Cat A/B contracts where requested. | There is a guidance document on contract management with a process in place for consistency across the college. Templates have been set up for agendas and minutes with training being rolled out. Mini workshops will be held and the contract management process was introduced at a staff awareness day which has started to raise the profile. Larger contracts such as cleaning have monthly meetings. Contract reviews will be carried out by Derek. Occupational Health and waste are managed by end users. Plan is for all CSM files to be stored centrally regardless of whom manages them. Where a contract has SPT involvement then contract management is considered at the strategy stage. KPIs/SLAs are included in ITTs but are not fully defined. The specifics and frequency are determined at the implementation meeting. Examples of contracts not being managed properly were discussed which has prompted changes. | management of contracts and suppliers. The process need time to embed |
| throughout the life of a contract to ensure contractual obligations are met, contracts are delivering what | improvement and partnership models to | Implementation plans are considered for all high value requirements at pre-tender stage and applied appropriately. SLAs/KPIs are in place for high value contracts. Supplier failure dispute/resolution procedures are in place and followed as required, as are procedures for contract variations | There is a set agenda for implementation meetings that include KPIs. This is currently being done for occupational health. Cleaning also has KPIs built in, e.g. number of complaints through helpdesk. Dispute resolution is covered in the implementation meetings to establish the escalation process. | As above the processes are in place for effective implementation plans and contract management but will take time for this to embed. |
| 13. Contract Compliance What does the institution do to increase contract coverage, ensure contract compliance and reduce maverick spend? Is over half of spend under contract? | | | 63% contract coverage is estimated. There is a target to increase this. New processes are in place for orders to go through pecos and Hunter being used. Maverick spend is low as staff are aware of the processes from the step by step guide and orders are rejected without quotes, framework references or justifications. | Include the target as an annual report measure |
| works, and what is the process for | Evidence of documented processes in place to manage the raising of orders, receipting of goods and the payment of invoices. | Staff in the institution are aware of and follow the documented processes and there are clear separation of duties between requisitioner, order approver and invoice approver. The institution performs a minimum of a 2-way match prior to the invoice being approved and passed for payment. There is a defined process to manage invoice mis-matches. Evidence that the institution understands and is considering other payment methods. | | Review the invoice payment rate and investigate ways to increase this Review and monitor credit card spend to ensure purchasing is in line with policy. Raise awareness of this with SMT as appropriate. |

OPR Summary

| Institution | Date of OPR | In Attendance |
|-------------------|-------------|--|
| | 21/02/2017 | Name |
| | | Derek Cowie, Inverness College |
| Inverness College | | Amanda McKensie, Account Manager, APUC |
| | | Stephen Connor, APUC |
| | | Susan Fergusonm, APUC |
| | | |
| | | |

Summary Statement

From the OPR it is clear that procurement at Inverness College is being well managed.

Procurement controls are embedded within the college. Contract coverage is reasonably high and growing. The is good engagement with stakeholders and a strong and vital link the UHI Strategic Procurement Team. Collaboration with other UHI partners is ingrained.

Steps have been undertaken to embed contract and supplier management although this is in its early stages and will take time to become effective. The issue of resource was highlighted during the OPR - whilst procurement is adequately resource at present it is unclear how this will carry on in the future. Without proper resource the college risks undoing some of the good work that has taken place to date.

Operational Procurement Review [OPR]

| Issues for discussion at OPR | Things to look for |
|---|---|
| Issue | Relevance |
| | |
| 1. Procurement Representation and Influence What is the procurement representation and influence over major and routine procurement activity across the institution and what does it deliver? Has the need for professional procurement resource been recognised and the procurement function influences the institution's end to end procurement processes, policies and procedures. | The procurement function is viewed as important in the institution, influencing a very significant proportion of institutional expenditure. Setting the sourcing procedures and monitoring that these procedures are being followed/adhered to. |
| 2. Procurement Strategy | |
| Does the institution have a Procurement Strategy approved by Senior Management Team (SMT) or board. In what way is the Procurement Strategy linked to the institution's corporate strategy and is it delivering the strategic objectives relevant to the sector. e.g. Local Economic Agenda, and/or National Outcomes etc.? | This is to demonstrate that procurement is alert to the operational environment and how the function supports delivery of institutional objectives |

| 3. Learning & Skills: Resource & | |
|---|--|
| <u>Skills</u> | |
| What resources and skills level requirements been identified to deliver the procurement strategy, associated strategic objectives and business needs? | Evidence that the institution understands the procurement related skillsets required to meet the business needs. |
| | |
| | |
| 4. Learning & Skills: Capability | |
| 4. Learning & Skills: Capability What does the institution do to | Evidence of what the institution does to |
| develop procurement individuals and future talent? Is there a clear understanding of the procurement capabilities of current staff and there is some training and development to address gaps. | develop individuals with procurement responsibilities. |

| 5. Continuous Improvement of Procurement Activity | |
|--|--|
| What does the institution do to ensure that it continually improves its procurement activity, promotes commercial competence, and ensures that these are embedded within its institutional processes. | There is a shared aspiration to deliver best value for public investment and ensure that every penny is spent wisely. In this regard the institution measures performance and seeks to improve. |
| 6. Internal Control Systems, Risk Management, and Fraud Awareness and Prevention | |
| Are the institution's processes and procedures adequate and effective in relation to managing risk and countering fraud? | Controls are in place to minimise risk (including procurement risks) to the institution. A Counter Fraud Strategy (CFS) is in place. |
| 7. Spend and Market Analysis How does the institution understand its spend in order to drive best value? | The influence that effective procurement it does have and should have to identify opportunities, target efforts and drive best value is well understood. Optimal use is made of shared service opportunities |

| 8. Specification Specifications are informed by requirements identified during the commodity strategy phase of procurement exercises (mini- competitions and Cat C procurement exercises) to maximise value for the institution and its customers? | Examples of good specifications being developed and applied in the institution. |
|--|--|
| 9. Evaluation Criteria What is the institutional approach to use of appropriate evaluation to maximise efficiency, effectiveness and value for money? | Examples showing that the evaluation criteria are used correctly and will ensure the best long-term outcome. Evidence that requirement of the Reform Act are being met (e.g. PCS, Debriefs, ESPD) |
| 10. Sustainability What does the institution deliver in relation to Environmental, Social and Economic sustainability in its procurement practices and processes? | Demonstrating that sustainability is embedded in procurement procedures and is delivering sustainability outcomes as a result. |

| 11. Contract & Supplier Management What does the institution do to manage contracts and suppliers and is this done on the basis of risk/value assessment? | The institution can demonstrate an understanding of who the key suppliers are and how they are managed. The benefits arising from contract and supplier management can be illustrated |
|--|---|
| 12. Contractual Obligations & Additional Benefits What does the institution do to work with key suppliers throughout the life of a contract to ensure contractual obligations are met, contracts are delivering what has been agreed and to identify and deliver additional benefits to both parties where appropriate? | Evidence that suppliers are delivering what has been agreed and showing as appropriate where continuous improvement and partnership models to drive additional value have perhaps been developed |
| 13. Contract Compliance What does the institution do to increase contract coverage, ensure contract compliance and reduce maverick spend? Is over half of spend under contract? | There is a high level in-depth understanding of the spend profile of the institution. |

| 14. Goods Receipt and Payment Process | |
|---|--|
| Process What does the institution do to receive goods/ services/minor works, and what is the process for authorising payment? | Evidence of documented processes in place to manage the raising of orders, receipting of goods and the payment of invoices. |

What reasonable capability looks like

Target Level

Responsibility for procurement is clearly attributed/devolved to individuals and defined within job description(s).

Procurement can demonstrate influence over the institution's end to end procurement processes, policies and procedures, coupled with involvement in departments' sourcing research and specification development activities.

There is a clear supplier selection process which is consistently applied throughout the institution. Procurement is responsible for this process.

'Evidence that the procurement strategic objectives have been defined and approved by the institutional SMT and reflect the institution's corporate strategy, Scottish Model of Procurement, Local Economic Agenda and National Outcomes etc.

Evidence that the Procurement Strategy acknowledges the Contract and Supplier Management approach that will be taken by the institution.

Evidence that objectives are being managed and delivered by Procurement and action plans are in place which are refreshed annually.

The Competency Framework (or similar) outputs are used to assess procurement competency levels as part of the regular (at least annual) performance review/management process and are used to identify future developments and training requirements.

There is adequate resource or there are plans to address this including shared services/collaborations.

Staff with responsibility for procurement, including those with Delegated Purchasing Authority (DPA), have clear roles and responsibilities which are reflected in job descriptions and performance reviews.

Training is primarily a mixture of internal training and 'on the job' guidance, with access to a shared training fund as required. A training record/register is maintained

Staff with DPA complete an induction to, and/or training on Procurement which covers, as a minimum, the policies and procedures that they must adhere to in order to carry out their Procurement responsibilities, and their Procurement responsibilities are reflected in their job role descriptions.

Evidence that procurement activity is referred to in the induction process for all new employees.

The impact of commercial decisions (assessment of costs, benefits and risks) are understood, measured, recorded and supported by senior management.

Stakeholders provide feedback to the member of staff with responsibility for procurement to inform continuous improvement of service delivery.

Authority levels and separation of duties (for contracts and purchasing transactions) within the institution are reviewed and updated regularly.

The institution can demonstrate a CFS. a hospitality and gifts policy and a conflict of Interest policy.

An audit strategy/plan provides assurance that basic standards of procurement practice are adequate. Risks and issues identified are subject to a risk management process and documented in a Risk & Issue Register.

Expenditure analysis is undertaken at an institutional level to identify:

- Cat A, Cat B and Cat C spend profiles
- Top supplier spend
- Non-contract spend
- Top areas of spend

An action plan addresses the output of this analysis.

Market and supplier research is gathered using specialist knowledge and shared service resources (e.g. APUC)

This is used by staff with responsibility for procurement to develop commodity/project strategies or business cases based on the appropriate route of the Procurement Journey.

Specifications are developed as per the Procurement Journey (or equivalent). Evidence of use of sustainability considerations in specifications as appropriate. Stakeholder input to specification development is important

Tender assessments take into account of technical and commercial criteria e.g. quality and a rigorous assessment of best price/quality ratio and that the specifications for any previous contract are not merely repeated

Evidence that quality and cost evaluations are performed by different individuals, ensuring separation of duties.

Evidence that debriefing is performed in line with Scottish Procurement Policy Note (SPPN) 3/2010.

Show that engagement with supported businesses is a stated CSR objective for the institution and there is a plan for the institution to place a contract with a supported business.

Evidence of some social, environmental and economic sustainability outcomes having been delivered.

The institution has completed the Flexible Framework and has an action plan in place.

Contract management is based on segmentation of contracts using risk & expenditure analysis .

A contracts register is maintained

Supplier review meetings are held where appropriate as deemed by risk & value, with input from the relevant stakeholders in the institution.

Reporting undertaken on contact performance with Scottish Government/CoE for Cat A/B contracts where requested.

Supplier performance reports are readily available for high value Cat C &C1 contracts.

Implementation plans are considered for all high value requirements at pre-tender stage and applied appropriately.

SLAs/KPIs are in place for high value contracts.

Supplier failure dispute/resolution procedures are in place and followed as required, as are procedures for contract variations

Contract coverage >50% of potential influenceable spend and is evidenced by a contracts register and spend report or the eProcurement system.

Target in place to increase contract coverage which has been shared within the institution and a plan is in place to meet it. There is a clear approach to understand, monitor and reduce maverick spend.

Staff in the institution are aware of and follow the documented processes and there are clear separation of duties between requisitioner, order approver and invoice approver.

The institution performs a minimum of a 2-way match prior to the invoice being approved and passed for payment.

There is a defined process to manage invoice mis-matches.

Evidence that the institution understands and is considering other payment methods.

Summary

Contracts and Procurement Coordinator is in place within the finance department. Job description is aligned to his procurement responsibilities.

The college maintains a central contracts register alongside Hunter.

A procurement policy is communicated to staff covering a pecos user guide, procurement toolkit, a step-by-step guide and templates.

All pecos orders must have quotes attached for visibility before they are approved.

Spend in 14/15 was £10.6m mainly due to one off construction spend. Typical spend more like £5m with around 63% under contract..

There is a joint procurement strategy that covers the UHI partnership and the college has its own strategic plan. The strategic plan is expected to be approved by March 2017 which will inform the procurement strategy.

Currently reporting is through the VfM report each August. This will need to become part of the annual report in line with Reform Act obligations.

The APUC Procurement Manager job description is used as a guiding structure for all procurement roles within the UHI Strategic Procurement Team (SPT).

A training log is maintained for the SPT which allows training to be identified so that this can be grouped together for shared training e.g. SPT meetings have included training on Sustain and supported businesses.

The shared service provides support for Derek and without this there would be limited scope for his training and development. There is also an over-reliance upon the shared service and without it there is a resource is a resource gap for strategic and operational procurement.

The workload is high for one person and although the tenders have mostly been below the regulated procurement level, analysis has shown that there will be a number of regulated procurements that are coming up soon and this will have a high impact on resource. The impact is deemed to affect contract management, maintaining contracts register and spend analysis.

A staff development day has been held so there is increasing awareness at senior level, however the resource is still not enough.

Internal staff training/procurement induction covers the step by step guide on procurement procedures and pecos training. Procurement is featured on the HR staff induction for relevant staff.

An away day was held and procurement carried out training to staff on low and high value procurement and contract management.

Training is still to be organised for SMT and heads of department covering policies and procedures - this will include a signed declaration to confirm training was received.

An elearning induction module will be rolled out in May 2017 and will form part of the induction process for staff buying on a regular basis. There will be a minimum pass rate of 80% and 2 attempts to reach this. If a staff member fails to meet this it will be followed up with a 1:1.

There is full documentary evidence for any tender that is done by the SPT/APUC on behalf of the college. Derek has adopted the documents and folder structures for the college and this will be used for new tenders.

Work is ongoing for categorising spend and looking at C1 opportunities, with focus on the last 4 years spend and opportunities.

A continuous improvement action register is maintained. A one-page supply chain bulletin is issued to staff to inform them of various updates e.g. on systems, routes to market. Customer feedback forms are sent to staff and any issues identified are captured into he bulletin. For example, the feedback identified that staff were unsure on how to use certain frameworks so a training session was held to address this.

Derek and the head of estates meet weekly and the focus is on what procurement activity is coming up and any contract management issues. The estates department also hold a procurement action log.

Authority levels/separation of duties are set and these are built into Pecos. Quotes and a justification for order must be attached to pecos orders.

A procurement risk register is maintained and the operations director would feed any high risk areas onto the corporate risk register.

There is a regular audit for finance and this was last done in October 2016. Pecos was last audited in 2014 and there is no sight of a future plan.

Code of Conduct and Fraud Policies in place. A gifts & hospitality register is maintained.

Spend over the last 4 years has been analysed and categorised. This information is updated regularly. Data is cleansed every 6 months then analysed to identify C1 opportunities.

The analysis has identified risk areas based on the lower levels of procurements under the reform act and a compliance report is used to track this.

High risk areas identified and immediately addressed were insurance and MFDs. There are a number of further regulated procurements that need to be put in place by the end of 2017.

Local savings are tracked and recorded on Hunter.

Concerns over BT14 in terms of capturing meaningful details on reports.

Contract strategy templates are used to pull out information for specifications. There is stakeholder engagement to identify and develop specifications. Contract strategies have been done with external APUC support.

Continuous improvement is listed on the risk register and this includes looking at how to get stakeholders to engage with procurement earlier instead of just turning up with a specification.

Sustainability is considered in all regulated procurements and above. It has already been included in the MFDs tender and was heavily weighted.

Price/quality ratios are used in the evaluation criteria and evaluators sign off the evaluation before contract award. 'Award' has been used to evaluate some tenders.

Debrief letters follow a standard template.

It is intended that tender assessments will follow APUC methodology.

The college uses 1 supported business, Haven, for signage and there is a good relationship with estates for this.

As a whole, UHI is trying to do more to promote supported businesses and all suppliers on the Scottish Government framework were invited to present to SPT. Only 2 submitted information so there has been some difficulties in engagement.

Cleaning contract - there has been environmental and community benefits, a volunteers option of 40 days per annum can be used.

MFDs - reduction in power consumption, process changes e.g. auto set to double sided, printing limitations.

Campus - RRFFAM rated community henefit with the lake forming part of the campus

The flexible framework has been completed some time ago and will need to be updated. There is an action plan in place but this is not a priority at the moment.

DILLAIN FALCA, COMMUNICY DENCIL WITH THE TAKE FOR

There is a guidance document on contract management with a process in place for consistency across the college. Templates have been set up for agendas and minutes with training being rolled out. Mini workshops will be held and the contract management process was introduced at a staff awareness day which has started to raise the profile.

Larger contracts such as cleaning have monthly meetings. Contract reviews will be carried out by Derek. Occupational Health and waste are managed by end users. Plan is for all CSM files to be stored centrally regardless of whom manages them.

Where a contract has SPT involvement then contract management is considered at the strategy stage.

KPIs/SLAs are included in ITTs but are not fully defined. The specifics and frequency are determined at the implementation meeting.

Examples of contracts not being managed properly were discussed which has prompted changes.

There is a set agenda for implementation meetings that include KPIs. This is currently being done for occupational health. Cleaning also has KPIs built in, e.g. number of complaints through helpdesk.

Dispute resolution is covered in the implementation meetings to establish the escalation process.

63% contract coverage is estimated. There is a target to increase this. New processes are in place for orders to go through pecos and Hunter being used.

Maverick spend is low as staff are aware of the processes from the step by step guide and orders are rejected without quotes, framework references or justifications.

A 3-way match is in place. Separation of duties built into finance system.

Estimate that 54% of invoices are paid within 30 days with 2 payment runs per month.

There is some credit card spend which requires approval by Derek, but spend is not being monitored.

Recommended actions

Whilst generally the procurement set-up in the college is good some concerns were raised regarding the long-term responsibility for procurement as the current post-holder's contract ends in the summer.

It is recommended that Hunter is used solely as the contracts register as this ensures all records of contracts are kept in one place and contains the correct information for the published register legally required under the Reform Act. eSolutions assistance is available if required.

Ensure that the strategies are aligned and incorporate the current VfM report with the annual report.

Include an action plan which will be reported on in the annual report

A review and understanding of resource requirements is needed to clearly demonstrate the gap and the risks associated with this

Future audit on procurement would be recommended to ensure that standards are still being met. This should be considered to become part of a regular audit plan/strategy.

Efforts to capture both cash savings and sustainability benefit in recommendation reports should be made. This could something that is them summaries in annual report.

Recording sustainability benefits (BT14) is a sector-wide issue. Further guidance/support should be coming in 2017

Greater stakeholder engagement would allow for better forward planning and help to avoid last-minute requests.

Examples all showed UHI SPT involvement. It is clear that good procurement practice needs to continue in the same vein.

The flexible framework has been updated and should be completed to identify the college's current position in relation to the revised version

College seems to be taking CSM seriously and everything is in place for formal management of contracts and suppliers. The process need time to embed before it is clear this is happening effectively.

As above the processes are in place for effective implementation plans and contract management but will take time for this to embed.

Include the target as an annual report measure

Review the invoice payment rate and investigate ways to increase this

Review and monitor credit card spend to ensure purchasing is in line with policy. Raise awareness of this with SMT as appropriate.



Board of Management

| Subject/Title: | Meeting with Internal Auditors | | | | |
|---|--|--|--|--|--|
| Meeting and date: | Audit Commit | Audit Committee – 24 May 2016 | | | |
| Author: | Fiona Ambro | se, Secretary to the Board | | | |
| Link to Strategic Plan: | | | | | |
| Cost implications: | Yes Cost of internal | Yes Cost of internal audit services | | | |
| Risk assessment: | Yes To ensure that the internal audit function is appropriate and effective | | | | |
| Status – Confidential/Non confidential | Non Confidential | | | | |
| Freedom of Information | | | | | |
| Can this paper be included in "open" business | Yes | | | | |
| If a paper should not be included within "open" business, please highlight below the reason. | | | | | |
| Its disclosure would substantially prejudice a programme of research (S27) | | Its disclosure would substantially prejudice the effective conduct of public affairs (S30) | | | |
| Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33) | | Its disclosure would constitute a breach of confidence actionable in court (S36) | | | |
| Its disclosure would constitute a breach of the Data Protection Act (S38) | | Other (please give further details) | | | |
| For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.) | | | | | |

Recommendation

It is recommended that Audit Committee members consider the guidance herein, and bring with them to the meeting questions and issues around which purposeful discussion with the Internal Auditor can be based.

Introduction

It is considered good practice for Audit Committees to meet with internal and external auditors at least annually in a private session where management is not present. This approach allows the Audit Committee to ask questions on matters that might not have been specifically addressed as part of the audit work. The private session allows the Auditor to provide candid, often confidential, comments to the Audit Committee on such matters.

The Audit Committee will meet privately with the internal auditors, Henderson Loggie at the meeting on 29 May 2017. The meeting with the external auditors, Scott Moncrieff was held on 8th December 2016.

Typically there should be few items to discuss. All key matters related to financial reporting should have been reviewed in a candid and robust manner with management, the Audit Committee and the Auditor during the Audit Committee meeting.

The private session should focus on areas where the Auditor can provide additional, candid, and often confidential, comments to the Audit Committee on other matters. The private session gives the Audit Committee an opportunity to explore such matters in a frank and open forum. In addition, the Audit Committee may have more knowledge than the Auditor on other matters, and this session allows the Audit Committee an opportunity to talk to the Auditor about them.



Board of Management

| Subject/Title: | Complaints Report (1 st July 2016 – 30 th April 2017) | | | |
|---|---|--|--|--|
| Meeting and date: | Audit Committe | Audit Committee, 29 th May 2017 | | |
| Author: | Liz Cook, Qual | ity Manager | | |
| Link to Strategic Plan: | Yes | | | |
| Cost implications: | Yes / No (delete as applicable) If yes, please specify: | | | |
| Risk assessment: | Yes / No (delete as applicable) If yes, please specify: Financial: Operational: Organisational: | | | |
| Status – Confidential/Non confidential | Non-confidential | | | |
| Freedom of Information Can this paper be included in "open" business | Yes | | | |
| If a paper should not be included within "open" business, please highlight below the reason. | | | | |
| Its disclosure would substantially prejudice a programme of research (S27) | | Its disclosure would substantially prejudice the effective conduct of public affairs (S30) | | |
| Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33) | | Its disclosure would constitute a breach of confidence actionable in court (S36) | | |
| Its disclosure would constitute of the Data Protection Act (S3 | | Other (please give further details) | | |
| For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.) | | | | |

Recommendation(s)

The Committee is asked to note the report.

Purpose of report

The report provides an overview of recorded complaints during Quarters 1 - 3 of 2016 - 17. This covers the period of 1^{st} July 2016 – 30^{th} April 2017.

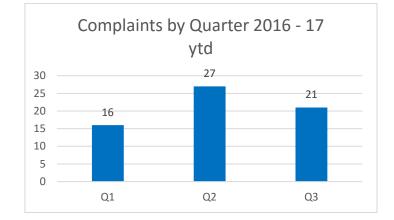
Background

Colleges are required to report quarterly complaints figures based on the reporting periods provided by the Scottish Public Services Ombudsman (SPSO). This report provides the Committee with an update for the first three Quarters of the academic year 2016 - 17.

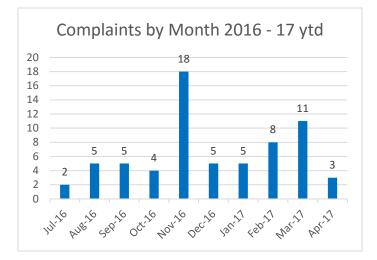
Main body of information

The following information provides an analysis of complaints received during 1st July 2016 -30^{th} April 2017.

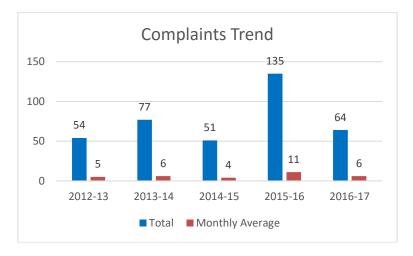
Complaints Summary 1st July 2016 - 30 April 2017



A total of 64 complaints were recorded by the Quality Unit between 1st July $2016 - 30^{\text{th}}$ April 2017.



Comparison with Previous Years



A substantial number of complaints in 2015 - 16 were related to issues in connection with the new campus. It is likely that the significant drop in the number of complaints is due to the resolution of campus issues overall.

The number of complaints received year to date is reflective of a well-embedded complaints system across college and UHI. By accurately recording complaints, we can; identify themes, learn from them and drive improvement activity. It is important that we take action in relation to complaints issues in order to prevent issues recurring in the future and to improve the student experience.

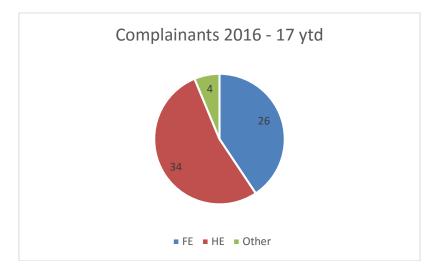
Categories of Complaints

| Categories of Complaints | Complaints |
|---------------------------------------|------------|
| Staff Conduct | 10 |
| Customer Care | 8 |
| Other | 7 |
| Estates | 6 |
| Course Related | 6 |
| Learning and Teaching | 6 |
| Student Conduct | 3 |
| Applications, Admissions, Interview, | |
| Enrolment | 3 |
| Services | 3 |
| Environmental | 3 |
| Progression, Articulation, Withdrawal | 2 |
| Funding & Bursary | 2 |
| Course Management | 1 |
| Facilitated Learning & Study | 1 |
| Assessment, Exams & Certification | 1 |
| Data Protection | 1 |
| Finance | 1 |

The two most commonly reported complaint categories during 2016 – 17 are:

- Staff Conduct
- Issues relating to customer care

Where a complaint involves a member of staff, the line manager and potentially Human Resources are notified immediately as part of the complaints process to ensure a robust resolution.



Further Education & Higher Education

The majority of complaints originated from HE students (34), FE students accounted for 26 complaints and 4 related to 'other' customers (e.g. members of the public).

| Outcome | Complaints |
|------------------|------------|
| Not upheld | 13 |
| Partially upheld | 18 |
| Upheld | 23 |
| Withdrawn / Non | |
| complaints | 10 |

Complaint Outcomes

It can be seen that 36% of the complaints made so far this year have been upheld. There has been an increase in the number of partially upheld complaints from 16% in 2015 - 16 to 28% in 2016 - 17 to date. This is indicative of the complexity of some of the complaints received; with issues raised across a number of areas in college.

SPSO Timescales Compliance

There are pre-defined timescales imposed by SPSO for which complaints investigations should be dealt with (5 days for stage 1 complaints and 20 days for stage 2 complaints).

During 2016 - 17, complaints timeline for Inverness College UHI was as follows:

• 29 resolved at Stage 1 - dealt within 5 working days (average of 5.62 days)

30 resolved at Stage 2 - dealt within 20 working days requirement (average of 11.7 days)

To date, Inverness College UHI has not had any complaint appeals upheld by the SPSO.

Learning from Complaints

It has been previously reported our approach to complaints handling has had a demonstrable impact on student and customer satisfaction. It is important that we continue to learn from complaints and use them to ensure continued improvement across the college. Action taken in response to complaints year to date has led to further process reviews.

Staff Training & Guidance

Staff training in both complaints and customer service will be crucial in terms of improving complaints handling. Complaint training sessions for staff have been delivered during 2016-17 as part of the Customer service training sessions. Input by the Quality Officers has ensured a level of consistency of approach to complaints handling.

Liz Cook Quality Manager



Board of Management

| Subject/Title: | Students' Association Accounts 2015/16 | | | |
|---|--|--|--|--|
| Meeting and date: | Audit Committ | Audit Committee, 29 May 2017 | | |
| Author: | Fiona Mustard | le, Financial Services Manager | | |
| Link to Strategic Plan: | | | | |
| Cost implications: | Yes If yes, please specify: | | | |
| Risk assessment: | Yes If yes, please specify: Financial: Operational: Organisational: | | | |
| Status – Confidential/Non confidential | Non-confidential | | | |
| Freedom of Information Can this paper be included in "open" business | Yes | | | |
| If a paper should not be included within "open" business, please highlight below the reason. | | | | |
| Its disclosure would substantially prejudice a programme of research (S27) | | Its disclosure would substantially prejudice the effective conduct of public affairs (S30) | | |
| Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33) | | Its disclosure would constitute a breach of confidence actionable in court (S36) | | |
| Its disclosure would constitute of the Data Protection Act (S3 | | Other (please give further details) | | |
| For how long must the paper either as the time which need which needs to be met.) | | | | |

Recommendation

The Audit Committee are asked to note the Inverness College Students' Association Accounts (ICSA) for the year ended 31 July 2016.

Purpose of report

To highlight to the Audit Committee the main points resulting from the finalisation of the 2015/16 financial statements for the Students' Association.

Financial Statements

The final audited Income & Expenditure account for the 2015/16 Students' Association financial statements shows a net deficit for the period of £6,259, compared to the previous year's deficit of £4,599.

Total income for the period was £13,171, compared with £8,840 in the previous year and total expenditure for the period was £19,431 compared with £13,439 in the previous year.

The closing balance for the year to 31 July 2015 was \pounds 7,840, compared with \pounds 14,100 for the previous year. It should be noted that there is a closing stock figure of \pounds 3,143 in respect of branded hoodies.

The balance of the grant of £1,000 received during 2012/13 from Awards for All, is held within restricted funds due to it being for a specific purpose. It is therefore shown separately in both the Income & Expenditure account and in the balance sheet under the reserves section.

The student association accounts have now been audited, and the final accounts are appended to this report.

The continuing deficits will need to be addressed if the Students' Association is to continue in its current form.

Financial statements for the year 31 July 2016

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| Statement of balances | 2 |
| Independent examiner report | 3 |

Income and Expenditure Account for the year to 31 July 2016

| | Unrestricted £ | Restricted £ | 2016 Total £ | 2015 £ |
|-------------------------------|-------------------|-----------------|--------------------|------------|
| Income | | | | |
| Stationery sales | 10,314.01 | - | 10,314.01 | 3,601.22 |
| NUS cards | 1,262.52 | - | 1,262.52 | 966.53 |
| Pool tables | - | - | - | 3,109.10 |
| Promotions | - | - | - | 526.47 |
| Other income | - | - | - | 637.00 |
| Events Manakan dia | 643.00 | - | 643.00 | - |
| Merchandise Dental in come | 740.00 | - | 740.00 | - |
| Rental income | 212.00 | - | 212.00 | - |
| | 13,171.53 | | 13,171.53 | 8,840.32 |
| Expenditure | | | | |
| Stationery purchases | 6,451.61 | - | 6,451.61 | 1,119.22 |
| Printing | - | - | - | 194.10 |
| Rentals | 918.00 | - | 918.00 | 1,092.00 |
| NUS fees | 280.00 | - | 280.00 | 270.00 |
| Repairs | - | - | - | 480.00 |
| Entertainment | 859.97 | - | 859.97 | 1,706.03 |
| Office bearers expenses | 1,611.36 | - | 1,611.36 | 3,131.74 |
| Insurance | 398.75 | - | 398.75 | 347.16 |
| Petty cash expenses (sundry) | 112.05 | - | 112.05 | 36.00 |
| Promotions | 2,655.87 | - | 2,655.87 | 4,720.54 |
| Big Lottery Fund | - | - | - | 300.00 |
| Charities | 93.03 | - | 93.03 | 42.70 |
| Events | 560.00 | - | 560.00 | - |
| Merchandise | 5,490.48 | - | 5,490.48 | - |
| | 19,431.12 | - | 19,431.12 | 13,439.49 |
| Net deficit for the year | (6,259.59) | | (6,259.59) | (4,599.17) |
| Reserves brought forward | 13,952.42 | 148.00 | 14,100.42 | 18,699.59 |
| Reserves carried forward | 7,692.83 | 148.00 | 7,840.83 | 14,100.42 |
| | ====== | ====== | ====== | ====== |

Statement of balances at 31 July 2016

| | 2016 £ | 2015 £ |
|---|--------------------|---------------------|
| Bank and cash in hand | | |
| Opening balance | 14,100.42 | 18,699.59 |
| Deficit for year | (6,259.59) | (4,599.17) |
| Closing balance | 7,840.83 | 14,100.42 ====== |
| Reserves | | |
| Unrestricted reserves Restricted Reserve | 7,692.83 148.00 | 13,952.42 148.00 |
| | 7,840.83 | 14,100.42 |
| Other assets (unrestricted) | | |
| Stock of hoodies | 3,143.50 ====== | - |

Approved by the executive committee and signed on their behalf by

President

25th May 2017

Independent examiner report

We have examined the financial statements for the period ended 31 July 2016 set out on pages 1 and 2. The basis of our examination is set out below.

Respective responsibilities of the executive committee and independent examiner

The executive committee are responsible for the preparation of the accounts, and they believe that the association is exempt from audit. It is our responsibility to examine the financial statements and, based on our examination, to report our opinion, as set out below, to the executive committee.

Basis of opinion

There are no specific professional standards for an independent examination as requested by the association. Such an examination is not an audit and, in particular, our work did not include verification of the assets and liabilities of the association. No opinion is required of us on the truth and fairness of the accounts; accordingly we give no such opinion. However, we planned and performed our examination so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that proper accounting records have been kept by the association and that the financial statements are in agreement therewith. Our work also included examination, on a test basis, of evidence relevant to the amounts and disclosures in order to assess whether the financial statements comply with the terms of the Constitution.

Opinion

In our opinion:

- a. according to the best of our knowledge and belief and in accordance with the information and explanations given to us, the financial statements have been properly prepared from the accounting records kept by the association;
- b. the financial statements are in agreement with the accounting records and comply with the terms of the Constitution.

Henderson Loggie Chartered Accountants Dundee

25th May 2017