



University of the  
Highlands and Islands  
Argyll College

Oilthigh na Gàidhealtachd  
agus nan Eilean  
Colaiste Earra-Ghàidheil

A meeting of  
**Argyll College Audit Committee**  
to be held at 12.30 pm on Friday, 18<sup>th</sup> May 2018  
CERC, Lochgilphead, Kilmory Industrial Estate, Lochgilphead PA31 8SH  
Tel 01631 559 830

## A G E N D A

Item no		Status For:	Papers
18.2.1	<b>Welcome &amp; apologies for absence</b>		
18.2.2	<b>Declarations of interest &amp; any items deemed to be confidential</b>		
18.2.3	<b>Minute of meeting held on 23<sup>rd</sup> February 2018</b>	To approve & sign	Attached
18.2.4	<b>Matters arising:</b> (a) Strategic & operational plans (b) Update on assigned status (c) Funding for Helensburgh (d) DYW update	To note	Attached
18.2.5	<b>Internal audit</b> (a) Internal audit – Student Support systems (b) Internal audit – schedule of outstanding items (c) Internal audit – HR systems	To consider To consider To consider	Attached To follow To follow
18.2.6	<b>External board evaluation:</b> update on recommendations		
18.2.7	<b>Property update:</b> Sale of Riverside	To note	Attached
18.2.8	<b>Risk register (to include update on nursery)</b>	To consider	Attached
18.2.9	<b>AOCB</b>		
18.2.10	<b>Date of next meeting:</b> Friday, 24 <sup>th</sup> August at CERC, Lochgilphead. Time to be agreed	To note for diary	



**Argyll College Management Board  
Minutes of the Audit Committee  
held at 1 pm on Friday, 23<sup>rd</sup> February 2018 at CERC, Lochgilphead**

**Present:** Tony Dalgaty (TD), Fraser Durie (FD), Ken Jones (KJ) & Gillian McCready (GMC)  
**In Attendance:** Ailsa Close (AEC), Elaine Munro (EM) & Fiona Fenn-Smith (Secretary) (FS)

No	Item	Action
18.1.1	<b>Welcome.</b> Ken Jones, as Chair for the meeting, welcomed Tony Dalgaty to his first meeting of the audit committee.	
18.1.2	<b>Apologies and declarations of interest.</b> Apologies received from Lesley McInnes.	
18.1.3	<b>Minutes of joint meeting with F &amp; GP held on 24th November 2017.</b> The minutes were approved as an accurate record of the meeting. FS to bring to board meeting for signature.	FS
18.1.4	<p><b>Matters arising</b></p> <p>(a) <b>Progress on Strategic and Operational plans.</b> (Previously circulated.) The operational plan has been sent to internal auditor at UHI and accepted. The 2015-18 strategic plan was reviewed at last board meeting and those KPIs which were difficult to measure removed. FD is to put a status and date for each element ie achieved/not achieved and reason why not. The plan will go first to the SMT. Parts of the <i>How Good is our College</i> enhancement plan will be incorporated/integrated into new plan Agreed it was better to have one central plan. <b>ACTION:</b> FD to bring to next board meeting.</p> <p>(b) <b>Progress on Action plan on assigned status.</b> (Previously circulated.)</p> <ul style="list-style-type: none"> <li>• Most pressing action is external board evaluation and AEC has put this out to tender.</li> <li>• EM is looking at diversity issues, FD to forward email from Jason Thurlbeck's comments on this to EM.</li> <li>• FS to put board minutes &amp; papers onto SharePoint after approved at board meeting.</li> <li>• FD is working on the business continuity plan and will circulate to SMT and then to the Board. FD will test it with Jason Thurlbeck against other colleges who are compliant with the Code of Good Governance.</li> <li>• FS to remind governors to complete JISC skills matrix and draw up induction plan for new governors and integrate it with staff induction material.</li> </ul> <p>(c) <b>Update on funding for Helensburgh</b> (Previously circulated.) FD's application for funding has not been successful and we have been invited to resubmit it. FD has set up a meeting with the council on 28<sup>th</sup> February to discuss extension of the lease on the premises. Clive Mullholland will meet with Base Commander at Faslane on 22<sup>nd</sup> March. The Committee discussed their concern that UHI has not funded the</p>	<p>FD/FS</p> <p>EM</p> <p>FS</p> <p>FD</p> <p>FS</p>

	<p>project as they appeared to indicate they would. AEC said a business case has not been made for this and there is a concern around displaced activity, ie that we are not bringing in additional income, but displacing activity from our other centres. On the positive side, Helensburgh is fully supported by Faslane and there is an agreement from Faslane that UHI is the local provider. Noted that it is crucial college secures funding and additional credits.</p> <p><b>ACTION:</b> FD to bring bid and supporting papers to board meeting.</p> <p>(d) <b>Update on DYW project.</b> FD stated that the risk previously noted on this is no longer a risk and can be removed from the Risk register. One of the two project staff has just taken up employment with UHI. College is using this as an opportunity to review project, and seeking to appoint a consultant to project manage this for the next 6 months. GMC said that links to wider community is key for this role, as well as linking into the College.</p>	FD
18.1.5	<p><b>Review of risk register.</b> (Previously circulated.) FD highlighted the following:</p> <ul style="list-style-type: none"> <li>As agreed, the item on NRPA removed from the risk register as already specifically mentioned as part of another item and should not be included twice.</li> <li>DYW – dated for the end of January, can now be removed as 6 month point has been passed.</li> <li>Nursery: A possible addition – nursery (papers presented at the meeting.) Care Commission inspection gave 4 x “satisfactory” grades across the piece, with some recommendations. Overall the nursery received an “adequate” grading. Recommendations: ensure staff follow HR recruitment procedures and obtain 2 x references; H&amp;S procedures to be followed; and personal planning for children needs to be more effective. FD said he will put in place a training plan for all staff to meet statutory requirements and staff development.</li> </ul> <p><b>ACTIONS:</b></p> <ul style="list-style-type: none"> <li>Only remove items from risk register if approved by committee</li> <li>Add nursery to risk register</li> <li>Remove item 10 from register (accounting systems convergence project)</li> </ul>	FD FD
18.1.6	<p>(a) <b>Internal Audit Report on Student Support Systems.</b> TIAA have carried out audit but report not ready yet. Bring to next meeting. Committee needs to consider ahead of next audit tendering process exactly what they want from internal audit, and how much they are willing to pay for the service they feel the College requires.</p> <p>(b) <b>Schedule of Outstanding Recommendations</b> needing action from previous internal audit reports and progress towards compliance with Code of Good Governance. Still some outstanding points from previous reports which need to be completed before April.</p> <p>(c) <b>Sale of Riverside premises in Lochgilphead.</b> AEC said that college would be selling these premises to MacPool on basis that they have their funding application for the purchase approved by the Scottish Land Fund. Will know by April if sale is to go ahead. We require to check with BLF that grant funding received from the Millennium Commission for the original purchase and refurbishment of the premises will not be clawed back. Indications are that because we will be selling at a considerable loss, there will not be, but Fiona Larg of UHI is following this up for us.</p>	FS
18.1.7	<p><b>Risk Appetite paper</b> (Previously circulated.) A requirement for assigned status.</p>	

	<b>ACTION:</b> Bring to board meeting with comments from governors.	AEC/FS
18.1.8	<b>AOCB.</b> None	
18.1.9	<b>Date &amp; venue of next audit committee meeting.</b> Friday, 18 <sup>th</sup> May at CERC in Lochgilphead.	
	<b>Signed by</b>  <div style="display: flex; justify-content: space-between;"> <div> .....  <b>Chair of Audit Committee</b> </div> <div> <b>Date</b> ..... </div> </div>	

#### **Agenda Item 18.2.4 (d)**

##### **Update on Developing Young Workforce (DYW) Project**

At the last Board meeting it was reported that we had advertised for a consultant to project manage the DYW staff and project for us for a period of 6 months. This project was managed and the two project officer's line managed by the Principal since it commenced in August 2018. Funding is available for three years to August 2020 from the Scottish Government to Argyll College to host the DYW staff and the purpose of the project is to lead and drive the change in employer's engagement with schools and colleges and challenge and support employers to recruit more young people

The two members of staff appointed to the project in August were previously employed by the College in different roles, but those posts ceased to exist in the restructure which took place last year. It has to be acknowledged that this meant there were some difficulties in the relationship between the two employees and the College, and one of the project officers took a job elsewhere in UHI in February 2018.

Recognition of those difficulties led to the decision to advertise for a Project Manager. Bids were invited for consultants with a proven track record in direction and strategy setting; operational planning; and motivational staff management for a period of 6 months. The post is also to assist in the achievement of the key aims of the Developing the Young Workforce Group and to more closely align the DYW project with existing college aims, objectives and activities. They will be able to review the existing plan in place for the project and develop it further in line with the stated key aims; manage, motivate and set targets for current staff to help in the achievement of the overall aims of the project; facilitate communication and feedback channels between the DYW staff and the college staff structure; manage the budget for the project; and, in conjunction with Argyll College senior management, help to ensure the project's success and continuation beyond the current funding period.

It has been agreed that our Head of Communications Mo McKenna will be the point of contact between the College and the DYW Regional Group (Chaired by Jane MacLeod, and consisting of local business people from Argyll), the Scottish Government, and the Consultant. As such, Mo took charge of the recruitment process for the consultant, and sat in on the interviews of the 3 people/organisations who submitted tenders. The interview panel was made up of two members of the DYW group and Mo. Representatives of the Scottish Govt were also consulted and were happy for the appointment of Agnes Harvey to be made following the interviews. Agnes commenced in the role on 24<sup>th</sup> April.

It is intended that a report from Agnes will come to the Board at the meeting scheduled for the 8<sup>th</sup> June on progress/developments.

**Ailsa E Close**

11 May 2018

#### **Agenda Item 18.2.7**

##### **Property Update – Sale of Riverside Premises**

At the last Committee/Board meetings in Feb/Mar it was reported that MacPool in Lochgilphead were keen to purchase the building we own but currently rent out to CAB.

They had submitted an application to the Scottish Land Fund and were awaiting the outcome of that application. In the meantime, we had contacted two funders (ERDF, Millennium Commission) of the original purchase and refurbishment of the building to seek agreement to the sale and retention by us of the proceeds.

Agreement was received from both of those funders that they would not be seeking to clawback any of the funds.

Confirmation has now been received from MacPool that the grant funding has been approved by Scottish Land Fund. They are in the process of appointing a Project Manager, and when that post is filled, it is intended that the Project Manager will start to take forward the purchase of the building from us.

In the interim period, CAB continues to rent the building from us, at half the previous annual rent of £11.5k. They have been experiencing fairly well documented financial difficulties, but taking the view that any rent is better than no rent, it was agreed that this reduction could be supported by us from Sept of last year. My understanding is that if and when MacPool purchase the building, they have agreed to continue to house the current tenant at this reduced rent.

**Ailsa E Close**

11 May 2018

UHI STRATEGIC RISK REGISTER TEMPLATE				Argyll	TIMESCALE 3 Years						
Ref ID	Risk Status	Category	Risk Description	Causes	Impacts/Evidence	Owner	Gross Risk		Actions to minimise risk in place	Residual Risk	
Argyll/3	Active	Financial	Viability of delivery across the college region	Continued reduction in unit of resource making small class sizes even more marginal	Types of courses demanded not being supplied by us, young people leaving Argyll for both HE and FE	Executive team	15		Advocacy with SFC, H&I FERB, EO and Scottish Govt.	15	
Argyll/6	Active	Financial	Failure to receive adequate student support funding for FE students from SFC	Formula for distribution does not match need and profile of students	Level of student funding may be less than students get in other regions. This in turn may affect recruitment, retention and achievement.	Executive Team	10		Work with H & I FERB and SFC to ensure there is adequate resource	10	
Argyll/8	Active	Financial	Possibility of failure to achieve assigned status to the region	Difficulty in providing SFC with their required assurance that College meets requirement.	College continues to be viewed as a "lesser" partner within UHI (ref to EKOS Compelling Argyll Study 2015)	Principal	10		All actions required for assigned status recommendation have now been accepted as completed, and assignation has been recommended.	2	
Argyll/9	Active	Financial	Adverse effects if ONS is imposed on college in future. Costs of potential change of accounting year and potential monthly reporting.	College reforms legislation	Currently the impact would be more work to meet the reporting requirements driven by SFC through EO	Executive team	6		Outwith our control	6	
Argyll/10	Active	Financial	Decision not to be part of the Invitation to Tender for a new accounting system through UHI. Currently running Sage software for accounts production	Unable at point of tender to quantify likely cost of the new system, and any additional costs to the College at present are unaffordable.	Impact is that at future date we may be unable to provide reports in format required by EO, and be required to move to new system anyway, which may incur additional implementation costs	Finance Director	6		Work with UHI EO to ensure financial info from Sage system remains appropriate and adequate	3	
Argyll/14	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. Over reliance on individuals. 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 and disruption/loss of established relationships and contacts.	Principal	12		Discussions starting to take place at Board level re succession planning for ET. Senior Management Team in place following restructure of organisation in 2016/17 should allow for cover of temporary loss of any other member of that team	6	
Argyll/17	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 leading to a reduction in service quality leading to student dissatisfaction and risk of reputational damage. Year on year deficits incurred resulting erosion of reserves and potentially referral to Select Committee	Principal	16		Devolving and developing budget responsibility with ownership at delivery level. Ensuring costs are restricted where possible and budgets are monitored against regularly. Ensure any NB pay rises are fully funded before they are instigated.	12	
Argyll/18	Active	Organisational	College estate not fit for purpose.	Lack of investment in capital maintenance/new capital project expenditure. Rapid growth of student population without investment in new expanded facilities.	Poor performance in NSS, increased number of complaints received, having to rent additional space for support staff in Oban, no spare capacity in either Oban or Dunoon centres.	Principal	12		Application to UHI Strategic Investment Fund submitted for new Dunoon premises. Additional capital/backlog maintenance funding recently approved for 2018/19. Investigate funding for new Oban premises.	12	
Argyll/20	Active	Organisational	Poor Student Experience	Poor college estate. Dispersed campus with limited facilities for social interaction. Technology failures. Limited teaching/library resources.	Poor performance in national student satisfaction surveys. Reputational damage. Impact on ability to recruit future cohorts. Risk to core income streams.	Principal	12		Continue to upgrade facilities and work with partners such as HIE to identify possible new accommodation. IT staff now working more closely with LIS, IT systems have seen a definite improvement in last year.	9	
Argyll/22	Active	Financial	Institutional, personal and sensitive data and/or services are disrupted, corrupted, lost, stolen or misused through serious inappropriate usage of IT systems or data, by internal users of the university partnership or external actors.	Lack of controls around information security and data protection. Poor staff awareness of existing policies and procedures and best practice with regards information security. Inappropriate business processes or practices that expose sensitive data to loss or misuse. Malicious, illegal or unintentional data leakage. Loss of an insecure corporate or personal device with corporate data on it while off campus. Loss or theft of IT equipment on campus. Inappropriate disposal of IT equipment. Larger than normal numbers of system users with widely distributed access rights and permissions given the size and structure of the university partnership. Badlv configured technical infrastructure e.g. poor patching regime. firewalls	Disruption of access to important information for short or sustained period. Permanent loss of unbacked up data through data corruption or malicious ransomware encryption. Prohibitive fines imposed by ICO. Adverse press coverage. Impact of disrupted, lost or stolen important information and services:  · loss of reputation, confidence and trust  · financial penalties	Principal	16	Ownership and proactive monitoring of cybersecurity risks at university and academic partner senior management level.  Common information security policy framework.  Complete Information asset register.	9		
Argyll/24	Active	Organisational	College nursery received poor HMI report, numbers utilising nursery for paid 3-5 care falling and sustainability now in doubt	Need for improved processes and policies and more integration with College systems and management. Parents apparently less inclined to pay for 3-5 childcare hours, may be to do with older siblings now being at school, may be a cyclical issue. Poor HMI report may further impact on numbers.	Falling level of fees from previous years. HMI report may lead to reduction in reputation and further reduction in fees/viability.	Principal	12		Review of nursery asked for by Board of Directors, investigation of costs and income will be carried out.	12	
Argyll/25	Active	Financial	Whilst this has been put in the category of Financial risk, it is also an organisational and academic risk. New centre opened in Helensburgh on the basis that funding would be forthcoming from UHI to support it. If centre has to close, reputational damage to UHI and Argyll College. Financial implications if it remains open without additional credit income becoming available, and it is clear at present that the UHI credit target is in fact being cut for 2018/19.	Lack of funding from UHI to support the development of the estate and employment of staff. No additional credit/other income means that the funding pot does not increase whilst the expenditure does over the college as a whole due to the new centre.	Increased costs in the 2017/18 accounts mean that a significant deficit is likely to be reported at the year end. Future operation of the centre has to be justifiable, but reputation and impact on college staff will also have to be taken into account.	Principal	20		Bid to UHI Strategic Investment Fund submitted.	16	

**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.*



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: <ul style="list-style-type: none"> <li>• loss of a major UHI partner</li> <li>• loss of major funding stream</li> </ul>	> £500,000 or lead to likely loss of key partner
4-Major	A critical event which threatens to lead to: <ul style="list-style-type: none"> <li>• major reduction in funding</li> <li>• major reduction in teaching/research capacity</li> </ul>	£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)
<ul style="list-style-type: none"> <li>• Likely loss of key partner, curriculum area or department</li> <li>• Litigation in progress</li> <li>• Severe student dissatisfaction</li> <li>• Serious quality issues/high failure rates/major delivery problems</li> </ul>	<ul style="list-style-type: none"> <li>• Incident or event that could result in potentially long term damage to UHI's reputation. Strategy needed to manage the incident.</li> <li>• Adverse national media coverage</li> <li>• Credibility in marketplace and with stakeholders significantly undermined.</li> </ul>
<ul style="list-style-type: none"> <li>• Possible loss of partner and litigation threatened</li> <li>• Major deterioration in quality/pass rates/delivery</li> <li>• Student dissatisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Incident/event that could result in limited medium – short term damage to UHI's reputation at local/regional level.</li> <li>• Adverse local media coverage</li> <li>• Credibility in marketplace/with stakeholders is affected.</li> </ul>
<ul style="list-style-type: none"> <li>• General deterioration in quality/delivery but not persistent</li> <li>• Persistence of issue could lead to litigation</li> <li>• Students expressing concern</li> </ul>	<ul style="list-style-type: none"> <li>• An incident/event that could result in limited short term damage to UHI's reputation and limited to a local level.</li> <li>• Criticism in sector or local press</li> <li>• Credibility noted in sector only</li> </ul>
<ul style="list-style-type: none"> <li>• Some quality/delivery issues occurring regularly</li> <li>• Raised by students but not considered major</li> </ul>	<ul style="list-style-type: none"> <li>• Low media profile</li> <li>• Problem commented upon but credibility unaffected</li> </ul>
<ul style="list-style-type: none"> <li>• Quality/delivery issue considered one-off</li> <li>• Raised by students but action in hand</li> </ul>	<ul style="list-style-type: none"> <li>• No adverse publicity</li> <li>• Credibility unaffected and goes unnoticed</li> </ul>

## RISK MAP (for Gross risk & residual risk)

IMPACT		
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*