



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 11.30pm on Friday 18 September 2020
by Webex Teams
Tel 07384 246325 Dial-in Code - 148743005@uhi.webex.com

A G E N D A

Item no		Status For:	Papers
20.3.1	Welcome		
20.3.2	Declarations of interest & to identify any items deemed confidential		
20.3.3	Minutes of the meeting held on 12 June 2020	For information	Attached
20.3.4	Matters arising (a) Nursery update	For information	Oral
20.3.5	Risk Register	To consider	To follow
20.3.6	Internal Audit report – Staff Development Presented by Henderson Loggie	For discussion	Attached
20.3.7	External Audit plan – Presented by Armstrong Watson	For approval	Attached
20.3.8	AOCB		
20.3.9	Date of next meeting: Friday 2 nd October 2020 – board meeting and awayday, at Three Villages Hall, Arrochar. 27 th November – committee meetings, location	To note	

**Final Version of the Audit Committee
held at 12pm on Friday 12th June 2020
via Webex Teams**

Present: Scott Matheson (SM) Chair, Tony Dalgaty (TD), Elodie Nowinski (EN), Billie Kirkham (BK)
Apologies:
In Attendance: Martin Jones (MJ), Ailsa Close (AEC), Elaine Munro (EM), Vicky Daveney (VD)(Secretary)

No	Item	Action
20.2.1	Welcome and apologies for absence The chair welcomed members and welcomed Elodie Nowinski and Billie Kirkham to their first committee meeting.	
20.2.2	Declaration of interest & to identify if any items deemed to be confidential. There were no declarations of interest. There were no confidential items.	
20.2.3	Minutes of the meeting held on 13th March 2020 were approved. The minutes to be signed by Chair as an accurate record of the meeting.	VD/SM
20.2.4	Matters arising (a) Update on draw down of funding for Helensburgh – MJ provided background information relating to the funding which had been awarded by UHI when the centre opened in 2017, but not yet received from UHI. The funding has now been confirmed and is expected to be received within the next week. (b) Nursery update – MJ provided background information about the nursery operation and the eventual decision to close it; having been unable to find a commercial provider to take it on. The nursery closes on 26 th June, although Covid-19 meant the nursery shut in advance of lockdown due to a number of staff self-isolating. Staff have been furloughed and AEC confirmed there is a further furlough claim to be made. SM stated that the decision to close the nursery had involved a lot of work and board deliberation. SM asked which other positions within the college had been furloughed? AEC confirmed that cleaners, centre admin who mainly provide evening cover and the IT Modern Apprentice are furloughed. SM asked if this is all in line with SFC guidance. MJ responded that SFC had said furlough should be considered where funds are not from public money.	
20.2.5	Risk Register SM explained, for the benefit of the new committee members, that the Risk Register is an online UHI tool and that he will pass on to the UHI Audit Chairs meeting that it is being used successfully. SM asked for any comments from the committee and asked MJ for an overview of how the college is responding to Covid-19 from a health & safety and financial perspective and what the new semester might look like in relation to that. MJ confirmed that the difficulty is the built environment, some centres are small, retrofitted and not purpose built; Dunoon being a good example	MJ

	<p>of this. There will be a building by building approach to how centres can best be used and what is achievable in each centre. The Estates Manager is working with her network to share common issues and approaches. All this against changing guidance from government. Argyll College's strength is that we are used to a distributed manner of delivery and can deliver courses to homes rather than centres if required. The SMT are looking through the curriculum to see where difficulties lie and aim to make early decisions about the viability of running each course, where these are insurmountable. EM confirmed that each course is being looked at closely to see where elements can be changed, eg practical work and placements. TD asked if it is too early to assess how application numbers are looking for next year. MJ said they are reasonably buoyant, childcare numbers are lower than usual but this may be due to the placement element. Marketing is continuing with a virtual open day scheduled for 24th June. EN asked if there would be extra funding or help to pay for Covid-19 related costs, such as extra PPE, screens or changes to buildings. AEC confirmed that more budget has been allocated for this but there is no specific help at present. MJ reported that SFC has been in regular contact with Principals and the Education Minister has been in attendance at some meetings. SFC have confirmed that there will be no clawback this year and next year for under-performance, if Covid-19 related.</p> <p>ACTION: SM asked that a discussion about the Risk Register takes place at the September board meeting (or, if before that date, a Board away day). VD to add to the agenda.</p>	
20.2.6	<p>SFC Mid Year Return 2019/20</p> <p>SM asked AEC to clarify that this is the half year return that goes to SFC to highlight any problems. AEC confirmed that SFC want to see how everything is looking against the budget submitted.</p>	Noted
20.2.7	<p>Draft Budget 2020/21</p> <p>AEC stated that a breakeven may be achieved but it is a difficult time to forecast due to Covid-19; the extra cleaning and health & safety costs it may require and increased EIS and UNISON involvement and the impact on salaries. SM was pleased to see a breakeven or small surplus at budget stage.</p>	Noted
20.2.8	<p>Internal audit plan</p> <p>SM told the committee members that the new Internal Auditors – Henderson Loggie had been appointed. They have been in touch with the SMT and SM had a call with them to help identify key areas where they would focus efforts and check progress on last year's plan. AEC stated that they were unable to start work until the external audit was signed off so they are only starting on reports for 2019/20 now. They are focussing on 3 main areas: Payroll, Staff Development and Health & Safety. TD stressed what a critical area Health & Safety is for the college and asked if the auditors have a specialist team. AEC confirmed that they deal with several colleges so are very knowledgeable. SM said that the plan has the potential to add quite a bit of value and to make a difference.</p>	Noted
20.2.9	<p>Update on appointment of external auditor</p> <p>AEC explained that a mini comp was issued as a joint tender for 3 colleges by APUC. Only one bid was received which was very high. The tender was re-issued individually and 2 bids were received. Armstrong Watson Ltd are the chosen supplier. The Audit will start in October.</p>	Noted
20.2.10	<p>AOCB</p>	

	Signed by Date Chair of Audit Committee	
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Risk Status	Risk Description	Causes
Active	College estates not fit for purpose (students)	Learning Centres not purpose built or designed with 21st century student in mind. Ageing buildings based on much lower numbers of students from earlier times in the college
Active	KPIs below national average	Limitations of estates and resource, need for staff development, pressure to recruit to meet targets, lack of quality learning experience?
Inactive	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. Badly configured technical infrastructure e.g. poor patching regime, firewalls configured incorrectly, anti-virus out of date, corporate mobile devices not encrypted.

Active	Viability of delivery across the college region..	Continued reduction in unit of resource making small class sizes even more marginal, low recruitment, increases in costs particularly salaries
Inactive	Failure to recruit target numbers of students	Lack of resources, student experience, space, and appropriate marketing
Active	NRPA ongoing rollout	Implementation of national pay bargaining and a national pay scale for all staff
Active	Level of student funding not sufficient to meet the needs of the students, with reputational damage	Formula for distribution does not match need and profile of students
Inactive	Possibility of failure to achieve assigned status to the region	Difficulty in providing SFC with their required assurance that College meets requirement.

Active	Adverse effects if ONS is imposed on college in future. Costs of potential change of accounting year and potential monthly reporting.	College sector reform legislation
Inactive	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.
Active	College does not achieve allocated HE student number targets.	Failure to recruit sufficient students due to various factors such as: Covid 19 over ambitious PPF target, curriculum gaps, poor NSS results etc
Active	College does not achieve allocated FE Credit targets.	Failure to recruit sufficient students due to various factors such as: Covid 19 over ambitious target, curriculum gaps, ineffective engagement with local schools/employers.
Active	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

Active	<p>Disruption to services/projects and/or partnership working resulting from loss (temporary or permanent) of a key staff member.</p>	<p>Retirement, resignation, sickness 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.</p> <p>Sparse staffing, key functions residing with one person with no alternatives.</p>
Active	<p>Non-compliance with relevant statutory regulations.</p>	<p>Lack of awareness of relevant laws and penalties. Management failures. E.g General Data Protection Regulation, Bribery Act, Health and Safety Regulations, Freedom of Info Act, etc.</p>
Active	<p>Governance Failure.</p>	<p>Governing body does not have an appropriate balance of skills and experience. Role of a governor/director is onerous and it is difficult to attract a broad range of high calibre individuals to serve for non-remunerated roles</p>
Active	<p>Going over budget on expenditure - Financial failure/operating loss. Failure to implement savings as outlined in FFR</p>	<p>Increases in costs, lack of financial control. Impacts of Covid 19</p>

Active	<p>College estate not fit for purpose. (Support staff).</p> <p>Lack of investment in capital maintenance/new capital project expenditure.</p>
Active	<p>Academic quality is not excellent</p> <p>Difficulty recruiting and retaining high calibre staff.</p>
Active	<p>Poor Student Experience .</p> <p>Dispersed campus with limited facilities for social interaction. Technology failures. Limited teaching/library resources. Poor teaching.</p>
Active	<p>Failure to develop a research culture and any research outputs are sub standard</p> <p>Failure to publish sufficient quality papers and upload to PURE. Loss of key staff. Lack of funding. Inadequate resources allocated to research staff. Terms and conditions of employment are not comparable with competitor organisations. Impact of Brexit on access to European projects.</p>

Inactive	College nursery ongoing compliance with Care Commission requirements, numbers utilising nursery for paid 3-5 care falling and sustainability now in doubt, management and staffing issues.	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.
Active	Missing viable opportunities for development and growth	Lack of horizon scanning; Lack of ability to invest in opportunities; Insufficient planning; Being too risk averse; Failing to develop at the required pace; Funding allocations; Resource limitations.
Active	Implication of outcome of EU Referendum leading to loss of EU Funding.	Political uncertainty over continuation or replacement of previous EU funding
Active	Poor relationship with stakeholders in Argyll, Bute and Arran	Lack of positive strategic engagement and partnership building.
Active	UHI fails to reform into a more efficient, open and accountable partnership in financial and operational terms.	Failure of Programme Board activity

Active	Focus on UHI Partnership eclipses potential opportunities for partnership with other FE and HE institutions.	Inward looking mindset
Active	Dispersed Senior Management Team creates an operational and strategic barrier to the college and its future growth.	Recruitment of staff has historically been to any location.
Active	Failure to embed a pervasive culture of Health & Safety awareness.	Lack of staff engagement and or understanding
Active	Failure to secure more credits to underpin FE expansion.	Inefficient allocation within the region which fails to fully take account of history of over and under delivery across UHI.
Active	UHI Reform diverts time and attention from Argyll College business (especially if it is protracted and struggles to deliver)	Willingness to change is not universally harnessed.

Active	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. In appropriate 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. Badly configured technical infrastructure e.g. poor patching regime, firewalls configured incorrectly, anti-virus out of date, corporate mobile devices not encrypted.
Inactive	Helensburgh Project fails to receive approved funding.	Grant funder fails to release monies.
Active	Adverse effects of Covid19	Government Lockdown measures and social distancing

Impacts Evidence	Owner	Residual Likelihood	Residual Impact
Increase in full-time and HE students numbers recorded, and learning expectations of students	Executive Team	5	3

KPIs

	SMT	4	4
<p>Disruption of access to important information for short or sustained period.</p> <p>Permanent loss of unbacked up data through data corruption or malicious ransomware encryption. Prohibitive fines imposed by ICO. Adverse press coverage.</p> <p>Impact of disrupted, lost or stolen important information and services: loss of reputation, confidence and trust, financial penalties, official sanction, loss of business, poor performance in student KPIs e.g. NSS score, costs, resources and time taken to manage and rectify the incident</p>			

Difficulty in balancing budgets

Board

5

3

Potential reduction of income,
failure to provide opportunities for
local community, not meeting
outcomes of CPP

Potential unsustainable increase in
college staffing costs due to agreed
national pay bargaining increases.
Funding only agreed to end of
2019/20

Principal

5

5

Level of student funding may be
less than students get in other
regions. This in turn may affect
recruitment, retention and
achievement.

Executive Team

2

2

College continues to be viewed as a
"lesser" partner within UHI

Principal

1

2

Impact would be additional work to meet the reporting requirements driven by SFC through EO, changes to accounting processes

Executive team

2

3

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

3

1

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.

SMT

3

3

Ensuring college has good reputation to drive students to come to us

SMT

3

3

Inability to recruit students or attract and retain high calibre staff, inability to attract funding and/or develop strategic partnerships

SMT

3

3

Functioning of key parts of the college at risk. Projects delayed due to loss of continuity, corporate knowledge gaps and disruption/loss of established relationships and contacts.

	Principal	4	3
Loss, injury, financial and reputational damage.	Board & SMT	3	4

The college has been able to recruit an above minimum number of directors but vacancies remain unfilled.

	Board	3	3
Deficits incurred/exceeding budgeted costs/failing to meet income targets	Finance Director	3	3

Having to rent additional space for support staff in Oban, no spare capacity in either Oban or Dunoon centres, poor working conditions for staff

Board & SMT	4	3
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High level of withdrawal and poor retention.

SMT & Curriculum leads	3	3
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Poor performance in national student satisfaction surveys. Reputational damage. Impact on ability to recruit future cohorts. Risk to core income streams.

Board & Executive Team	3	3
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Damage to reputation. Brexit. Poor performance in next REF. Inability to retain staff and research teams. Reduced income.

Principal	3	2
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Falling level of fees from previous years. HMI report may lead to reduction in reputation and further reduction in fees/viability.

Principal	4	3
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Loss of income; Loss of reputation; Stagnation of curriculum; Missed opportunities for staff; Missed opportunities for students.

Principal	3	3
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Student recruitment. Uncertainty over funding arrangements particularly in relation to capital projects

Board & SMT	5	4
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Organisations engaging with other educational establishments

Principal	3	3
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Adverse financial circumstances.
Institutional malaise.

	3	4
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Opportunities for external partner bidding eschewed.

3

2

Inefficient working patterns, opportunities to meet as a team

3

3

Increased incidents or near misses.
Failure to properly update risk assessments by appropriate staff.

Principal

3

3

Inability to grow curriculum or be rewarded for expansion.

3

3

Status quo prevails

3

3

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, official sanction, loss of business, poor performance in student KPIs e.g. NSS score, costs, resources and time taken to manage and rectify the incident

3

3

College forced to shoulder the burden of expenditure already incurred

Principal

3

4

College staff and students forced to stay away from centres either individually or en masse, poor student recruitment and retention, stress for staff, strategic developments lose priority to extra operational complexity and uncertainty

SMT

4

4

Residual Risk	Res Colour	Risk Trend	Actions To Minimize
15	Red	Decreasing	Senior Board and Management have met re estates priorities for the short and medium term. Develop estates strategy as part of 5 year plan for the orgn.

16	Red	Stable	Quality Assurance Committee, review of recruitment procedures and offering, restructured management, role of Curriculum leads
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0	Green		proactive monitoring of cybersecurity risks at university and academic partner senior management level. Common information security policy framework. Complete Information asset register. Business processes and practice where personal data is handled have been questioned and validated. Sensitive personal data is secured appropriately, handled correctly and accessed carefully by approved users. Partnership and local procedures that implement information security policies and best practice. Mandated information
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			Dialogue with SFC, H&I FERB, EO and Scottish Govt.
15	Red	Stable	
0	Green		
			Dialogue with SFC, H&I FERB, EO, Scottish Govt, Colleges Scotland, other relevant stakeholders. Attempt to increase income from other sources.
25	Red	Decreasing	
4	Green	Stable	Work with stakeholders
2	Green	Decreasing	All actions required for assigned status recommendation have now been accepted as completed, and assignation has been recommended.

6	Amber	Stable	Outwith our control

3	Green	Decreasing	Work with UHI EO to ensure financial info from Sage system remains appropriate and adequate

9	Amber	Stable	Ensuring college has good reputation to drive students to come to us

9	Amber	Stable	Ensuring college has good reputation to drive students to come to us

9	Amber	Stable	By having good governance, maintaining good external communications, dialogue with stakeholders, ensuring positive outcomes for students

			Discussions starting to take place at Board level re succession planning for ET.
12	Amber	Decreasing	
			Staff training, use of expert consultants to keep the college informed & sharing good practice and learning with partner organisations.
12	Amber	Decreasing	
			Continue to monitor attendance and skills matrix, annual self-evaluation of Board members
9	Amber	Stable	
			Devolving and developing budget responsibility with ownership at delivery level where relevant.
9	Amber	Decreasing	

			Additional capital/backlog maintenance funding recently approved for 2019/20. Develop strategy and funding opportunities for all premises.
12	Amber	Increasing	
			New Curriculum Lead role devolving academic leadership closer to delivery
9	Amber	Decreasing	
			IT staff now working more closely with LIS, IT systems have seen a definite improvement. Ensure students benefit from favourable staff:student ratios
9	Amber	Decreasing	
6	Amber	Decreasing	

Ongoing Review of nursery function, investigation of costs and income will be carried out.

12	Amber	Increasing	
			Review appropriate staffing. Meaningful and enthusiastic engagement with stakeholders; encouragement for staff at all levels to engage.
9	Amber	Stable	

Continue to investigate wide/alternative sources of funding

20	Red	Increasing	
			Engagement with councils, DYW and key employers
9	Amber	Decreasing	

Engage positively in reform agenda

12	Amber	Decreasing	
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6	Amber	Decreasing	Encourage staff to engage and build partnerships wherever they arise.
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9	Amber	Decreasing	Use of technology and maximise face to face meeting opportunities as they occur.
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9	Amber	Decreasing	Health & Safety consultant's work, auditing and roll out of improved staff training
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9	Amber	Decreasing	Make the case for revised allocation approach.
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9	Amber	Decreasing	Immediate focus is local.
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			<p>proactive monitoring of cybersecurity risks at university and academic partner senior management level.</p> <p>Common information security policy framework.</p> <p>Complete Information asset register.</p> <p>Business processes and practice where personal data is handled have been questioned and validated.</p> <p>Sensitive personal data is secured appropriately, handled correctly and accessed carefully by approved users.</p> <p>Partnership and local procedures that implement information security policies and best practice.</p>
9	Amber	Decreasing	Mandated information
			Continue to liaise with UHI.
12	Amber	Decreasing	
			Continue business continuity and mitigation planning
16	Red	Stable	

Future Mitigating Actions

Develop Estates Strategy

Review of course delivery as part of planning process

Continue meeting with relevant stakeholders

Continue dialogue with SFC on shadowing of NRPA

Monitoring of potential spend related to student finance against allocation

Continue to monitor

Remain informed on position with accounting systems convergence.

Continue to review relevance of curriculum

Continue to review relevance of curriculum

Focus on Quality at all levels of the organisation

Continue discussions at Board level re continuity/succession planning

Ensure that good practice is embedded at all levels in the college

Use of skills matrix and monitor at Board meetings

Build up annual budgets based on departmental needs

Work with HIE and other partners to identify potential new premises.

Ongoing staff development

Work with Local Authority, HIE, SFC and Executive Office to develop accommodation

Improve management information system

Review of existing opportunities with view to prioritising action

Better organised business development role in the college. Encouragement of staff at all levels to eng

Review recruitment approach for SMT members

Better use of intelligence sharing amongst staff of near misses etc

In relation to strategic developments, engage with SFC

Action Owner	Completion
Executive Team	01/12/2020

SMT	31/12/2020
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Principal

Ongoing

Principal

31/12/2020

Head of Student Services

31/12/2020

Principal/Finance Director 31/12/2020

Finance Director 31/12/2020

SMT 31/12/2020

SMT 31/12/2020

All staff 31/12/2020

Principal

31/12/2020

Executive team

Board Secretary

Finance Director

30/06/2021

Executive Team

31/12/2020

SMT

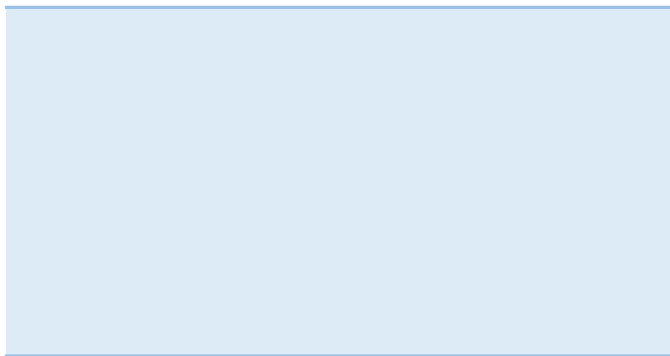
Head of Property/Finance Director

31/12/2020

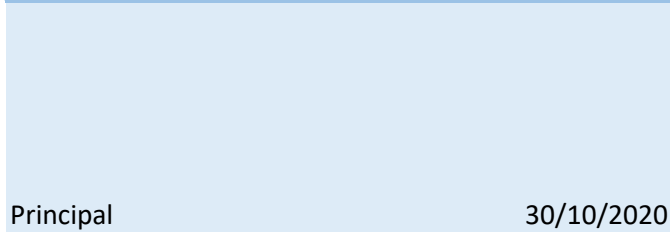
Finance Director 31/12/2019

Principal 31/12/2019

Principal 31/10/2020

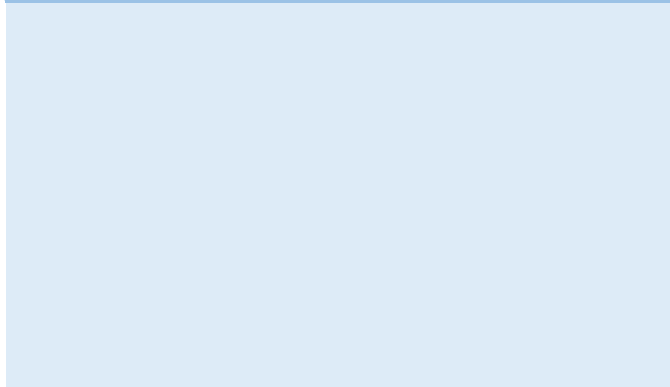


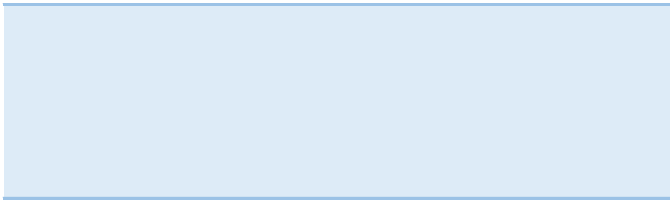
Principal 30/06/2020



Principal 30/10/2020

Principal 30/09/2020





Ongoing

Future Mitigating Actions 2

Continuing discussions with local authority and other relevant agencies over available premises in oth

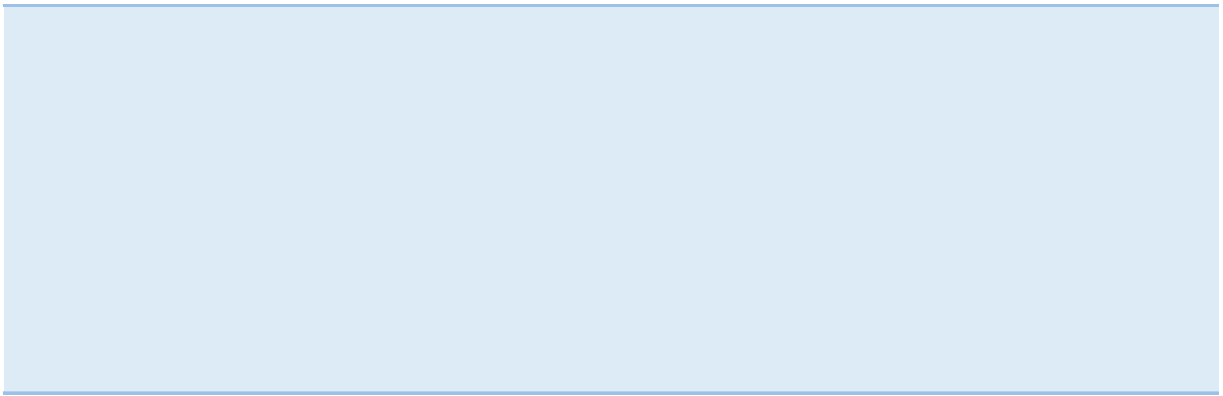
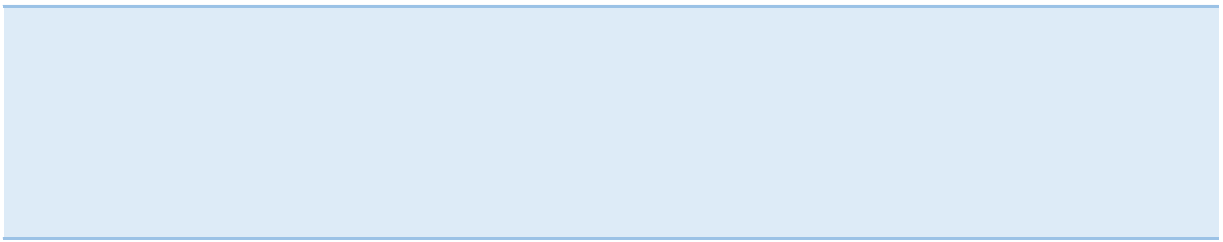
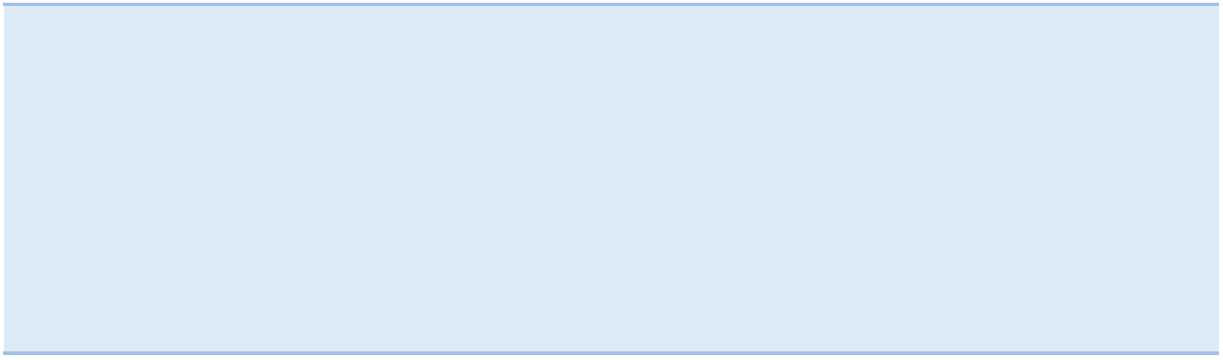
Explore more partnership/networking opportunities with partner and other colleges

Continue to review college roles and create culture where talented staff are valued and retained.

Devolve budget control to Head of Departments in new SMT

Continue to invest in IT and be aware of developments in technology, develop BYOD, etc

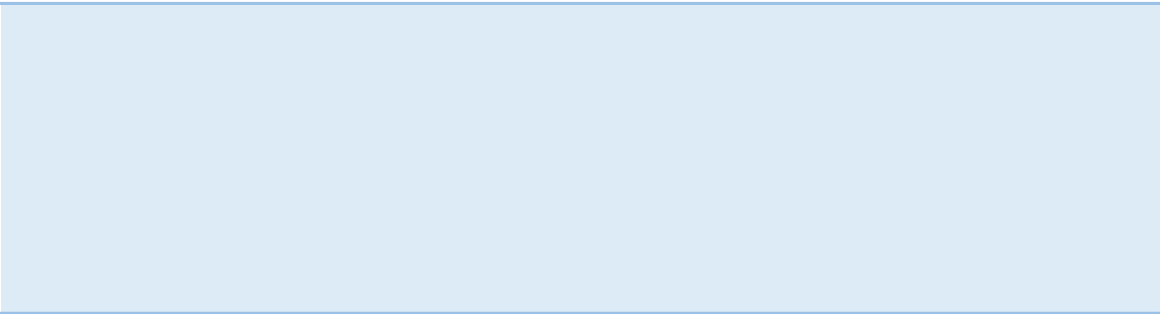
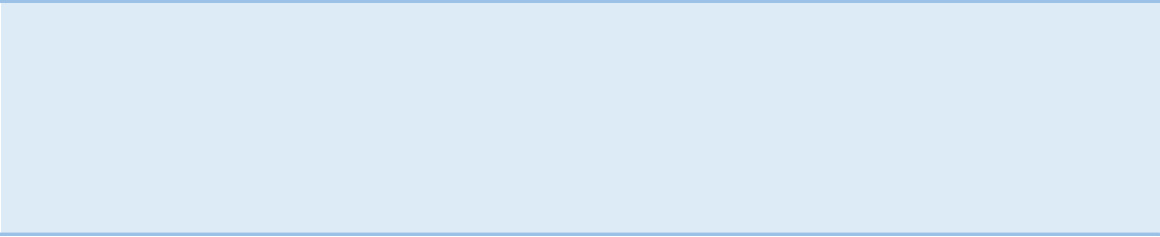
Review nursery operations and management processes



Completion Date 2	Action Owner 2	Future Mitigating Actions 3	Action Owner 3
31/12/2020 Principal			

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31/07/2020 SMT

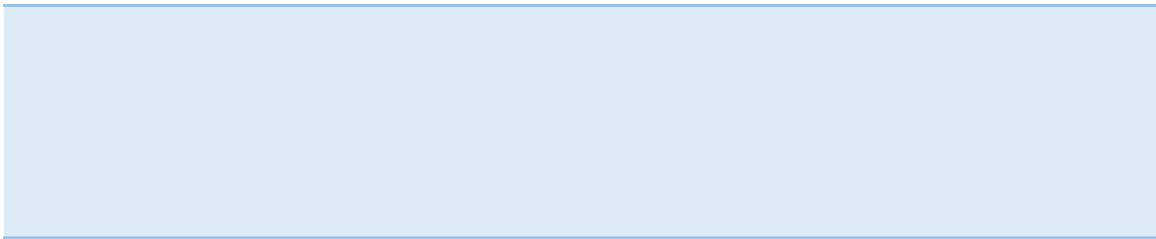
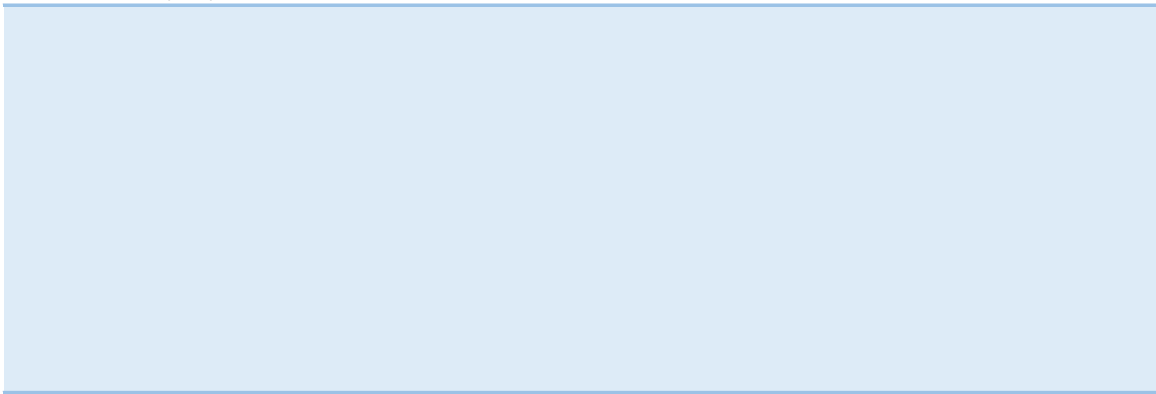


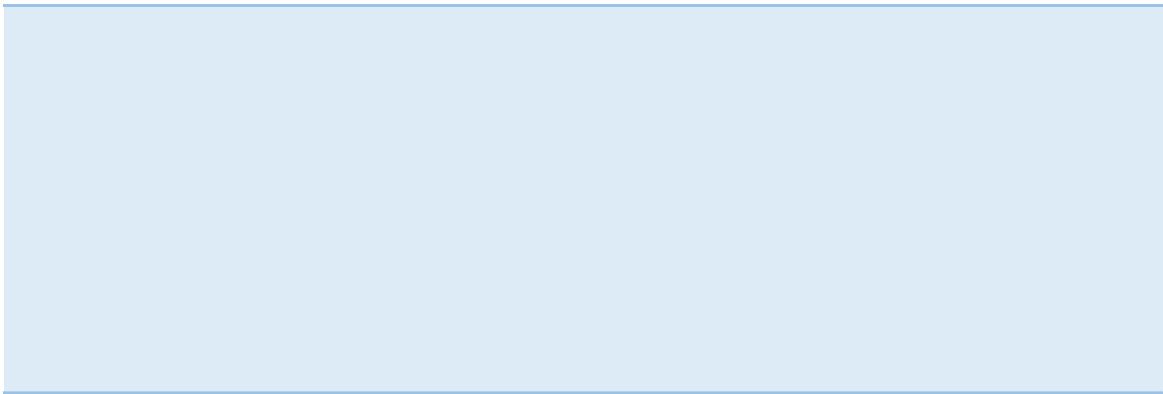
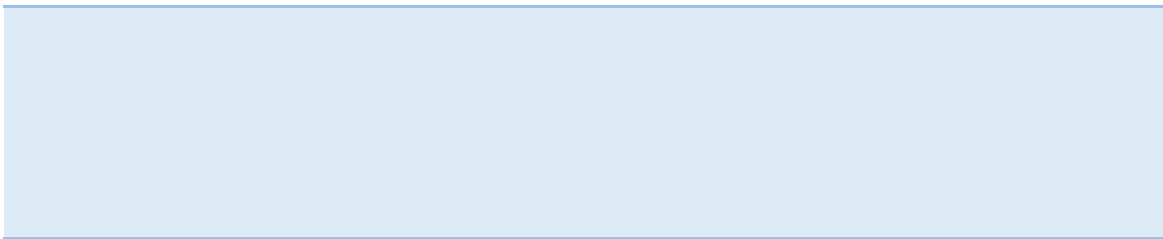
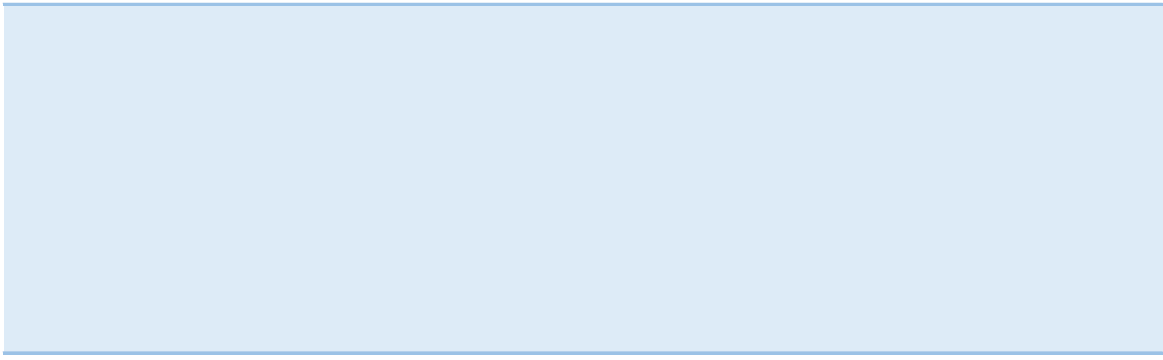
01/07/2020 SMT

01/07/2020 Finance Director

31/07/2020 Finance Director

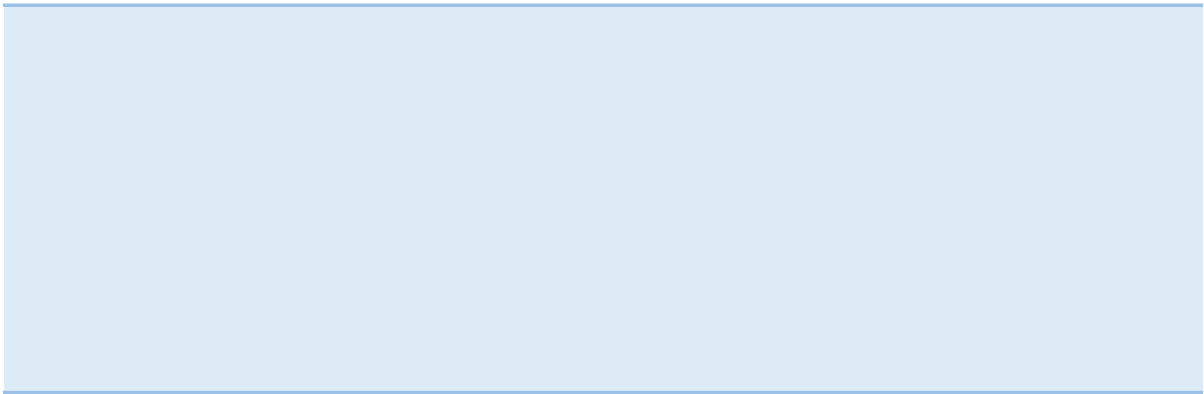
31/12/2019 Executive Team

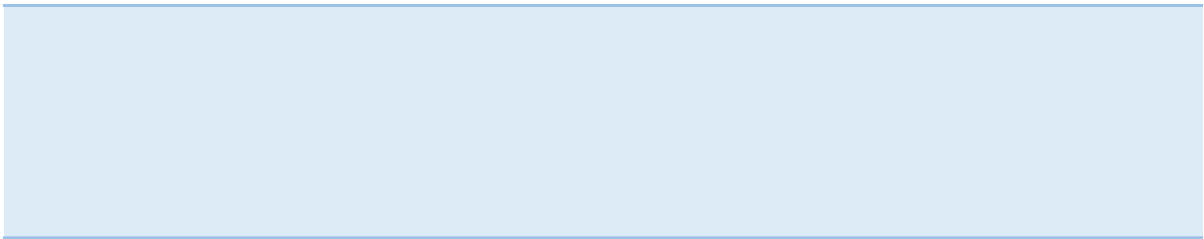


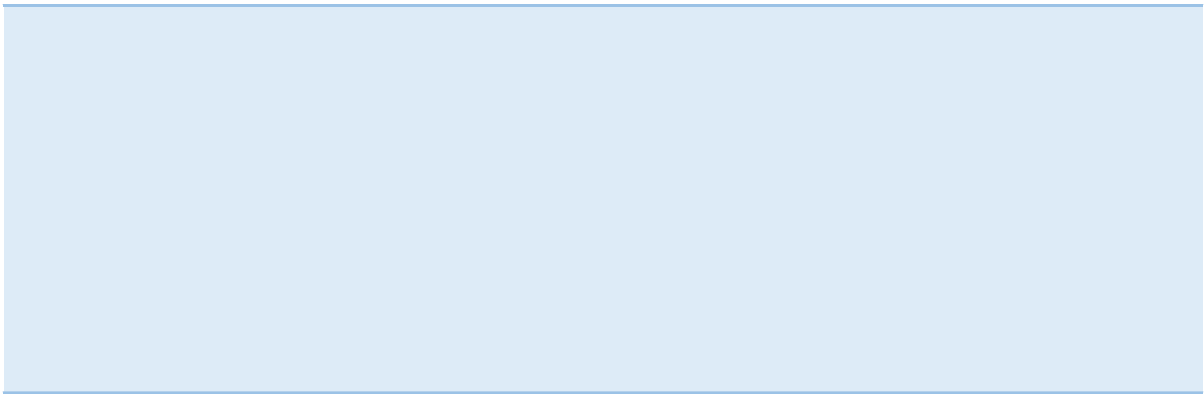
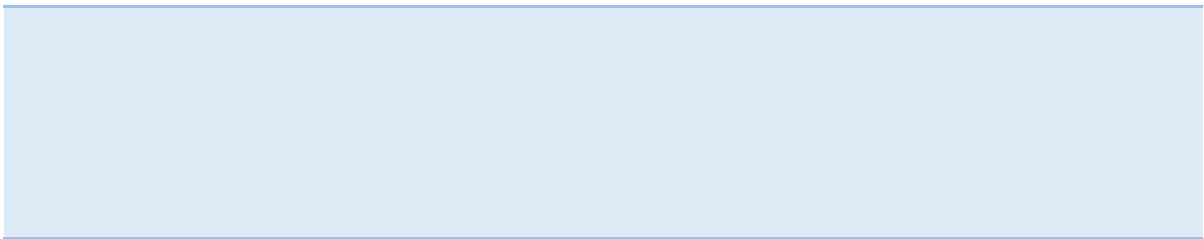
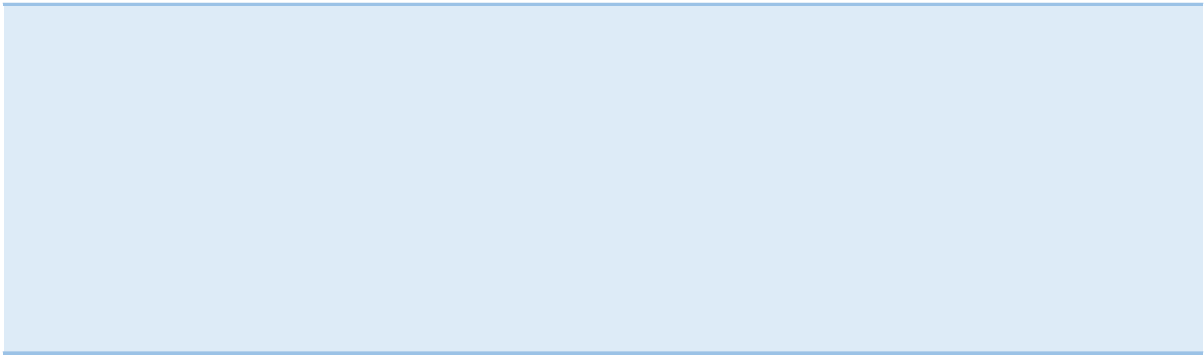


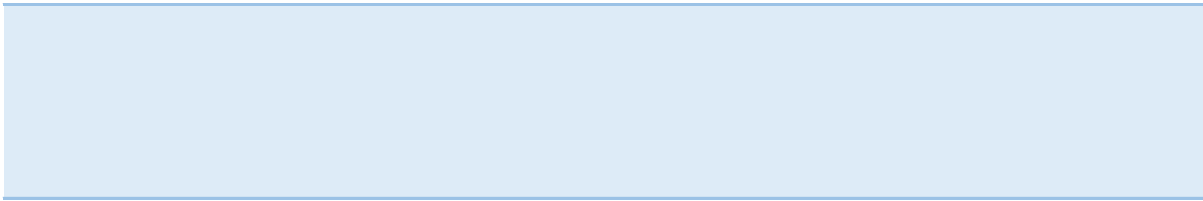
Completion Date 3	Future Mitigating Actions 4	Action Owner 4	Completion Date 4

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Commonrisktoggle	Common Risks	Item Type	Path
No		Item	sites/riskregister/Risks
Yes	9.Academic quality	Item	sites/riskregister/Risks
		Item	sites/riskregister/Risks

	Item	sites/riskregister/Risks
	Item	sites/riskregister/Risks
No	Item	sites/riskregister/Risks
	Item	sites/riskregister/Risks
	Item	sites/riskregister/Risks

		Item	sites/riskregister/Risks

		Item	sites/riskregister/Risks

Yes	1.HE Targets	Item	sites/riskregister/Risks

Yes	2.FE Targets	Item	sites/riskregister/Risks

Yes	3.Reputation	Item	sites/riskregister/Risks

Yes	4.Key Staff	Item	sites/riskregister/Risks
Yes	5.Compliance	Item	sites/riskregister/Risks
Yes	6.Governance failure	Item	sites/riskregister/Risks
Yes	7.Financial failure	Item	sites/riskregister/Risks

Yes	8.Estates	Item	sites/riskregister/Risks
Yes	9.Academic quality	Item	sites/riskregister/Risks
Yes	11.Student Experience	Item	sites/riskregister/Risks
Yes	10.Research quality	Item	sites/riskregister/Risks

	Item	sites/riskregister/Risks
	Item	sites/riskregister/Risks
	Item	sites/riskregister/Risks
	Item	sites/riskregister/Risks
No	Item	sites/riskregister/Risks

Item	sites/riskregister/Risks

Item	sites/riskregister/Risks

Item	sites/riskregister/Risks

Item	sites/riskregister/Risks

Item	sites/riskregister/Risks

Yes	12.Data breach	Item	sites/riskregister/Risks
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No		Item	sites/riskregister/Risks
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Argyll College UHI Ltd

Staff Development

Internal Audit Report No: 2020/02

Draft Issued: 11 September 2020

Final issued:

LEVEL OF ASSURANCE

Requires Improvement

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

Management Summary

Overall Level of Assurance

Requires Improvement

System has weaknesses that could prevent it achieving control objectives.

Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Argyll College UHI Ltd ('the College') Register:

- 14 – Disruption to services/projects and/or partnership working resulting from loss (temporary or permanent) of a key staff member (risk rating: medium)

Background

As part of the Internal Audit programme at the College for 2019/20 we carried out a review of the College's staff development arrangements. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Governors and Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Within the College sector recruitment and retention of key staff is of vital importance. The College must ensure that it has the organisational capacity to implement its strategic plans and make full use of the abilities of its staff. It should therefore explicitly relate its staffing requirements to its strategic and operational objectives in terms of numbers, skills, knowledge, deployment, structure, etc.

The College should ensure that all staff are managed effectively and efficiently. Managers should communicate business priorities and objectives to staff and ensure that those objectives are translated into tasks that teams and individuals undertake. Staff should know what is expected of them; their performance should be regularly assessed; and they should be assisted in improving their performance.

Scope, Objectives and Overall Findings

This audit considered whether the College is making best use of its staff and included a review of workforce planning; training; and the personal development plan system.

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

Objective	Findings			
The specific objective of this audit was to obtain reasonable assurance that:		1	2	3
1. the College has a systematic approach for ensuring that its staff resources match what is required in order to deliver its commitments. Where gaps are identified, timely action is taken to close these.	Satisfactory	0	0	1
2. the College's approach to training including induction training, is clearly informed by an assessment of where there are skills / knowledge / performance gaps.	Requires Improvement	0	2	1
3. the College has a systematic approach to evaluating its training to ensure that it is achieving the desired impact.	Satisfactory	0	0	1
4. there is a systematic approach for translating business objectives into actions / tasks for members of staff.	Satisfactory	0	0	1
5. a systematic approach is used for communicating objectives and performance expectations to staff.	Good	0	0	0
6. a systematic process is used for providing feedback to staff on performance and agreeing action to improve performance.	Good	0	0	0
Overall Level of Assurance	Requires Improvement	0	2	4
		System has weaknesses that could prevent it achieving control objectives.		

Audit Approach

The HR Officer and Director of Finance were interviewed and the College's policies, procedures and structure reviewed, to assess compliance with the above objectives.

Summary of Main Findings

Strengths

- The College continually monitors student and staff numbers to ensure that sufficient staff resources are attached to each course.
- The College has a dedicated Learning and Development (L&D) Coordinator who coordinates training and development activities delivered across the College.
- The College provides a range of learning and development opportunities for staff, including supporting staff in undertaking the Professional Development Award in Teaching Practice.
- Staff have access to a suite of online training modules which provides them with flexible opportunities for learning and development.
- Staff Development Request Procedures are in place which outline the application, review, and approval process for training requests.
- The evaluation mechanisms in place communicate the College's objectives, dependencies and to staff and to review departmental and College performance.

Weaknesses and Opportunities for Improvement

- The College has not developed a Workforce Plan which reflects the College's medium-term strategy for managing its workforce (including the provision of support through learning and development). Such a Workforce Plan would include an analysis of the current workforce and identify future staffing requirements (as well as setting out a strategy describing how any potential gaps could be addressed).
- The Staff Development Committee is responsible for approving staff development requests. Our review noted that the Staff Development Committee was chaired by a Head of Curriculum and previously met every six weeks. However, the committee has not convened since August 2019.
- Although guidance is available to staff on the appraisal process, and information is available on a range of learning and development activities, the College has not established an overarching staff Learning & Development policy which clearly outlines the College's aims and objectives or outlines the responsibilities of staff, line managers, senior management and the Board in relation to staff training.
- The current staff development request form requires staff to document how the College will benefit as well as what the individual hopes to gain from attendance at a training event. However, there is scope to expand this to document the expected learning outcomes which would later allow a formal evaluation of the impact of training received by requiring staff to revisit the expected learning outcomes recorded on the development request form a period of time after having received the training in order to confirm that the learning needs have been met.
- The staff appraisal form, and associated guidance notes, do not provide a clear linkage between the training needs identified on the appraisal forms and the departmental operational or College Strategic Plan objectives.

Acknowledgements

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



Main Findings and Action Plan

Objective 1: The College has a systematic approach for ensuring that its staff resources match what is required in order to deliver its commitments. Where gaps are identified, timely action is taken to close these.

Our review found that although there is no formal workforce plan or skills database currently in place (see **R1** below) there are alternative processes in place which ensure that staff resources are available to meet commitments.

There is an approved establishment list and staffing budgets are based on approved posts. Management conduct recruitment in line with available budgets and approval for new posts. Management monitor student and staff numbers to ensure that sufficient resources are aligned to each curriculum area and support service so that operational commitments and service levels can be met. Skills gaps are filled, either through redeployment of staff, by supporting staff through further training or, where necessary, through external recruitment in line with the staff budget model. During the last 12 months the College has undertaken some re-organisation, particularly within curriculum teams, to ensure that the right staffing structure and capabilities are in place to meet the College's needs going forward and to address identified succession planning challenges.

Staff Development - DRAFT

Objective 1: The College has a systematic approach for ensuring that its staff resources match what is required in order to deliver its commitments. Where gaps are identified, timely action is taken to close these.

Observation	Risk	Recommendation	Management Response	
The College has not developed a Workforce Plan which reflects the College's medium-term strategy for managing its workforce (including the provision of support through learning and development). Such a Workforce Plan would include an analysis of the current workforce and identify future staffing requirements (as well as setting out a strategy describing how any potential gaps would be filled).	Without a Workforce Plan there is a risk that changes to the way the College delivers services in one curriculum or support area may have unplanned or unintended effects on other curriculum or support areas; and the College may not be able to manage workforce changes to ensure that it is making best use of its staff resources to achieve its objectives.	R1 In order to meet the anticipated future challenges around curriculum delivery and College budgets, the College should consider undertaking an exercise to forecast expected staff numbers and staff costs and also identify skill needs aligned to the future shape of the curriculum portfolio on a rolling three-year basis, using scenario planning where necessary.	<p>To be actioned by:</p> <p>No later than:</p>	
			Grade	3

Staff Development - DRAFT

Objective 2: The College's approach to training, including induction training, is clearly informed by an assessment of where there are skills / knowledge / performance gaps.

The skills of new staff are considered during the recruitment process to ensure that they have adequate skills for undertaking the relevant role being filled. All permanent teaching staff are required to undertake a teaching qualification, either the Teaching Qualification Further Education (TQFE) or a suitable Professional Development Award. If new staff do not possess a teaching qualification the College will provide support to staff to achieve this qualification.

All new staff must complete a mandatory induction programme, which consists of online training modules covering areas of statutory compliance including health and safety and data protection. Induction also includes a departmental induction provided by the relevant service's line manager.

Training needs can also be identified by individual staff members or managers as part of the annual staff appraisal process or at any time during the year.

Our review noted that the College provides a range of learning and development opportunities for staff, including:

- two days of structured Continuing Professional Development (CPD) activity each year to all staff.
- staff are provided access to a suite of online learning modules.
- staff have access to the College Virtual Learning Environment where they can find training information.
- staff can apply to attend an external training course where there is a valid justification; and
- teaching staff can apply to undertake the Professional Development Award in Teaching Practice.

Staff Development - DRAFT

Objective 2: The College's approach to training, including induction training, is clearly informed by an assessment of where there are skills / knowledge / performance gaps.

Observation	Risks	Recommendation	Management Response	
<p>Staff Development Request Procedures are in place which outline the application, review, and approval process for training requests. The procedures describe that:</p> <ul style="list-style-type: none">the Staff Development Committee is responsible for approving staff development requests.costs of training events up to a maximum amount of £200 can be approved by the Chair of the Staff Development Committee, with requests above this limit needing approval by the full committee.the process for evaluating staff development activity, including issuing training evaluation forms to staff following training; andevaluation forms are reviewed by the Staff Development Committee at their regular meetings, as a standing agenda item, in order to inform any changes in the scope or form of future occurrences of the same training session as well as informing the overall College staff development plan. <p>Our review noted that the Staff Development Committee was chaired by a Head of Curriculum and previously met every six weeks. However, the committee has not convened since August 2019.</p>	<p>Staff development opportunities are restricted due to a failure in the approval procedures.</p> <p>Failure to evaluate the effectiveness of training could lead to poor use of resources by continuing training that does not result in more efficient or effective working practices or provide value for money.</p>	<p>R2 Ensure that the Staff Development Committee operates as outlined in the Staff Development Request Procedures. A review should be conducted to clarify the circumstances which have led to the committee not convening since August 2019 and to identify any barriers which may prevent the committee convening (including timing of meetings, composition of the committee and use of technology).</p>	<p>To be actioned by:</p> <p>No later than:</p>	
			Grade	2

Staff Development - DRAFT

Objective 2: The College's approach to training, including induction training, is clearly informed by an assessment of where there are skills / knowledge / performance gaps (continued).

The identification of training needs is not currently directly aligned with the College's annual budget setting cycle. This misalignment creates a weakness whereby budgets are assigned for training costs without the identification of training requirements for the year ahead. Although this does create a potential risk that insufficient budgets are allocated to meet training and development needs, the Director of Finance expressed confidence that the budget available is sufficient to meet existing training needs. If there was an urgent training requirement, such as to satisfy legal compliance, then management would be committed to the identification of resources to deliver the necessary training.

Staff appraisals are conducted annually by managers and any training needs are identified from this process and recorded on the forms provided which are then shared with the Learning & Development (L&D) Coordinator to aid future planning of L&D activities.

All new staff are required to complete a corporate and departmental induction. The induction process is coordinated by managers and covers all service areas. The College makes use of a suite of e-learning modules which must be completed by all new staff. The results of completion of e-learning modules are recorded on individual employee training records.

Observation	Risk	Recommendation	Management Response	
Although guidance is available to staff on the appraisal process, and information is made available on a range of learning and development activities, the College has not established an overarching staff L&D policy which clearly outlines the College's aims and objectives or outlines the responsibilities of staff, line managers, senior management and the Board in relation to staff training.	The College's policy and ethos on training is not clearly communicated resulting in variations in approach across the College.	R3 A Staff Learning & Development Policy should be created which outlines: <ul style="list-style-type: none"> the scope aims and responsibilities in relation to learning, development and training. options for learning and development available to staff. how training and development is prioritised. specific areas of learning which are essential for all staff. responsibilities in terms of recording, monitoring, and evaluating learning; and Personal Development Review arrangements. 	To be actioned by: No later than:	
			Grade	2

Staff Development - DRAFT

Objective 2: The College's approach to training, including induction training, is clearly informed by an assessment of where there are skills / knowledge / performance gaps (continued).

Observation	Risk	Recommendation	Management Response	
<p>The College does not make use of skills databases at either an organisational level (i.e. through the L&D team) or at a departmental level, which can be utilised to identify any skills or knowledge gaps in departments or for individual members of staff.</p> <p>Our review noted that the identification and recording of training needs across the College is currently a largely manual (and therefore less efficient) process. L&D staff are required to analyse employee appraisal forms to identify training needs, which are then scrutinised to determine if there is a business justification for the training. This relies on L&D staff maintaining an understanding of staff roles or seeking clarification from line managers on the need for specific training. Once training has been provided, L&D staff must manually add training records into the Cascade HR system based on a review of several different records, such as course attendance sheets and training application forms.</p> <p>It would be more efficient to identify a base level of training expected for each post and utilise this data to populate Cascade. As employee training records are added to Cascade they can then be matched to the training requirements established for each post. This could allow L&D to identify skills gaps and target training to specific groups or to individual staff members. As the curriculum portfolio changes, any changes in staff skills mix should also be notified to L&D to allow Cascade to be updated. This would allow L&D to identify any revised training needs across the College.</p> <p>Refresher training, such as health and safety training, is currently recorded separately on spreadsheets. However, the information is then recorded in Cascade to provide a historic record of training received. Potentially, Cascade could be utilised in a more proactive manner whereby L&D could identify the refresher training due in the next 12 months. This would allow more efficient forward planning in terms of developing a training plan and the associated budget.</p>	Information is not available to identify where training requirements or skills gaps exist.	R4 Conduct a training needs assessment across the College to identify the basic training and skills requirement associated with each post. The data obtained from the training needs assessment should then be used to populate Cascade, which will allow L&D and management to identify training gaps as staff training records are updated.	To be actioned by: No later than:	
			Grade	3

Staff Development - DRAFT

Objective 3: The College has a systematic approach to evaluating its training to ensure that it is achieving the desired impact.

Observation	Risk	Recommendation	Management Response	
<p>Discussions with staff, and review of appraisal procedures, identified that there is a formal means of evaluating the impact of previous training provided on staff performance through the staff appraisal process, and also an informal mechanism through regular one to one meetings held with staff. However, it was also identified that there is no formal means of obtaining feedback on the quality, relevance or usefulness of the training activity undertaken.</p> <p>The current staff development request form requires staff to document how the College will benefit as well as what the individual hopes to gain from attendance at a training event. However, there is scope to expand this to document the expected learning outcomes which would later allow a formal evaluation of the impact of training received by requiring staff to revisit the expected learning outcomes recorded on the development request form a period of time after having received the training in order to confirm that the learning needs have been met.</p>	<p>Failure to evaluate the effectiveness of training could lead to poor use of resources by continuing training that does not result in more efficient or effective working practices or provide value for money.</p>	<p>R5 Work should be undertaken to expand the current development request form to capture expected learning outcomes. This will provide the opportunity for staff to subsequently formally evaluate the achievement of anticipated learning outcomes and to record feedback after attending the relevant training course. Completed forms should then be signed-off by managers and form part of the staff appraisal process. Feedback provided on the forms should also be reviewed, and the results used to inform future selection of training providers and an analysis of training spend and benefits derived to ensure that best value is being achieved from training spend.</p>	<p>To be actioned by:</p> <p>No later than:</p>	
			Grade	3

Staff Development - DRAFT

Objective 4: There is a systematic approach for translating business objectives into actions / tasks for members of staff.

The College's Strategic Plan is used as the basis for developing departmental operational plans, which are prepared annually around September / October, and which link to the key objectives in the College Strategic Plan.

Our review confirmed that the following mechanisms are in place to communicate the College's objectives to departments and staff including:

- the staff appraisal process.
- informal one-to-one discussions held between senior management and Heads of Curriculum and other senior managers.
- the annual departmental self-evaluation review process facilitated by the College's Quality team.
- faculty meetings which are held several times a year; and
- annual staff development events.

Observation	Risk	Recommendation	Management Response	
The staff appraisal form, and associated guidance notes, do not provide a clear linkage between the training needs identified on the appraisal forms and the departmental operational or College Strategic Plan objectives.	Learning and development activities are not effectively linked to the departmental operational objectives and/or to the College strategic objectives.	R6 As part of the staff appraisal process a review should be completed on how staff learning and development actions can be more clearly linked to departmental objectives on the staff appraisal forms.	To be actioned by:	
			No later than:	
			Grade	3

Staff Development - DRAFT

Objective 5: A systematic approach is used for communicating objectives and performance expectations to staff.

Objectives are communicated to staff via a range of mechanisms, including through one to one meeting, team meetings, and the annual staff review process. Performance expectations should be clearly set out by line managers as well as formally through job descriptions. Where there is a need to clarify performance expectations then this should take place through ad hoc discussions with staff, through the staff review process, or if necessary, through the Performance Improvement Policy and Procedure

Each member of staff undergoes an annual staff appraisal with their line manager to discuss performance against previously agreed objectives; to agree objectives for the coming period; and identify training and development needs. Performance and training objectives are then agreed for the next 12-month period. As noted above, staff objectives are linked to the departmental operational plans with individual responsibility assigned. A key objective of the staff appraisal is to offer each member of staff a formal means to clarify and review their responsibilities and relationships and to embrace the opportunities for training and development.

Objective 6: A systematic process is used for providing feedback to staff on performance and agreeing action to improve performance.

Ad hoc issues should be dealt through regular contact between the line manager and the staff member concerned.

If there are concerns around staff performance, then these should be dealt with through the Performance Improvement Policy and Procedure. We reviewed this procedure and confirmed that it provides a robust framework for dealing with performance issues. We also noted that it allows for a range of informal and formal means for addressing issues and has appropriate options including discussion, escalation, warnings, suspension, and dismissal.

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Argyll College UHI Limited

Audit Strategy Memorandum

For the period ended 31 July 2020

This document is strictly private and confidential

ArmstrongWatson[®]

Accountants, Business & Financial Advisers

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Introduction

Scope and Limitations

This document is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities under our audit engagement letter. The contents of this audit strategy memorandum should not be disclosed to third parties without our prior written consent. No responsibility to any third party is accepted as this memorandum has not been prepared for, and is not intended for, any other purpose.

The purpose of this memorandum is to set out the scope of the audit and to highlight the key elements in our proposed audit strategy for the period ended 31 July 2020. It encompasses relevant audit risks, accounting issues and matters that we believe will be significant to the financial statements and is supplementary to our letter of engagement, which sets out the respective responsibilities of ourselves as auditors and yourselves as trustees.

The auditors are required to inform those charged with governance of the following matters in relation to audit planning:

- Any issues that may bear on the auditors' independence and the integrity and objectivity of the audit engagement Responsible Individual (RI) and staff;
- The principal ways in which the risks of material misstatement will be addressed;
- The concept of materiality and its application to the audit approach; and
- The audit approach to the assessment and reliance on internal controls

Scope of the Audit

The purpose of our audit, which will be conducted in accordance with International Standards on Auditing (UK) (hereafter "ISAs") issued by the United Kingdom Financial Reporting Council (FRC), is to enable us to express an opinion on the college's financial statements.

We are not aware of any expected limitations in the scope of our work.

This memorandum covers our work in respect of the audit of Argyll College UHI Limited.

Responsible Individual

The RI responsible for the audit engagement and issue of the audit report will be Martin Johnston.

Audit Independence and Objectivity

We will conduct our audit in accordance with the Code of Ethics of the Institute of Chartered Accountants in England and Wales and the Ethical Standards published by the FRC.

We have considered our independence and objectivity in respect of the audit for the period ended 31 July 2020.

In addition to auditing the financial statements we have been asked to prepare the financial statements for Argyll College UHI. We have outlined below the safeguards that we have put in place to ensure that these services do not cause any breaches in our independence and objectivity in relation to the audit.

Non-audit services provided	Safeguards put in place, to reduce the threat to our integrity, independence and objectivity
Preparation of the statutory accounts from the Trial Balance supplied by you.	<p>The accounts are prepared by the input of numerical data to a software package. They are reviewed by a manager and checked using a disclosure checklist application to ensure that the disclosures are appropriate and up to date.</p> <p>Any accounting judgements and adjustments are made by you.</p>

We can also confirm that:

- Armstrong Watson Audit Limited, its directors and the audit team have no family, financial, employment, investment or business relationship with the college; and
- Audit and non-audit fees paid by the college do not represent a significant proportion of total fee income for either the firm or office.

We confirm that, in our professional judgement, the firm is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement RI and audit staff is not impaired.

Informed Management

We are required by ISAs to agree with you which individuals we consider at Argyll College UHI Limited to be "informed management" for the purposes of communication of issues surrounding the audit of the financial statements of the college.

Informed management are the management team used by the college for considering advice provided and agreeing decisions to be taken during the course of audit and non-audit services that may be provided to your college, particularly those relating to our independence as external auditors.

We consider Ailsa Close of Argyll College UHI Limited to be informed management.

Ethics

In accordance with auditing standards, we can confirm that any relationships that may bear on the firm's independence and the objectivity of the RI and audit staff have been identified and assessed.

There are no ethical issues that we believe the management board should be made aware of under the latest ethical standards issued by the FRC.

Our Audit Approach

Audit strategy

We will be working closely with you to ensure that we meet deadlines and conduct an efficient audit, with the minimum of disruption to your staff.

Our audit strategy comprises:

- Updating our understanding of the business through discussions with management and a review of the latest financial information;
- A review of the design and implementation of the internal financial control systems to the extent that they have a bearing on the financial statements;
- An assessment of the risk of fraud resulting in a material misstatement in the financial statements;
- An assessment of materiality and audit area risk and, based on that assessment, developing and implementing an appropriate audit strategy for all material account balances; and
- Reviewing material disclosure issues in the financial statements.

Internal controls

We are required to evaluate the design of an entity's internal controls over risks which could lead to material misstatement in the financial statements, and determine whether they have been implemented in accordance with that design.

We will review your internal controls relevant to our audit of principal transaction cycles. In practice, we cannot examine every accounting procedure in the college, your controls over every operating activity or all the financial information used within your business. Nor can we substitute for management's responsibility to maintain adequate controls at all levels of the business, including safeguarding assets. Our work cannot, therefore be expected to identify all risks in your business or all weaknesses in your systems and controls, which a special investigation might reveal.

Where during the course of our audit work we become aware of any significant weaknesses within the college's systems or internal controls we will draw these to your attention.

Fraud

Under ISAs, auditors are required to assess the risk of fraud. We will consider the susceptibility of the college to fraud, taking account of the business and control environment established and maintained by management, as well as the nature of transactions, assets and liabilities recorded in the accounting records. However, the principal responsibility for the prevention and detection of fraud rests with management, who should not rely on the audit to discharge those functions. There are many kinds of fraudulent activity, particularly those involving forgery, collusion and management override of control systems, as well as fraudulent financial reporting, which it would be unreasonable to expect the audit to uncover.

We will report to you, as soon as practicable, any suspected or discovered fraud which comes to our attention, even if the potential effect on the financial statements is immaterial, unless there is a legal or regulatory requirement to report direct to a third party.

Materiality

An item is considered material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Materiality is an area of judgement and therefore subjective. Under ISAs, materiality must be considered quantitatively and qualitatively, not only at an overall financial statements level but also in relation to classes of transactions, individual account balances and disclosures.

Materiality will be continually re-assessed throughout the audit process and in particular on receipt of the year end management accounts and again at finalisation of the accounts.

In carrying out our work we will apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all potential or actual misstatements.

If there are any areas of the financial statements where you would like us to apply a lower level of materiality we will be pleased to discuss this with you, including whether our audit approach can be readily adapted to accommodate such a level in that area, or whether it will be more appropriate for a special exercise to be carried out on the area.

Adjusted and unadjusted misstatements

During the course of the audit we may identify potential audit adjustments arising from misstatements in the financial statements and shall discuss these with you. The decision to make an adjustment to the financial statements is one which you alone can make.

Where the effects of accumulated uncorrected misstatements approach materiality; there may be an unacceptable risk that undetected misstatements might also exist. In such a situation we will discuss this with you with a view to making further adjustments of identified misstatements.

There may also be other instances where we will request adjustment of errors which appear to be individually immaterial where we consider it necessary for a proper appreciation of the financial results and position of the entity.

At the conclusion of the audit, we shall provide you with a schedule detailing those misstatements that we identified during our audit work which you agreed should be adjusted in the financial statements.

We shall also provide you with a schedule detailing those misstatements which have not been adjusted in the financial statements, other than those differences which are clearly trivial. As a general rule, trivial is assessed as 3% of overall materiality.

We will require you to confirm that you have considered these items and where you have made the decision not to adjust for them in the financial statements, ask you to confirm whether you believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole; this will be included in the letter of representation.

If you decide not to make an adjustment, which in our opinion should be made in order for the financial statements to show a true and fair view, it is likely that we will have to qualify our audit opinion.

Risk materiality assessment

Our audit approach is based on an assessment of the audit risk relevant to the individual financial statement assertions. As a result of our materiality and audit area risk analysis we classify all material account balance assertions or classes of transactions as having either: high; medium or low risk of material misstatement.

High risk assertions are subject to a more detailed level of testing, often relying on controls where possible, as we are required to obtain more persuasive audit evidence the higher our assessment of risk.

Significant audit risks

A significant risk is an identified and assessed risk of material misstatement that requires special audit consideration. There is a rebuttable presumption that two significant risks exists, the risk of management override and the risk of misstatement of the revenue recognised.

Key audit risks

The key audit risk areas we have identified through our planning process are as follows:

Risk identified	Our Approach
<p>Fraud/ Error in Revenue Recognition</p> <p>Risk of fraud and or error in revenue recognition is a presumed risk under International Auditing Standards.</p> <p>Income may be recognised incorrectly, either by over/under statement or through recognition in the wrong period.</p>	<p>Initially we will perform walkthrough testing of the sales and debtors systems to confirm our understanding of the processes and controls in place.</p> <p>We will also consider the design and implementation of the controls in terms of their ability to prevent misstatement of income.</p> <p>We will perform a detailed review of all income streams independently from each other and design substantive tests of detail verifying to sufficient third party evidence to ensure that revenue is not materially misstated.</p> <p>This will include the nursery income which we understand was closed in the year however we will still require to verify the completeness and accuracy of income. We understand that there have been historical issues with regards to the accounting for nursery revenue and will seek to address any current year issues early on and work with you to audit the related account balances.</p>
<p>Management Override</p> <p>The risk of misstatement due to management override of controls is a presumed risk under International Auditing Standards.</p>	<p>We will perform journal entry testing in order to provide us with assurance that journal entries are authorised and indicative of the business.</p> <p>We will perform a walkthrough of the systems in place in order for us to gain an understanding of any key controls that are in place and review any significant judgements and estimates for signs of management bias.</p>

Key audit risks continued...

Risk identified	Our Approach
<p>Defined Benefit Pension Scheme – Actuarial Valuation</p> <p>The nature of Defined Benefit Pension's lends itself to a degree of estimation based on a number of underlying assumptions. Any variation in these assumptions could have a material impact on the Pension liability within the financial statements.</p>	<p>We will undertake the following approaches;</p> <ul style="list-style-type: none"> • The year-end actuarial report will be obtained and the asset/liability compared to the financial statements. • The underlying assumptions contained within the report will be assessed and agreed to third party documentation to ensure they are reasonable. • A benchmarking exercise will be undertaken to determine the reasonableness of the assumptions made.
<p>Going Concern</p> <p>The COVID-19 pandemic has had a significant impact on the global economy. The economic risks and uncertainties surrounding the outbreak have resulted in going concern being identified as a significant risk at this stage of the audit.</p>	<p>In order to establish the going concern basis is appropriate the following measures will be taken:</p> <ul style="list-style-type: none"> • We will require management to prepare budgets and cash flow forecasts covering the period of at least 12 months from the date of the financial statements being signed. <p>These budgets should demonstrate management's consideration of the future impacts of the ongoing pandemic.</p> <p>We will scrutinize these schedules to ensure projected figures are reasonable by discussing with senior management the underlying assumptions applied to these forecasts.</p> <p>We will then carry out sensitivity analysis on the forecasts and underlying assumptions to ensure that the college has sufficient financial headroom to continue its operations for the foreseeable future if any unforeseen changes were to occur.</p> <ul style="list-style-type: none"> • A second partner review of our assessment of going concern will be carried out.

Going Concern Requirements

In September 2019, the Financial Reporting Council (FRC) issued revisions to International Standard on Auditing (ISA) (UK) 570 'Going Concern'. The revisions increase the work that auditors are required to do when assessing whether an entity is a going concern.

The revisions have been made in response to recent enforcement cases and a number of corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard requires greater work on the part of the auditor to more robustly challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence and evaluate the risk of management bias.

Related parties

As part of our audit, we are required to obtain sufficient appropriate audit evidence about related party relationships and transactions, and to determine whether these have been appropriately identified, accounted for and disclosed in the financial statements in accordance with the relevant accounting framework.

At the planning stage we are required to obtain from management a list of all the related parties of the entity (as defined by the relevant accounting framework) regardless of whether transactions have taken place or not. Included in Appendix 1 is a template, we would be grateful if you could update this for any related parties.

Reporting

We will report to you in a number of ways:

- Meetings with Senior Management and the Board of Trustees.
- A Management Report, which sets out the key findings and recommendations arising from the audit. The management report will include a follow up of recommendations made in the previous year, where applicable.
- Our Audit Opinion on the financial statements of the College.

If any significant matters arise during the course of the audit we will report these to you at the earliest opportunity.

Audit Arrangements and Timetable

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that we work closely with your team to achieve this timetable. Key dates for the audit have been agreed as follows:

Event	Expected timetable
Planning commences	Mid-August 2020
Fieldwork commences	19 th October 2020
Audit close meeting with Management	TBC
Present findings to Audit Committee	TBC
Board of Trustees approval, sign off and submission of accounts	18 th December 2020

Audit team

The key members of the audit team are as follows:

Role	Name	Contact
Responsible Individual	Martin Johnston	E: Martin.Johnston@armstrongwatson.co.uk T: 0141 233 0700
Manager	David MacLeod	E: David.MacLeod@armstrongwatson.co.uk T: 0141 233 0700
Senior	Simon Wrighthouse	E: Simon.Wrighthouse@armstrongwatson.co.uk T: 0141 233 0700

Information requested for audit purposes

We have sent a list of information required to enable us to complete the audit fieldwork. This list details the date for the expected information to be received by in order to ensure we achieve the timescales set out above.

If you have any queries regarding the information requested or if you anticipate not being ready for us on the dates specified, then please contact David MacLeod as soon as possible.

Fees

The proposed fees for the period ended 31 July 2020 is as follows:

	Current Year £
Fee for the audit of the statutory accounts	9,025
Fee for the preparation of the financial statements	2,550
Total	11,575

All prices quoted exclude VAT. The price excludes all disbursements with the exception of bank letter confirmation fees.

Should there need to be changes to the anticipated scope of work, we will agree with you the effects of such changes on our fees.

Our ability to deliver the services outlined to the agreed timetable and fee will depend upon the information requested above being available in the agreed form and content. Should all information not be available on a timely basis, it is likely that we will incur additional costs due to the impact on the efficiency of the audit process and we may seek to recover these costs from you. We will aim to keep such costs to a minimum and discuss these matters with you in advance.

All fees are due 30 days from invoice in accordance with our standard terms and conditions. A copy of these is attached to our engagement letter. Invoices will be raised at the following stages of the audit: 25% at completion of planning, 50% at completion of fieldwork and 25% at completion of the audit.

There is an option available to pay over 12 months in advance of the work being completed by way of Direct Debit. For more information on the payment plan option please speak to Martin Johnston.

Confirmation of Arrangements

If there are any matters that you would like to discuss further with me please do not hesitate to contact me. Otherwise I would be grateful if you could confirm that this document has been considered by management and that the proposed fees and timetable have been agreed by signing below and returning the signed copy of the document to David MacLeod.



Martin Johnston

Responsible Individual

For and on behalf of Armstrong Watson Audit Limited

Martin.Johnston@armstrongwatson.co.uk

On behalf of Argyll College UHI Limited, I acknowledge receipt and acceptance of the arrangements set out in this document with respect to the audit for the year ended 31 July 2020.

Signed: Position:

Name:

Date:

Related Party	Nature of relationship with entity	Type and purpose of transactions entered into (if applicable)
Ms Rosemary Allford	Trustee	Expenses
Mr Tony Dalgaty	Trustee	Expenses
Mr Scott Matheson	Trustee	Expenses
Mr Andrew MacFarlane Gordon Campbell	Trustee	Expenses
Mr James Ferguson Findlay	Trustee	Expenses
Ms Elodie Nowinski	Trustee	Expenses
Mr John Patrick Colston	Trustee	Expenses
Mr Martin Christopher Jones	Trustee	Expenses
Ms Bettina Sizeland	Trustee	Expenses
Ms Jennifer Swanson	Trustee	Expenses
Ms Maggie Tierney	Trustee	Expenses
Dr Faye Tudor	Trustee	Expenses
Ms Ailsa Elizabeth Close	Company Secretary and Finance Director	Salary and expenses.
University of the Highlands and Islands	Affiliated University, college is a constituent partner of the university.	Purchases and sales - e.g. students tuition fees.
Free Church of Scotland Pension Scheme Trustees Limited	Common directorship - Mr Scott Matheson	
Free Church of Scotland General Trustees' Nominees	Common directorship - Mr Scott Matheson	
Bute Marketing and Tourism Ltd	Common directorship - Mr James Ferguson Findlay	
Argyll, Lomond and the Islands Energy Agency	Common directorship - Ms Ailsa Elizabeth Close	
Interloch Transport	Common directorship - Ms Ailsa Elizabeth Close	
Argyll and Bute Rape Crisis	Common directorship - Ms Ailsa Elizabeth Close	
Kbuilt Limited	Common directorship - Ms Ailsa Elizabeth Close	
Argyll and Bute Council	Mr James Ferguson Findlay sits as a councillor on the council.	Purchases and Sales.
West Highland Housing Association	Lesley McInnes is Chief Executive.	Purchases.