

JOINT MEETING OF THE AUDIT AND FINANCE & GENERAL PURPOSES COMMITTEES

To be held at 1.00 – 3.00 pm Friday 29th November 2019

Oban Centre, Glenshellach Business Park, PA34 4RY

Tel 01631 559500 VC Code – 53943@uhi.ac.uk

Chairs: Scott Matheson and John Colston

A G E N D A

Agenda item no		Status For:	Papers
19.4.1	Welcome & apologies Declarations of interest		
19.4.2	Minutes of previous meeting of: <ul style="list-style-type: none"> • FG&P held on 29th August 2019 • Audit held on 24th May 2019 	Approval Approval	Attached Attached
19.4.3	Matters arising <ul style="list-style-type: none"> i) Update on Nursery ii) Update on Oban iii) Update on Riverside, Lochgilphead iv) Update on Islay v) Update on Helensburgh funding draw down vi) NRPA update 	Noting Noting Noting Noting Noting Noting	Oral Oral Oral Oral Oral Oral
19.4.4	Audit Report from MHA Henderson Loggie (as per timetable in draft Audit Plan)	Consideration and recommendation to Board	Attached
19.4.5	Draft Annual Report and Financial Statements for year ended 31 July 2019	For recommendation to Board	Attached
19.4.6	Management accounts to 31 October 2019	Consideration	To follow
19.4.7	Internal Audit annual report 2018/19	Consideration and recommendation to the Board	Attached

19.4.8	Internal Audit Plan 2019/20	Noting	Oral
19.4.9	Final Internal Audit Reports: Password agc163: <ul style="list-style-type: none"> i) Management & Board reporting ii) ICT review of GDPR iii) Budgetary control iv) Follow up on previous reports 	Consideration Consideration Consideration Consideration	Attached Attached Attached Attached
19.4.10	Review of risk register	Consideration	Attached
19.4.11	AOCB		
19.4.12	Date of next meeting: to be confirmed at Board meeting on 13 December 2019.		

**Minutes of the Audit committee
held at 12.30pm on Friday 24th May 2019
at the Lorne Street, Lochgilphead campus**

Present: Lesley McInnes (LMcI) Chair, by VC, Ken Jones (KJ), Amber Crowley (AC), Tony Dalgaty (TD)
Apologies: Gillian McCready (GMcC), Ailsa Close (AEC), Laura Hogg (LH)(Hisa Depute)
In Attendance: Martin Jones (MJ), Vicky Daveney (VD)(Secretary)

No	Item	Action
19.2.1	<p>Welcome The chair welcomed members to the committee meeting.</p>	
19.2.2	<p>Apologies & declarations of interest. Apologies were received from Gillian McCready, Ailsa Close and Laura Hogg.</p>	
19.2.3	<p>Minutes of Audit Committee meeting held on 1st March 2019 were approved. The minutes to be signed by Chair as an accurate record of the meeting.</p>	VD/LMcI
19.2.4	<p>Matters arising Update on funding for Helensburgh – MJ explained that this is ongoing AEC and MJ in discussions with the council and awaiting the council’s response. They have established the principle that Helensburgh is still in proof of concept. The expected outcome is a 5 year lease - 2 years peppercorn rate followed by a suitable commercial rate. LMcI asked whether the council intend to take it to committee or via the officer route. MJ understood that it could be signed off by an Officer rather than committee. Once clarity received from council AEC to go back to UHI and ask for release of funds. The committee asked what plan B is if UHI do not release funds. MJ and AEC have been in talks with the Drumfork Centre to use their facilities to teach Naval students.</p> <p>Concern was expressed that as UHI have not released funds yet, the college is out of pocket for what has already been delivered.</p>	
19.2.5	<p>Risk Register MJ stated that the new format is easier to update, reports are good, easier for cross principal discussion, it is a more interactive document and overall money well spent centrally.</p> <p>Nursery - LMcI asked about the status of the nursery. MJ explained that it is much improved, processes have been put in place and the last inspection was much better. The manager, seconded from the council, has been positive. The committee discussed the nursery further.</p>	
19.2.6	<p>Review of Code of Good Governance MJ wanted to remind the committee of the importance of knowing what is expected of it and suggested that a timetable is put in place for revising each</p>	

	section of the Code of Good Governance, to ensure compliance.	
19.2.7	<p>AOCB Evaluation of tender for Internal Audit services Audit committee to consider who will be involved in the evaluation of tenders between 3rd-7th June, with a view to awarding the tender by 7th June.</p> <p>Dunoon Library – TD asked whether this option was still being discussed. MJ explained that the decision had been taken not to pursue this option as it wouldn't provide much more space than the existing building, there is not scope for expansion due to being surrounded by a flood plain and raised window level not suitable for offices or classrooms.</p>	
19.2.8	Date of next meeting – Friday 30 th August 2019 at Lorne Street Centre, Lochgilphead	
	<p>Signed by</p> <p>..... Date</p> <p>Chair of Audit Committee</p>	

**Minutes of the
Finance & General Purpose committee
held at 2.30pm on Friday 30th August 2019
at the Lorne Street, Lochgilphead campus**

Present: John Colston (JC), Chair, Andrew Campbell (AC), Scott Matheson (SM) by VC, Jim Findlay (JF) by VC.

Apologies: Martin Jones (MJ)

In Attendance: Elaine Munro (EM), Ailsa Close (AEC), Vicky Daveney (VD) (Board Secretary)

No	Item	Action
19.3.1	Welcome – JC welcomed all committee members to the meeting.	
19.3.2	Apologies & declarations of interest. Apologies were received from Martin Jones. No declarations of interest.	
19.3.3	Minutes of previous meetings. Minute of F&GP meeting on 24 th May 2019 19.2.5 to be amended and re-circulated when approved by JC.	
19.3.4	<p>Matters arising.</p> <p>(a) Properties update Oban – Seeking to move all staff back to college building from WHHA, costs were supplied by a company for the hire of a temporary office building but they are very high. Now considering cost of purchasing a temporary office building and will bring costs back to the November meeting. JF suggested asking council who may have space in building in town centre, AEC to follow up but preferred option is to have all staff in the same building ACTION: Paper for November meeting.</p> <p>Islay – AEC reported that it is proving difficult to get reasonable quotes from tradespeople to carry out the scheduled work. The surveyor is to get a third quote. It is unlikely the work will be completed before Christmas.</p> <p>(b) Update on funding for Helensburgh The council paper on extending the lease on the Kirkmichael Centre is being presented to relevant Council committee on 19th September, then passed to the full Council. ACTION: AEC to continue to liaise with UHI over draw down of funding from UHI, and to forward council letter to UHI.</p> <p>(c) Update on sale of Riverside premises AEC trying to get a response from lawyers and from Fiona Larg regarding the Discharge of the property from Millennium Commission. SM asked if still receiving rent for property, AEC confirmed rent is being received.</p>	<p style="text-align: center;">MJ/AEC</p> <p style="text-align: center;">AEC</p>

	<p>(d) Update on Nursery MJ has asked Christie & Co to provide valuation of the nursery. . There are ongoing discussions with 3 interested parties. The seconded manager is due to leave at end October. JC has asked that interim arrangements are addressed in a timely manner for situation following end of secondment.</p>	
19.3.5	<p>Management Accounts to 30th April 2019 Still some confusion over National Bargaining. AEC confirmed that figures do not show SIF Helensburgh income but do include the projected Riverside sale loss.</p> <p>AEC to look at travel and subsistence but stated that ferry and accommodation costs are high. The increase in the electric vehicle fleet has resulted in less fuel and mileage costs. There are now charge points at the majority of the centres.</p> <p>JF queried increase in PPE costs, AEC confirmed it was analysed differently this year and moved from learning resources to PPE.</p> <p>SM expressed thanks to the team, in particular procurement for the management of learning resources.</p> <p>Committee approved accounts for submission to the Board.</p>	
19.3.6	<p>SFC Financial Forecast Review</p> <p>AEC confirmed that colleges in general are looking at contingency plans as a result of National Bargaining. These include redundancy and new roles. SFC Financial Forecast Review return is due half way through September, AEC will have ready for board approval.</p>	AEC
19.3.7	<p>AOCB No other business.</p>	
19.3.8	<p>Date of next meeting – Friday 29th November 2019 joint with Audit Committee. Location TBC.</p>	
	<p>Signed by</p> <p>..... Chair of Finance & General Purpose Committee</p>	<p>Date</p>

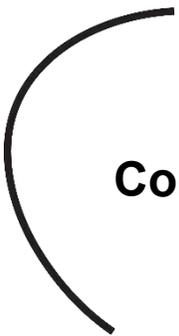


Argyll Collee UHI Limited Audit Findings Report

Year ended 31 July 2019

Presented to the Board on 13 December 2019

Now, for tomorrow



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1. Introduction

The purpose of this report is to summarise our findings in respect of the audit for the year-ended 31 July 2019 and to bring to the attention of the directors significant points identified during the audit and to confirm how these were resolved.

The audit has been substantially completed and we confirm our intention to issue an unmodified audit opinion on the financial statements following approval by the Board.

This report is provided on the basis that it is for the information of the Board only and that it will not be quoted from or referred to, in whole or in part, for any other purpose without our prior written consent. No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

3. Systems and Controls

2.1 Issues identified at the audit planning stage

At the planning stage of the audit we identified some key areas of focus and the findings from our audit work are set out below. Management override of controls and income recognition are included below as there is a presumption within International Standards on Auditing (UK) for all audits to take account of these areas.

Key audit area	Our planned approach	Our findings
Management override of controls	Our approach was to review any significant unusual transactions to ensure that they appeared reasonable in the context of our knowledge of the business.	We did not identify any significant or unusual transactions or manual journal postings that did not have adequate back-up of management explanation.
Income recognition	We undertook a review of all significant revenue streams and transactions. Our approach to revenue recognition involved a combination of analytical review, compliance testing of key controls and detailed substantive testing.	Nursery revenue continued to be recognised on a cash basis rather than an accruals basis. Income should be recognised when it is due to the College rather than when it is received. Please refer to comments in Appendix C. No other significant issues were identified in review of income. Adjustments were made in line with the transition to the Education SORP as discussed further in this section.

3. Systems and Controls

2.1 Issues identified at the audit planning stage (continued)

Key audit area	Our planned approach	Our findings
Going concern	We considered the process undertaken by directors to satisfy themselves that the going concern basis of preparation of the financial statements was appropriate.	<p>As part of auditing procedures, auditors must consider whether an entity can continue to operate for a period of twelve months from the date of signing the financial statements. This needs to be considered on an annual basis. We ask directors to consider their view on going concern in the letter of representation (appendix A).</p> <p>The College made a deficit of £594k in the year to 31 July 2019. However this includes a one-off impairment cost on the Lochgilphead property of £123k and an actuarial loss on the pension scheme of £463k. Excluding these, the College made a deficit of £8k, compared to a deficit of £278k in the prior year. As at 31 July 2019 the College had reserves of £921k including cash balances of £1.7m.</p> <p>Further commentary to be added once management accounts obtained.</p>

3. Systems and Controls

2.1 Issues identified at the audit planning stage (continued)

Key audit area	Our planned approach	Our findings
<p>Transition to Education SORP</p>	<p>This is the first set of financial statements published under the Accounting for Further and Higher Education SORP (2015)</p> <p>We reviewed the financial statements and accounting policies to ensure they are compliant with the Education SORP and that any required changes have been applied correctly.</p>	<p>The significant change on transition is in the treatment of grant income. Under the Charities SORP grants received for specific purposes were recognised on entitlement to the income and any unspent funds carried forward in a restricted reserve. Under the Education SORP, only those grants from non-governmental sources with a restriction in use, but no performance related condition attached, may be recognised and carried forward in a restricted fund. Any unspent funds on grants which do not meet this criteria, should be held as deferred income within creditors.</p> <p>We reviewed all the restricted funds held in the accounts to 31 July 2018 and determined that all balances should be transferred to deferred income and released to the statement of comprehensive income in line with the criteria as set out in the Education SORP.</p> <p>The impact of this adjustment has been set out in Appendix B and a reconciliation from the position shown in the 31 July 2018 accounts is included at note 22 of the financial statements.</p>



3. Systems and Controls

2.1 Issues identified at the audit fieldwork stage

Issue	Resolution
<p>Valuation of Lochgilphead</p> <p>Prior to the year end, an offer was accepted on the Lochgilphead building for £89,000. The value in the accounts as at 31 July 2019 was £211,639.</p>	<p>Given the offer has been accepted, it was considered appropriate to write down the value of building in the accounts to the market value. As such, an impairment loss of £122,639 has been recorded in the financial statements, as set out in Appendix B.</p>

3. Systems and Controls

As part of the audit process, we consider the overall control environment and key controls that are observed or tested as part of the audit. During the audit, we identified some areas where the internal controls require to be strengthened. These areas are categorised as follows:

- A** Fundamental issues which require the consideration of the trustees
- B** Significant matters which should be reviewed by management
- C** Matters not requiring urgent attention, but which should be followed up within a reasonable timescale

In addition, we identified that some points rose in the previous year still need to be actioned and an update on this is included in Appendix C.

The audit does not involve a comprehensive review of all controls operating within the company and as such, the following comments should not be assumed to be a complete statement of all weaknesses that may exist in the company's control environment or within the detailed systems of internal control.

Category	Finding and implication	Recommendation	Management comments
B	Payroll authorisation In 2 of 12 months tested, the payroll was authorised by the finance director after payment had been made. This could result in erroneous or fraudulent expenditure not being identified in a timely manner.	In cases where the finance director is unavailable, we would recommend that a second individual is given authority to review and authorise the payroll prior to payment.	Agreed – this will be actioned.

3. Systems and Controls

Category	Finding and implication	Recommendation	Management comments
B	<p>Right to work in the UK</p> <p>Right to work in the UK documentation has only been consistently sought from new employees for those who commenced employment after January 2019.</p> <p>Where there is no evidence that right to work in the UK checks have been performed for individuals who have no right to work in the UK, the Home Office can levy fines of £10,000 per employee found to be working illegally.</p>	<p>We would recommend that an exercise is undertaken to ensure all required documentation by law is held on file.</p>	<p>Agreed – this will be actioned.</p>



4. Other matters to be communicated to the board

Qualitative aspects of accounting practices

During the course of our audit, we consider the qualitative aspects of the financial reporting framework, including judgements on key accounting policies, areas of significant accounting estimate and financial statement disclosures to the extent that these may have a significant impact on the relevance, reliability, comparability and clarity of the information presented in the financial statements.

There are no matters we would bring to your attention.

Significant difficulties encountered during the audit

There were no significant difficulties encountered during the audit which we need to report to you. All relevant representations which we have asked you to confirm are included in the letter of representation in Appendix A.

Adjusted and unadjusted misstatements

Included in the letter of representation in Appendix A is a list of all unadjusted audit differences identified during the audit other than those that are considered to be clearly trivial. A list of adjusted audit differences is included in Appendix B.



5. Independence

We have procedures in place to ensure that MHA Henderson Loggie, its partners and professional staff follow and comply with both the FRC's Ethical Standard and the Code of Ethics issued by The Institute of Chartered Accountants of Scotland in November 2017.

We have re-reviewed this position following the completion of the audit and confirm that, in our professional judgement, MHA Henderson Loggie remains independent within the meaning of regulatory and professional requirements and that the objectivity of Jamie Davidson, the Audit Principal, and audit staff has not been impaired.



Appendix A - Letter of representation

MHA Henderson Loggie
Chartered Accountants
11-15 Thistle Street
Edinburgh
EH2 1DF

Dear Sirs,

During the course of your audit of our financial statements for the year ended 31 July 2019 the following representations were made to you by management and trustees.

- 1 We acknowledge as directors our responsibilities under the Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005 and Charities Accounts (Scotland) Regulations 2006 (as amended) for preparing financial statements, in accordance with the applicable financial reporting framework (Financial Reporting Standard 102 (FRS102) and the FE and HE SORP) that give a true and fair view and for making accurate representations to you as auditors.
- 2 We confirm that all accounting records have been made available to you for the purpose of your audit, in accordance with your terms of engagement, and that all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you. We have given you unrestricted access to persons within the company in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.
- 3 We confirm that the financial statements for the year ended 31 July 2019 have been approved by the board and are free from material misstatements.
- 4 We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 5 We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you as auditor and accounted for and disclosed in accordance with the applicable financial reporting framework United Kingdom generally Accepted Accounting Practice (including FRS 102 and the FE and HE SORP).
- 6 We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the financial statements, other than those already disclosed or included in the financial statements. Should further material events occur, which may

Appendix A - Letter of representation

necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly. We are not aware of any future plans which might impact the carrying values disclosed in the financial statements which we have not discussed with you.

7 We confirm that the related party relationships and transactions set out below are a complete list of such relationships and transactions and that we are not aware of any further related parties or transactions.

Party	Relationship	Nature of transaction
West Highland Housing Association	Trustee is Chief Executive	Purchases
Argyll and Bute Council	Trustee is a Councillor	Sales and purchases

8 We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with the applicable financial reporting framework United Kingdom generally Accepted Accounting Practice (including FRS 102 and the FE and HE SORP).

9 We confirm that the company has had, at no time during the year, any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for trustees, nor to guarantee or provide security for such matters, except as disclosed in the financial statements.

10 We confirm the ultimate controlling party has been identified and disclosed in the financial statements.

11 We confirm that the company has not contracted for any capital expenditure other than as disclosed in the financial statements.

12 We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the company conducts its business and which are central to the company's ability to conduct its business, except as explained to you and as disclosed in the financial statements.

13 We acknowledge our responsibility for the design and implementation of controls to prevent and detect fraud. We confirm that we have disclosed to you the results of our risk assessment of the risk of fraud in the business.

14 We confirm that there have been no actual or suspected instances of fraud involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements. We also confirm that we are not aware of any allegations of fraud by former employees, regulators or others.

15 We confirm that, in our opinion, the company is a going concern



Appendix A - Letter of representation

- 16 The effects of unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the unadjusted misstatements is attached to this letter.
- 17 We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that:
- so far as each trustee is aware, there is no relevant audit information of which you as auditors are unaware; and
 - each trustee has taken all the steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that you are aware of that information.
- 18 We confirm that the company has good title to all its assets and all assets granted as security have been advised to you.
- 19 We confirm that all income has been recorded in the financial statements in line with the Charity SORP.
- 20 We confirm that restricted funds have been applied for the purpose they were given.
- 21 We confirm that any constructive obligations to return grants have been recognised as liabilities in the financial statements.
- 22 We confirm that you have been made aware of all correspondence with OSCR.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and expertise (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make these representations to you and that to the best of our knowledge and belief they accurately reflect the representations made to you by the trustees during the course of your audit.



Appendix A - Letter of representation

In relation to the accounts for the year ended 31 July 2019 we confirm that:

1. The trustees have read, understood and approved the enclosed, signed, representation letter.
2. The trustees have considered the points raised in the audit findings report.

Signed on behalf of the board of trustees by:

Name

Date.....

Appendix B – Adjusted audit differences

	Statement of Financial Activities		Balance sheet	
	Debit (£)	Credit (£)	Debit (£)	Credit (£)
Being credit balances on the trade debtors ledger	-	5,935	7,925	1,990
Being debit balances on the trade creditors ledger	2,930	-	1,369	4,299
Being software and licence prepayments	-	18,726	18,726	-
Being write-off of historical trade debtor balances	13,991	-	-	13,991
Being impairment of the Lochgilphead property for sale	122,639	-	-	122,639
Being additional prepayments noted from PYE invoice review		4,000	4,000	-
Being movement in pension liability	718,000	-	-	718,000
Being correction of maternity pay coding	6,079	6,079	-	-
Being removal of NRPA salary accrual	-	146,774	146,774	-
Being change in accounting framework	-	-	3,205,860	3,205,860
Being deferred income movement	-	19,335	34,778	15,443
	863,639	200,849	3,419,432	4,082,222
Decrease to surplus	662,790			

Appendix C – Previous internal control points requiring further action

Category	Finding and implication	Recommendation	Follow up action required
C	<p>Authorisation Levels (raised 2017/18)</p> <p>During our testing of key controls of the purchases system we identified five items of expenditure which had been authorised by staff where the value of the invoice exceeded the individuals' authorisation limit. One further item was identified where the invoice had not been authorised. We understand that due to limited staff numbers in some areas it is not always possible to authorise invoices in line with the College's authorisation limits.</p>	<p>Update the staff authorisation limits for approving items of expenditure to reflect the College's operational requirements.</p>	<p>In the current year, of 15 expenditure invoices tested a total of 3 had not been signed as authorised and a further 4 had been authorised by individuals without the appropriate authority.</p> <p><i>Little or no progress.</i></p>
B	<p>Nursery income (raised 2015/16)</p> <p>The Nursery Manager database which is used to record the nursery fees due and received, and forms the basis for recognising income in the finance system, is not reconciled to Sage.</p>	<p>We recommend the fee income per the nursery database and Sage are reconciled monthly.</p>	<p>The nursery income is still not being reconciled to Sage. The nursery is to be sold so this is not expected to be an issue moving forward.</p> <p><i>Little or no progress.</i></p>

Appendix D – Other developments

Charity small trading tax exemption increase

The charities' small trading exemption limit has been increased from £50,000 to £80,000. These limits apply to trading that does not relate to the charity's primary purpose. The exemption recognises that in practice charities may engage in some non-primary purpose trading without incurring a tax liability on the profits of that trade.

For charities with turnover below £320,000 the threshold for non-primary purpose trading will remain unchanged at 25% of total income. The changes will have effect from 6 April 2019 for unincorporated charities and from 1 April 2019 for incorporated charities.

Changes to gift aid

The 6th of April 2019 marks the implementation date of changes to the Gift aid rules which were announced in the 2018 Autumn budget and approved by parliament in February 2019.

The maximum donation under the Gift Aid Small Donations Scheme which allows charities to claim gift aid on small cash or contactless donations without a declaration has been increased from £20 to £30. The maximum level of gift aid which can be claimed under the scheme in a year has also been increased to £2,000 from £1,250.

The donor benefit rules which allow charities to give a small reward to their donors in exchange for a donation and for the donation to still qualify for gift aid have been simplified reducing the thresholds from three bands to two. The revised limits are as follows:

Value of donation	Maximum value of benefits
£0-100	25% of the donation
£101+	25% of £100 plus 5% of the value exceeding £100 up to an annual benefit of £2,500



Appendix D – Other developments

Using Conflict as a catalyst for change

In conjunction with MHA, our national association of UK accountancy firms, we have written together a monthly guide for embracing, managing and mitigating conflict within your charity. Each article covers a different type of conflict that may affect your charity with the overall theme of using conflict as a catalyst for change. The full guide is available [here](#).

Making tax digital for VAT

HMRC are reminding all entities over the VAT registration threshold that they require to sign up for making tax digital after they have completed their last online VAT return and at least one week before the making tax digital VAT return is due. Making tax digital requires organisations to use accounting software that can interface electronically with HMRC when submitting VAT returns in order to reduce the risk of manual error which is estimated to cost the exchequer £9 billion a year.

Trusts, unincorporated charities and those in a VAT group are able to defer their implementation of making tax digital for VAT until October 2019. For all VAT registered entities where it is not possible to link their accounting system direct to HMRC systems the use of a spreadsheet to submit VAT returns to HMRC, called bridging software, is able to be used until April 2020. HMRC have now announced that the use of bridging software for trusts, unincorporated charities and those in a VAT group will be extended until October 2020.

Should you need any assistance with your implementation of making tax digital for VAT our VAT team are able to help.



Appendix D – Other developments

Off payroll working

The government has launched a consultation on extending the off payroll rules to the private sector from April 2020 for medium and large sized organisations (i.e as defined under the Companies Act or with either £10.2m turnover or 50 employees in an unincorporated organisation).

This would mean that any individuals paid through personal service companies would be paid as if they were employees with the deduction of tax and NIC. Contractors would continue to be excluded from employee entitlements such as holidays and sick leave. The impact of this change will mean that individuals paid through personal service companies will become 13.8% more expensive as employer's national insurance will be due. The consultation is available [here](#)

OSCR investments factsheet

OSCR has published a new factsheet aimed at charity trustees of charities looking to review their investment policy. It covers:

- What can and should charity trustees do in relation to investments?;
- What should you think about before investing?
- How to write and implement an investment policy; and
- What to disclose in your trustees report about your investment policy.

Although the factsheet does not provide any new regulations many trustees may find it helpful guidance on how to communicate and document their current policy. The guidance is available [here](#).

Charity Finance Magazine Survey

We would like to thank all our clients who responded to the Charity Finance Magazine audit survey. We were delighted to be voted for the second year running the top firm operating in Scotland for overall client service and in the top four nationally for our charity expertise.



Appendix D – Other developments

Information Commissioners Office charity risk review findings

In August 2018 the Information Commissioners Office published its findings of reviews it had performed at 8 large charities and 25 smaller charities during 2017/18. The report is intended to help all charities recognise where they can make improvements. The main areas found for improvement included; Information Governance, policies for data protection, training staff on data protection both at induction and annual refresher training, implementation of data protection compliance reviews and lack of procedures around incident reporting. The report is available [here](#) . Should you need any assistance with a GDPR post implementation review this is something we can assist with.

National Cyber Security Centre Board toolkit

The National Cyber Security Centre launched in February 2019 a toolkit to enable board members and management of organisations to identify, priorities and manage the risks associated with cyber security. The guidance is written in plain English and enables readers no matter their IT knowledge to understand the practical changes which can be made to improve the cyber security in their organisation. The guide is available [here](#) .



Appendix D – Other developments

Fraud

For all clients, we would point out that financial fraud is becoming more prevalent. Common attempts by fraudsters include requesting changes to supplier standing data ie. bank information or emails requesting immediate payment of an invoice.

We would recommend to all clients that on receiving a request relating to changes of supplier information, particularly bank information, that the new information be checked through normal supplier contacts to ensure that it is correct. Whilst the majority of requests for changes to supplier information will be legitimate, there is the possibility that they may be fraudulent. Changes to supplier bank information may lead to payments being made to an incorrect or fraudulent bank account. It should be noted that changes received by email and/or letter may appear authentic but should still be confirmed through normal supplier contacts.

Fraudulent emails requesting a payment can appear to be internally as well as externally generated and can be difficult to identify as fake. Such emails tend to request immediate payment and so we would recommend that all clients consider their policy of same day payments and whether it is necessary to implement a second level of authorisation should an immediate payment be required.

Staff should be made aware of the potential for fraud which is not limited to these two examples.



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**Argyll College UHI Limited
(A company limited by guarantee)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2019

Registered Number SC172157

Scottish Charity Number SC026685

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Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Legal and administrative information

Charity name:	Argyll College UHI Ltd	
Registered office and operational address:	West Bay Dunoon PA23 7HP	
Charity registration number:	SC026685	
Company registration number:	SC172157	
Trustees:	Andrew Campbell	(Chair)
	Martin Jones	(Principal, appointed 05/11/18)
	Fraser Durie	(Principal, resigned 20/10/18)
	John Colston	(Vice Chair)
	Kenneth John Jones	
	Lesley McInnes	
	Amber Crowley	
	Tony Dalgaty	
	James Findlay	
	Laura Hogg	(appointed 01/11/18, resigned
30/08/19	Scott Matheson	
	Gillian McCready	
	Jennifer Swanson	
	Stella Leitch	(resigned 24/05/19)
	Danjana Ninkovich	(appointed 30/08/19)
Secretary	Fraser Durie	(resigned 20/10/18)
	Ailsa Close	(appointed 21/10/18)
Senior management team	Martin Jones	Principal
	Elaine Munro	Depute Principal
	Ailsa Close	Finance Director
External auditors	MHA Henderson Loggie Chartered Accountants 11-15 Thistle Street Edinburgh EH2 1DF	
Internal auditors	TIAA 53-55 Gosport Business Centre Aerodrome Road Gosport PO13 0FQ	
Bankers	Bank of Scotland 78 Argyll Street Dunoon PA23 7NH	

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended
31 July 2019**

Solicitors

Burness Paul LLP
120 Bothwell Street
Glasgow
G2 7JL

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Report of the trustees and strategic report for the year ended 31 July 2019

OPERATING AND FINANCIAL REVIEW

The Board of Management of Argyll College UHI present their report and the audited financial statements for the year ended 31 July 2019.

Legal Status

The College is constituted as a company and is governed by a memorandum and articles of association. It is recognised by the Inland Revenue as a charity for tax purposes. The Scottish Charity number is SC026685. Following implementation of the Post-16 Scotland Education Act 2013, the College is now an 'assigned college' to the University of the Highlands and Islands (UHI) as the Regional Strategic Body (RSB) for further and higher education in the Highlands and Islands region. UHI assumed formal RSB status on 1 April 2015, and is now the fundable body for the region, distributing further and higher education funds to its assigned colleges.

Scope of the Financial Statements

The financial statements cover all activities of Argyll College UHI, including the Statement of Comprehensive Income for the year ended 31st July 2019.

Our Vision and Mission

Argyll College will provide high quality innovative education opportunities, act as an economic driver to enhance the skills and development of the local economy and develop a reputation for excellence which will encourage students to study in the communities we serve.

The charity provides a range of further and higher education to as many of the communities in the area as possible. It does this by having a network of centres, some small, some large, in all the main centres of population. There is a wish to provide roughly the same range of educational activities at all sites but for technical reasons this is sometimes not possible. The charity also provides pre-5 education at its nursery in Oban.

The main annual objectives of the charity are to meet the educational delivery targets set by SFC; to maintain quality standards as agreed internally and as assessed by external bodies and to do all of this within the financial resources made available to the charity. There is generally a target to make a modest return on annual income for the sole purposes of re-investing that return to improve the ability of the charity to meet its key charitable objective.

Achievements & Performance

In 2018/19, the College exceeded its FE Credit target of 6582 by 568 to give a total Credits achieved in the year of 7250, and fulfilled all contractual obligations with regard to its FE students. In 2018/19, the HE target was 220 FTEs, up from 189 FTEs in 2017/18. Our actual final HE FTE value for the year was 200, which was 11% below our target.

In the year, in FE we taught 2368 (headcount) or 537.2 FTE students. In HE, we taught 311 (headcount) or 223.1 FTE students.

Learning and teaching KPIs were improving steadily over the past few years with full time success being one of the highest in the sector in 2017/18 at 76%. However, there was a disappointing increase in withdrawal and partial success during 2018/19 culminating in a 13% reduction in success. There is detailed analysis of this data currently on-going to identify reasons and any trends associated with this drop, but part of the difficulty for the College is that low numbers of students on courses means that the withdrawal of only one or two students can mean large dips in the %s reported.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

In the year, two of our teaching staff won HISA awards for the Best Assessment Feedback Most Engaging VC lecturer. In addition, eleven of our staff were highly commended in the awards – in fact we had 20% of all the highly commended nominees. In total 28 college staff were nominated for awards, many in more than one category.

The College was successful in receiving grant funding to lease 9 new fully electric cars in the year and to install chargers at 3 more college centres. In late autumn the college was awarded the SCDI Environmental Sustainability award for the resultant reduction in the college's carbon emissions.

There was a change in Principal during the year and the college has continued to deliver and expand its education focus on structural gaps in employment in the region such as teaching and access to nursing.

Financial Results

The table below shows the Adjusted Operating Position which is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items out with the control of the College.

	2018-19 £'000	2017-18 £'000
Surplus/(deficit) before other gains and losses	(8)	(278)
Add back:		
Depreciation (net of deferred capital grant release) on both government funded and privately funded assets	185	180
Exceptional non-restructuring costs – impairment		
Pension Adjustment – Net service cost	249	138
Pension adjustment – Net interest cost	6	42
Pensions adjustment – Early retirement provision		
Deduct:		
Non-government capital grants (Note X)	(184)	(168)
Depreciation (net of deferred capital grant release) on both government funded and privately funded assets		
Exceptional income – insurance claim		
Adjusted operating surplus/(deficit)	63	(86)

Taxation Status

The Company is a charitable company within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the Company is potentially exempt from taxation in respect of income or capital gains received to the extent that such income or gains are applied for charitable purposes only. The College receives no similar exemption in respect of Value Added Tax.

Treasury Policies and Objectives

The College has a Treasury Management Policy and procedures setting out the College position on cash management, investments and borrowings.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Cash Flows

The College had a net cash inflow of £585,353 in the year to 31st July 2019 compared with a net cash outflow of £131,316 in the prior year.

Liquidity

The College had cash balances of £1,701,517 at the year end, compared with net cash balances of £1,116,166 at the end of 2018.

Creditor Payment Policy

The College aims to pay its suppliers within 30 days.

The College's average creditor payment period has increased from 24 days in 2018 to 26 days at the end of July 2019. Trade Creditors were £115,935 at 31st July 2019 compared with £119,697 at 31st July 2018. The College did not pay any interest during the year under the Late Payment of Commercial Debts (Interest) Act 1998.

Future Developments

Argyll & Bute Council's Rural Growth Deal bid was submitted in the year and includes funding for the built environment of the College with particular emphasis on Dunoon and Oban. The Centre for Maritime Studies has been further developed by the College over the past year, through discussions with HIE and Oban as a University Town group, and the Council has agreed to fund the costs of a Development Manager for two years. A member of the current College SMT will be leading on this.

Developing the built environment of the college and reviewing the current curriculum offering to ensure we are best placed to meet the needs of students and also employers and partners will be priorities over the next year.

Principal Risk & uncertainties

The Board have assessed that the following constitutes risks to the charity:

- National Pay Bargaining continues to be a huge risk for the College, as stated above. Without continuing additional funding, already imposed pay changes are a risk to the financial sustainability of the organisation.
- Teaching and learning KPIs below national average in 2018/19 may have reputational implications for the college
- Implication of outcome of EU referendum leading to loss of EU funding. The increased risk is that there will be a great deal of uncertainty, particularly in relation to capital projects.
- The college nursery is a risk for the organisation through the need for ongoing compliance and changing nature of Care Inspectorate and Local Authority requirements. The falling level of fees and changes in staff terms and conditions through National Pay Bargaining means financial sustainability is difficult.
- Key staff replacement and cover is a risk given specific areas of expertise covered by them, as duplication of skills in the area is difficult and there is no succession plan currently in place.
- College estates not able to provide flexible response to demand for courses.
- Failure to recruit the numbers of students necessary to achieve our targets.

Trade Unions

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

The College did not have any employees who were Trade Union officials during the year and therefore there is no further information to disclose under the Trade Union (Facility Time Publication Requirements) Regulations 2017. There was low level trade union activity in the College during the year in connection with ongoing national bargaining pay agreements.

Equal Opportunities Statement

Argyll College UHI is committed to promoting equality and positive relations and valuing diversity. A comprehensive approach is intended to meet the needs of individuals, to enable engagement with an accessible curriculum in an inclusive learning environment and workplace.

The College is committed to identifying and eliminating unfair and unlawful discrimination across all protected characteristics reflected in the Equality Act. These include age, disability, sex, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief and sexual orientation. Where barriers to learning or employment are identified for an individual the College will deploy resources to provide additional support and access to appropriate opportunities wherever possible.

Argyll College UHI is committed to equality of opportunity and believes education is a right for all. We are committed to ensuring that there will be no discrimination on the grounds of ethnic origin, religion, sex, age or disability. The College believes that there is a duty for everyone associated with the College and all its activities to play their part in ensuring equality of opportunity. Positive steps will be taken to ensure that no forms of discrimination occur.

Statement as to disclosure of information to auditors

The board members who held office at the date of approval of this report confirm that:

There is no relevant audit information of which the Charitable Company's Auditors are unaware; and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by order of the members of the Board on 13 December 2019 and signed on its behalf by:

Andrew MG Campbell
Trustee and Chair

Martin Jones
Principal

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Statement of corporate governance and internal control

The College is committed to exhibiting best practice in all aspects of corporate governance.

The institution complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges with the exception of: *The college Board must comply with collective agreements placed on it through national collective bargaining for colleges.* The College is currently in discussion with SFC with regard to signing up to national collective bargaining and has instigated those agreements as far as it is possible for us to do with funding provided.

The institution is taking action to address this and expects to be fully compliant by 31/7/2020.

The Board of Management

The members who served on the Board of Management during the year and up to the date of *signing* the accounts were as follows:

Board member	Date of Appointment	Date of Retirement	Committee Membership
Andrew Campbell	20/04/2010		L,T&E, F&GP
Martin Jones	05/11/2018		L,T&E, F&GP, HR&R
Fraser Durie	01/10/2012	20/10/2018	L,T&E, F&GP, HR&R
John Colston	22/02/2012		F&GP
Kenneth Jones	14/03/2008		Audit, HR&R
Lesley McInnes	08/01/2011		Audit
Amber Crowley	27/02/2015		L,T&E, Audit
Tony Dalgaty	08/12/2017		Audit
James Findlay	24/11/2017		F&GP
Laura Hogg	01/11/2018	30/08/2019	L,T&E, Audit
Scott Matheson	08/12/2017		F&GP, Audit
Gillian McCready	14/12/2015		F&GP
Jennifer Swanson	08/12/2017		HR&R
Stella Leitch	14/12/2015	24/05/2019	L,T&E
Danjana Ninkovich	30/08/2019		LT&E, Audit

Attendance at meetings

Attendance at meetings of the Board of Management of Argyll College UHI in 2018-19

Member	Board	Audit	Finance & General	Learning, teaching & engagement	Nominations	Remuneration
Andrew Campbell						
Martin Jones						
Fraser Durie						
John Colston						
Kenneth Jones						

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Lesley McInnes						
Amber Crowley						
Tony Dalgaty						
James Findlay						
Laura Hogg						
Scott Matheson						
Gillian McCready						
Jennifer Swanson						
Stella Leitch						
Danjana Ninkovich						

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied good governance during the year.

The College's Board of Governors is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board of Governors have put in place a process going forward for identifying, evaluating and managing the College's significant risks and this will be reviewed on a regular basis.

The College's Board of Governors comprises lay members, students and employees appointed as charity trustees under the Charities and Trustee Investment (Scotland) Act 2005. The roles of Chairman and Vice-Chairman of the Board of Governors are separated from the role of the College's Principal.

The Board acknowledges the responsibility for the ongoing strategic direction of the College, approval of major developments and the receipt of regular reports from the Principal on the day to day operations of its business.

The Full Board meets four times a year as do the sub-committees: Finance and General Purposes Committee, Learning, Teaching and Engagement Committee, and Audit Committee. The HR & Remuneration Committee is held as and when necessary. All of these Committees are formally constituted with terms of reference.

The Finance and General Purposes Committee inter alia recommends to the Board the College's annual revenue and capital budgets. The Learning, Teaching and Engagement Committee focuses on the quality of learning and teaching and the student experience. The Audit Committee meets with the College's external and internal auditors in attendance when required. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. Whilst the Principal attends meetings of the Audit Committee as necessary, they are not a member of the Committee.

It is planned that the Board and its sub-committees will participate in annual self-evaluation reviews of its performance. This will be facilitated by the Secretary to the Board using a self-evaluation questionnaire with all questions being discussed by the Board or Committee as a group and their consensus view recorded. Any actions for improvement will be noted and followed up at subsequent meetings of the Board or Committees. The evaluation of the effectiveness of individual members will be considered informally by the

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Chair of the Board or relevant Committee, and if concerns are noted they will follow these up with the member directly.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Independent auditor's report to the trustees and members of Argyll College UHI Ltd

Opinion

We have audited the financial statements of Argyll College UHI Ltd (the 'charitable company') for the period ended 31 July 2019 which comprise the Statement of comprehensive income, Statement of changes in reserves, the Balance sheet, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2019 and of its income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Independent auditor's report to the trustees and members of Argyll College UHI Ltd *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Report of the Board of Directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board of Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Scottish Funding Council Accounts Direction require us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors (who are also the trustees of the charitable company for the purposes of charitable law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Independent auditor's report to the trustees and members of Argyll College UHI Ltd *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's directors, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.

James Davidson (Senior Statutory Auditor)
For and on behalf of MHA Henderson Loggie
Chartered Accountants
Statutory Auditor
11-15 Thistle Street
Edinburgh
EH2 1DF
(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

Date:

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Statement of comprehensive income
for the year ended 31 July 2019

	Note	Total 2019 £	Restated Total 2018 £
Income			
SFC grants	3	3,616,214	2,665,854
UHI grants		630,334	688,376
Tuition fees and education contracts	5	872,390	836,963
Other operating income	4	346,186	268,758
Commercial training activity		51,534	53,330
Release of deferred capital grant		126,188	124,311
Investment income		7,145	12,551
		<hr/>	<hr/>
Total income		5,649,991	4,650,143
Expenditure			
Staff costs	7	4,236,833	3,659,020
Other operating expenses	6	1,226,867	1,043,661
Depreciation		184,842	179,828
Interest and other finance costs		9,720	45,684
		<hr/>	<hr/>
Total expenditure		5,658,262	4,928,193
		<hr/>	<hr/>
(Deficit) before other gains and losses		(8,271)	(278,050)
Actuarial gain/ (losses) in respect of pension scheme	15	(463,000)	1,581,000
Impairment loss		(122,639)	-
		<hr/>	<hr/>
Total comprehensive income for the year		(593,910)	1,302,950
		<hr/> <hr/>	<hr/> <hr/>
Represented by:			
Unrestricted comprehensive income for the year		(593,910)	1,302,950
		<hr/> <hr/>	<hr/> <hr/>

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Statement of changes in reserves
for the year ending 31 July 2019

	Income and expenditure account £	Total £
Balance at 31 July 2017	212,547	212,547
Deficit from the income and expenditure account	(278,050)	(278,050)
Other comprehensive income	1,581,000	1,581,000
	<hr/>	<hr/>
	1,302,950	1,302,950
	<hr/>	<hr/>
Balance at 31 July 2018 (as restated)	1,515,497	1,515,497
Deficit from the income and expenditure account	(8,271)	(8,271)
Other comprehensive income	(585,639)	(585,639)
	<hr/>	<hr/>
Total comprehensive income for the year	(593,910)	(593,910)
	<hr/>	<hr/>
Balance at 31 July 2019	921,587	921,587
	<hr/> <hr/>	<hr/> <hr/>

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Balance sheet
at 31 July 2019

	Note	£	2019 £	£	Restated 2018 £
Non-current assets					
Fixed assets	10		3,836,896		4,013,424
Current assets					
Debtors	11	178,265		156,051	
Cash at bank and in hand		1,701,517		1,116,166	
			<u>1,879,782</u>	<u>1,272,217</u>	
Creditors					
Amounts falling due within one year	12	(951,590)		(613,399)	
				<u>(613,399)</u>	
Net current assets			928,192		658,818
Creditors: amounts falling due after more than one year	13		(3,028,501)		(3,059,745)
Net pension liability	15		(815,000)		(97,000)
			<u>921,587</u>		<u>1,515,497</u>
Net assets			<u>921,587</u>		<u>1,515,497</u>
Reserves					
Unrestricted reserves			<u>921,587</u>		<u>1,515,497</u>

The notes on pages 18 to 31 form part of these financial statements.

The financial statements were approved by the Board of Trustees on 13 December 2019 and signed on its behalf by Andrew MG Campbell and Martin Jones

Name:

Name:

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Statement of cash flows
for the year ended 31 July 2019

	Note	2019 £	2018 £
Cash generated by/(used in) operating activities:			
Net cash used in operating activities	20	737,842	(6,823)
Cash flows generated by/(used in) investing activities:			
Purchase of property, plant and equipment	10	(130,953)	(102,955)
Net cash used in investing activities		(130,953)	(102,955)
Cash flows from financing activities			
Loan repayments		(21,538)	(21,538)
Net cash used in financing activities		(21,538)	(21,538)
Change in cash and cash equivalents in the year		585,351	(131,316)
Cash and cash equivalents at 1 August 2018		1,116,166	1,247,482
Cash and cash equivalents at 31 July 2019		1,701,517	1,116,166

Notes to the financial statements
for the year ended 31 July 2019

1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE/HE SORP) and in accordance with Financial Reporting Standard 102 — "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. This is the first year that the financial statements have been prepared under the 2015 FE/HE SORP. Note 22 provides detail on the impact of the Education SORP.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Directors Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

The recurrent grant from SFC represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

2 Accounting policies

a) Fixed assets and depreciation

• **Land and buildings**

Fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its useful life.

Freehold Buildings are depreciated over their expected useful life to the College of 50 years. Leasehold property is depreciated over the life of the lease, 33.3 years and 100 years for Leasehold properties at Oban.

• **Equipment**

Equipment costing less than £2,500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All equipment is depreciated over its useful economic life as follows:

Land and Buildings - Leasehold Oban	3% Straight Line
Land and Buildings - Heritable	2% Straight Line
Land and Buildings - Leasehold	Straight line over the lease term ranging from 20 years to 33.3 years
Fixtures, Fittings and Equipment	10% Straight Line
Plant and Equipment	10% Straight Line
Motor Vehicles	14% Straight Line
Library Books and Software	20% Straight Line
Capitalised Hand Tools	25% Straight Line
Computing Equipment	33% Straight Line

b) Operating leases

Rentals paid under operating leases are charged to the statement of financial activities. The obligation to pay future rentals on operating leases is shown by way of a note to the Accounts.

c) Pension scheme

Support staff may join the Strathclyde Pension Fund (SPF), which is administered by Glasgow City Council and which requires contributions to be made to its number 1 fund. This is a defined benefit scheme that is externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the scheme are charged to the SOFA so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations.

The College operates a defined contribution scheme for other eligible staff. The assets of the scheme are administered by Trustees in a fund independent from those of the college. The pension costs charged against profits represent the amount of employer's contributions payable to the scheme in respect of the accounting period.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

2 Accounting policies (continued)

d) Taxation

The company is a charitable company within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied for charitable purposes only.

The College receives no further exemption in respect of Value Added Tax.

e) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of trade discounts due.

f) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

g) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discount.

h) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

3 Scottish Funding Council grants

	2019	2018
	Total	Total
	£	£
Scottish Funding Council Recurrent Grant	3,616,214	2,665,854

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

4 Other operating income

	2019	2018
	Total	Total
	£	£
Nursery income	205,001	222,338
Rental income	2,875	8,625
Facilities hire	4,797	6,249
Vending machine income	2,236	6,418
Hairdressing income	11,073	9,712
Catering income	12,563	11,327
Feed-In tariff	12,176	3,703
Other income	95,465	386
	346,186	268,758

5 Tuition fees and education contracts

	2019	2018
	Total	Total
	£	£
Further Education – Student fees	109,933	167,788
Higher Education – Student fees	33,728	18,439
SAAS income	276,378	313,825
ILA income	10,581	10,958
Government programmes	228,576	220,979
Bursary income	73,701	35,734
Other PPE reimbursement	10,355	6,840
Other grants	129,138	62,400
	872,390	836,963

6 Analysis of other operating expenses

	2019	2018
	£	£
Payments to awarding bodies	287,923	252,644
Property costs	605,333	489,477
Company vehicle costs	74,635	53,912
Office costs	145,928	148,251
Professional fees	27,321	34,531
Payments to/from students	27,940	27,285
Governance costs	1,839	1,350
Other expenses	55,948	36,211
	1,226,867	1,043,661

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

6 Analysis of other operating expenses (continued)

	2019 £	2018 £
Other operating expenses include:		
External auditors' remuneration - audit fees	4,850	4,850
External auditors' remuneration - non audit services	2,040	1,530
Internal audit fees	1,278	6,600
Operating lease payments	151,348	108,148
	<u> </u>	<u> </u>

7 Staff costs

	2019 £	2018 £
Wages and salaries	3,212,025	2,907,494
Social security costs	393,404	230,429
Other pension costs	272,522	211,450
Other costs	109,882	125,768
	<u> </u>	<u> </u>
	3,987,833	3,475,141
<u>Exceptional staff costs:</u>		
Redundancy payments	-	45,879
FRS102 adjustment	249,000	138,000
	<u> </u>	<u> </u>
	4,236,833	3,659,020
	<u> </u>	<u> </u>

The average monthly number of employees during the year, calculated on the basis of full time equivalents, was as follows:

	2019 No.	2018 No.
Teaching	50	47
Other staff	47	52
	<u> </u>	<u> </u>
	97	99
	<u> </u>	<u> </u>

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

8 Senior post-holders' emoluments

Number of high paid staff (including the Principal) who received emoluments including benefits in kind and excluding pension contributions for the year ended:

	2019		2018	
	Senior Post-Holders	Other Staff	Senior Post-Holders	Other Staff
	No.	No.	No.	No.
£60,000 - £69,999	-	-	1	-
	=====	=====	=====	=====
			2019	2018
			£	£
Senior post-holder emoluments				
Principal's emoluments – Fraser Durie				
Salary			21,653	66,117
Pension			4,677	13,266
Er's NI			2,697	10,697
			=====	=====
			29,027	90,080
			=====	=====
Principal's emoluments – Martin Jones				
Salary			52,038	-
Pension			11,240	-
Er's NI			6,300	-
			=====	=====
			69,578	-
			=====	=====

The total remuneration for the senior management team as noted on page 1 of these accounts was £203,778 (2017/18 - £188,801). **Is this note still relevant?**

9 Trustees' remuneration and related party transactions

The Board of Management received £3,863 (2018 - £943) in the year for reimbursement of travel expenses.

Amber Crowley is a salaried employee of the College but received no remuneration in respect of their role as director.

During the year the College transacted with Argyll and Bute Council of which £11,340 (2018 - £8,588) was due from Argyll and Bute Council and £17,136 (2018 - £6,133) was due to Argyll and Bute Council. During the year, the College made purchases of £54,673 (2018 - £19,294) and sales of £38,591 (2018 - £22,264) excluding pre-5 Nursery funding. James Findlay is a councillor on Argyll & Bute Council.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

9 Trustees' remuneration and related party transactions *(continued)*

During the year, the College transacted with West Highland Housing Association of which £Nil (2018 - £nil) was due to West Highland Housing Association. During the year, the College made purchases of **£10,412** (2018 - £31,659). Lesley McInnes is Chief Executive of West Highland Housing Association.

Argyll College UHI Limited is a constituent partner of the University of the Highlands and Islands (UHI). During the year the College transacted with UHI of which £4,646 (2018 - £541) was due from UHI and £9,211 (2018 - £nil) was due to UHI. During the year income of £635,464 was received in relation to higher education activities, £130,583 was received in relation to the provision of education and costs of £30,700 were paid to UHI.

10 Fixed assets

	Land & Buildings Leasehold £	Land & Buildings Freehold £	Plant & Equipment £	Computer Equipment £	Motor Vehicles £	Total £
Cost						
At 1 August 2018	2,251,780	3,310,663	434,030	61,669	66,461	6,124,603
Additions	16,860	86,267	27,826	-	-	130,953
Impairment	-	(122,639)	-	-	-	(122,639)
At 31 July 2019	2,268,640	3,274,291	461,856	61,669	66,461	6,132,917
Depreciation						
At 1 August 2018	1,033,862	675,510	308,678	47,782	45,347	2,111,179
Charge for year	68,059	67,939	35,892	7,674	5,278	184,842
At 31 July 2019	1,101,921	743,449	344,570	55,456	50,625	2,296,021
Net book value						
At 31 July 2019	1,166,719	2,530,842	117,286	6,213	15,836	3,836,896
At 1 August 2018	1,217,918	2,635,153	125,352	13,887	21,114	4,013,424

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

11	Debtors	2019	2018
		£	£
	Trade debtors	47,628	53,538
	Prepayments and accrued income	130,637	102,513
		178,265	156,051
12	Creditors: Amounts falling due within one year	2019	2018
		£	£
	Loans	15,105	22,789
	Trade creditors	115,935	119,697
	Taxes and social security costs	67,017	61,950
	Other creditors	57,319	26,159
	Accruals and deferred income	553,633	222,835
	Deferred grants (note 14)	142,581	159,969
		951,590	613,399
13	Creditors: Amounts falling due after one year	2019	2018
		Total	Total
		£	£
	Loans	-	13,854
	Deferred grants (note 14)	3,028,501	3,045,891
		3,028,501	3,059,745
	Loans fall due as follows:	2019	2018
		Total	Total
		£	£
	In one to two years	15,105	22,789
	In two to five years	-	13,854
	After five years	-	-
	Loans	15,105	36,643
	There is standard security over the charity's premises in Lorne Street, Lochgilphead		
14	Deferred grants	2019	2018
		£	£
	Balance as at 1 August 2018	3,205,860	3,228,550
	Income received	300,434	254,580
	Released to the Statement of Comprehensive Income	(335,212)	(277,270)
	Balance as at 31 July 2019	3,171,082	3,205,860

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

15 Pension costs

Argyll College UHI Ltd operates three pension schemes, the Strathclyde Pension Fund (SPF), the Scottish Teachers Pension Fund (SPPA) and NEST. The total employer's pension cost for the period was as follows:

	31 July 2019 £000	31 July 2018 £000
NEST: Contributions paid	19	10
SPPA: Contributions paid	148	-
SPF scheme:		
Contributions paid	203	259
FRS102 charge	249	138
	<hr/>	<hr/>
Charge to the Statement of Comprehensive Income	619	397
	<hr/>	<hr/>
Total pension cost for the year within staff costs		407
	<hr/> <hr/>	<hr/> <hr/>

NEST

NEST is a workplace pension scheme that has been created for auto enrolment. It is run as a trust by NEST Corporation. This means that there are no shareholders or owners and it is run for the benefit of its members. From 1 April 2019, the College pays contributions of 3% of pensionable salary for eligible employees and the employee's contribution rate is 5% of eligible salary.

SPPA – Teachers Pension

The College joined the SPPA from 1 December 2018, as part of National Bargaining. Teaching staff are eligible to join the scheme. The College pays contributions of 17.2% (increased to 23% from 1 September 2019).

Strathclyde Pension Fund (SPF)

The College's support staff belong to one principal pension scheme, the Strathclyde Pension Fund (SPF), which is of the Defined Benefit Type. The assets of the SPF scheme are held in a separate, trustee administered fund.

The total contributions made for the year ended 31 July 2019 were **£0.325** million of which employer's contributions totalled £0.203 million and employees' contributions totalled **£0.066** million. The agreed contribution rates for future years are 22.6% for employers and from 5.5% up to 8.7% for employees.

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 July 2019 by a qualified independent actuary.

	31 July 2019	31 July 2018
Rate of increase in salaries	3.6%	3.6%
Future pension increases	2.4%	2.4%
Discount rate for scheme liabilities	2.1%	2.8%
	<hr/> <hr/>	<hr/> <hr/>

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Commutation of pensions to lump sums – An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

15 Pension costs *(continued)*

Life expectancy is based on the Fund's VitaCurves, with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% per annum for males and 1.25% per annum for females. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	At 31 July 2019	At 31 July 2018
Current pensioners		
- Males	20.7	21.4
- Females	22.9	23.7
Future pensioners		
- Males	22.2	23.4
- Females	24.6	25.8
-	<u> </u>	<u> </u>

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were as follows. The expected rate of return is set equal to the discount rate as per FRS102 disclosure requirements.

	Estimated split of assets at 31 July 2019	Fair value at 31 July 2019 £'000	Estimated split of assets at 31 July 2018	Fair value at 31 July 2018 £'000
Equities	65%	4,110	64%	3,654
Bonds	24%	1,518	22%	1,256
Property	10%	632	11%	628
Other	1%	63	3%	171
		<u> </u>		<u> </u>
Total fair value of plan assets		6,323		5,709
Weighted average expected long term rate of return		21%		2.8%
Actual return on plan assets		281		199
		<u> </u>		<u> </u>

The amount included in the balance sheet in respect of the defined benefit pension plan enhanced pensions benefits is as follows:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Fair value of plan assets	6,323	5,709
Present value of plan liabilities	(7,138)	(5,806)
	<u> </u>	<u> </u>
Net pensions liability	(815)	(97)
	<u> </u>	<u> </u>

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

15 Pension costs *(continued)*

Amounts recognised in the Statement of Financial Activities in respect of the plan are as follows:

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	365	380
Past service cost	88	27
	<u>453</u>	<u>407</u>
Amounts included in interest payable		
Net interest cost / (income)	6	42
	<u>6</u>	<u>42</u>
Amounts recognised in other gains and losses		
Return on pension plan assets	281	199
Experience gains and losses on liabilities	-	921
Changes in assumptions underlying the present value of plan liabilities	(744)	461
	<u>(463)</u>	<u>1,581</u>
Movement in net defined (liability)		
	2019 £'000	2018 £'000
Net defined liability in scheme at 1 August	(97)	(1,498)
Movement in year:		
Current service cost	(365)	(380)
Past service cost	(88)	(27)
Employer contributions	204	269
Net interest on the defined liability	(6)	(42)
Actuarial gain/(loss)	(463)	1,581
	<u>(815)</u>	<u>(97)</u>

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements (continued)
for the year ended 31 July 2019

15 Pension costs (continued)

Asset and liability reconciliation

	2019 £'000	2018 £'000
<u>Changes in the present value of defined benefit obligations</u>		
Defined benefit obligations at start of year	5,806	6,639
Current service cost	365	380
Past service cost	88	27
Interest cost	168	184
Contribution by scheme participants	67	66
Experience gains and losses on defined benefit obligations	-	(921)
Changes in financial assumptions	1,031	(475)
Changes on demographic assumptions	(287)	14
Estimated benefits paid	(100)	(108)
	<hr/>	<hr/>
Closing defined benefit obligation	7,138	5,806
	<hr/> <hr/>	<hr/> <hr/>

Changes in fair value of plan assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of year	5,709	5,141
Interest on plan assets	162	142
Return on plan assets	281	199
Employer contributions	204	269
Contributions by scheme participants	67	66
Estimated benefits paid	(100)	(108)
	<hr/>	<hr/>
Closing fair value of employer assets	6,323	5,709
	<hr/> <hr/>	<hr/> <hr/>

16 Capital commitments

At the end of the year there were no capital commitments.

17 Lease commitments

At 31 July 2019 the College had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Property 2019 £	Equipment 2019 £	Total 2019 £	Total 2018 £
Within one year	51,985	38,582	90,567	80,044
Within two to five years	131,066	77,771	208,837	224,358
Over five years	207,297	-	207,297	243,919
	<hr/>	<hr/>	<hr/>	<hr/>
	390,348	116,353	506,701	548,321
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

18 Contingent liability

There are no known matters of contingent liability and consequently no financial provision has been made in these financial statements.

19 Post-balance sheet events

There are no post balance sheet events to note.

20 Reconciliation of net income to net cash from operating activities

	2019 £	Restated 2018 £
Net movements in funds before other recognised gains and losses	(8,271)	(278,050)
Adjustments for:		
Depreciation charges	184,842	179,827
Net cost of defined benefit pension	255,000	180,000
Decrease/(increase) in debtors	(22,214)	43,731
(Decrease)/increase in creditors	328,485	(132,331)
	<hr/>	<hr/>
Net cash (used)/provided by operating activities	737,842	(6,823)
	<hr/> <hr/>	<hr/> <hr/>

21 Financial instruments

	Total 2019 £	Total 2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	119,986	102,865
Carrying amount of financial liabilities		
Measured at amortised cost	674,876	369,233
	<hr/>	<hr/>
	794,862	472,098
	<hr/> <hr/>	<hr/> <hr/>

Debt instruments measured at amortised cost comprises trade debtors and accrued income.

Liabilities measured at amortised cost comprises trade creditors, accruals, other creditors and deferred income.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

22 Transition to Statement of Recommended Practice “Accounting for Further and Higher Education (2015)”

As explained in the accounting policies, these are the College’s first financial statements prepared in accordance with the Education SORP. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 2019, the comparative information presented in these financial statements for the year ended 2018. An explanation of how the transition to the Education SORP has affected the College’s financial position is set out in the following table.

The only material impact is in the disclosure of the deferred capital grants. The balance sheet has been restated below to show the position at 31 July 2018 under the previous charities SORP and then in accordance with the Education SORP.

	Charities SORP £	Effect of transition £	Education SORP £
Fixed assets	4,013,424	-	4,013,424
Current assets			
Debtors	156,051	-	156,051
Cash at bank and in hand	1,116,166	-	1,116,166
	1,272,217	-	1,272,217
Creditors: Amounts falling due within one year	(453,430)	(159,969)	(613,399)
Net current assets	818,787	(159,969)	658,818
Creditors: Amounts falling due after more than one year	(13,854)	(3,045,891)	(3,059,745)
Net pension liability	(97,000)	-	(97,000)
Net assets	4,721,357	(3,205,860)	1,515,497
Reserves			
Restricted reserves	3,205,860	(3,205,860)	-
Unrestricted reserves	1,515,497	-	1,515,497
	4,721,357	(3,205,860)	1,515,497

Income has increased from £4,627,453 to £4,650,143 as a result of the transition, being the movement in deferred income for the year to 31 July 2018.

Management accounts to 31 Oct 2019

The accounts for the first quarter of the year are showing a surplus of £413k. This is partly reflected in our bank balances which have increased by £189k, and by a reduction in our creditors of £184k since the year end.

The management accounts have been amended to reflect the layout of the statutory accounts which now follow the Education SORP rather than the Charities SORP.

We have now had funding for Credits for the year confirmed at £53k less than last year, but for the same credit target.

Our HE target of 220 for the year we know at this point will not be achieved. It is likely to be 200 as it was last year, so we have reduced the income pro-rata.

We have not included any funding for Helensburgh. To date nothing has been received from UHI's SIF fund, and it is difficult to see any change in UHI's position of continuing to blank our requests for drawdown, or meet them with further requests for information, most of which we would argue has been provided to them on previous occasions.

National Bargaining funding has been included at an amount of £1.17m. Continued receipt of this is dependent on the College signing up to NRPA at some point in the near future. Job evaluation process for support staff is commencing in other colleges, but until we are formally signed up for NRPA, the College will not be able to progress.

The outturn forecast for the year sees a reduction of £60k in the anticipated surplus, because it is looking increasingly unlikely that a buyer will be found for the Nursery in this financial year. Staffing costs for nursery staff have therefore been added back in, as has income, and we anticipate having to cover a loss of around £60k in the year from the Nursery at this point.

The Balance Sheet shows unrestricted reserves at the period end of £2.1m, but this is before any adjustment for pension liability, which for 2018/19 was £815k.

Ailsa E Close
27/11/19

Argyll College UHI Ltd

	Actual	Budget	Expected	
	31/10/2019	2019/20	Outturn	
INCOME			2019/20	
SFEFC SUMs Income	918,559	2,697,403	2,644,048	
SFEFC SUM's Income - ESOL	0	0	6,844	
UHI Income - RAM	131,736	633,235	530,909	Based on HE FTEs at Nov 2019
UHI Income - PGDE	10,392	67,000	47,238	Per UHI
UHI Income - Other	23,903	130,000	128,550	Flatrate £20k, SSC£108550
SAAS Income	793	309,000	281,000	Will be lower because of lower HE numbers
ILA Income	3,800	11,000	11,000	
DYW income	4,871	180,000	180,000	
Bursary Income/Student support	6,711	50,000	45,000	
Other PPE reimbursement/CITB/Fdn Apprenticeships	0	10,000	30,000	
Maintenance/Capital Grant income	25,689	80,000	62,027	£15042 is for capital rather than maintenance
ESF	0			
Bank Interest Received	96	3,000	3,000	
FE Student Fees	57,053	105,000	100,000	
HE Student Fees - Taught	15,883	20,000	20,000	
Commercial Training Activity	5,693	40,000	30,000	
Commercial Training Activity - CSCS Income	930	8,000	8,000	
Nursery Income - Fees	37,442	0	200,000	No sale looking likely in short term
Property Lease Income	2,396	0	3,500	Leased building delay in sale
Room/Facility Hire - With Own Insurance	80	1,500	2,000	
Room/Facility Hire - Without Own Insurance	0	500	100	
Vending Machine Income	293	3,000	7,000	
Hairdressing Income - General	1,609	9,100	6,500	
Hairdressing Income - Retail	0	0	0	
Hairdressing Income - Other	0	0	0	
Catering Income	1,146	11,500	10,500	
Feed-In Tariff	0	6,500	4,000	
Other income	653	0	1,000	
National Bargaining Grant funding	353,531	860,000	1,071,333	Incls £64k for Superann
Income from Staff	0	700	700	
Graduation Income	350	550	400	
Branded clothing income	645	700	2,000	
	1,604,254	5,236,988	5,436,649	
LESS: EXPENDITURE				
MicroRam	0	150,000	160,000	
Staffing Costs - Salaries	344,639	1,200,000	1,400,000	2-3% NB increase, lower than budgeted, nursery staff now included
Staffing Costs - Employer's NI	28,047	108,000	124,000	
Staffing Costs - Employer's Pension	43,372	168,000	178,000	
Staffing Costs - Maternity Pay	(1,352)	1,000	1,000	
Staffing Costs - Sick Pay	0	10,000	10,000	
Staffing Costs - Travel and Subsistence	4,037	20,000	20,000	
Staffing Costs - Training	858	6,000	6,000	
Staffing Costs - Disclosure	95	1,000	1,000	
Staffing Costs - Recruitment	0	15,000	15,000	
Staffing Costs - Other	3,660	0	0	
Teaching Staff Costs - Salaries	415,391	1,677,040	1,677,040	
Teaching Staff Costs - Employer's NI	34,812	150,934	150,934	
Teaching Staff Costs - Employer's Pension	67,862	335,408	335,408	
Teaching Staff Costs - Maternity Pay	0	1,000	1,000	
Teaching Staff Costs - Sick Pay	0	10,000	10,000	
Teaching Staff Costs - Travel and Subsistence	2,224	12,000	12,000	
Teaching Staff Costs - Training Other	0	12,000	12,000	
Teaching Staff Costs - Disclosure	344	1,300	1,300	
Teaching Staff Costs - Recruitment	0	3,000	3,000	
Teaching Staff Costs - Other	3,792	12,000	12,000	
Payments to Subcontractors	2,000	65,000	85,000	Additional costs for Nursery secondment and external contractors
Learning Resources/Matts	10,542	60,000	60,000	
Student PPE/Kit	6,726	20,000	20,000	
Payments to Awarding Bodies - SQA	2,636	60,000	60,000	
Payments to Awarding Bodies - CITB	335	5,000	5,000	
Payments to Awarding Bodies - BCS	4,955	8,000	8,000	
Payments to Awarding Bodies - Activ Training	155	3,500	3,500	
Apprenticeship levy	1,371	16,000	16,000	
Marketing and Promotion	12,826	50,000	50,000	
Health and Safety Costs	4,251	25,000	25,000	
Non Chargeable Catering Costs	754	5,000	5,000	
Property Costs - General maintenance	11,354	70,000	70,000	
Property Costs - Lease Costs	10,670	72,000	57,500	Move from WHHA back to Centre in Jan
Property Costs - Venue Costs	527	10,000	10,000	

Property Costs - Rates and Water Charges	115	17,000	17,000
Property Costs - Utilities	12,200	80,000	80,000
Property Costs - Cleaning	6,259	30,000	30,000
Property Costs - Other Property Costs	356	4,000	4,000
Insurance	25,762	31,000	31,000
ICT Maintenance and Support	34,610	117,000	117,000
Equipment repairs	1,804	5,000	5,000
Equipment Lease Costs	10,320	40,000	40,000
Company Vehicle Costs - Fuel	1,044	5,000	5,000
Company Vehicle Costs - Repairs and Maintenance	932	3,000	3,000
Company Vehicle Costs - Road Tax	0	300	300
Company Vehicle Costs - Other	2,240	40,000	40,000
Supplies and Copying	4,062	10,000	10,000
Postage	753	7,000	7,000
Telecoms	833	18,000	18,000
Other expenses	154	4,000	4,000
Donations	68	0	500
Subscriptions	6,185	27,000	27,000
Professional Fees - Audit and Accountancy	3,299	20,000	20,000
Professional Fees - Legal	0	12,000	30,000
Professional Fees - Other	0	5,000	5,000
Payments To/On Behalf of Students - Travel & Subsistence	3,660	20,000	20,000
Payments To/On Behalf of Students - Hardship	1,006	10,000	10,000
Payments To/On Behalf of Students - Disclosure	0	3,000	3,000
Payments To/On Behalf of Students - Graduation	4,940	5,000	5,000
Payments To/On Behalf of Students - Other	0	3,500	3,500
Governance Costs - Travel & Subsistence	55	1,500	1,500
Governance Costs - Other	92	500	500
Bank Charges	128	550	550
Loan Interest - BoS Fixed Rate	0	2,000	2,000
Bad debts	0	1,500	1,500
Vending Machine Costs	486	5,000	5,000
Hairdressing Supplies - General	986	8,500	8,500
Hairdressing Supplies - Retail	0	0	0
Hairdressing Costs - Other	0	400	400
Food Purchases	2,583	15,000	15,000
	1,141,815	4,914,932	5,174,932
Operating surplus	462,439	322,056	261,717
Non Capital Fixed Assets	3,431	40,000	40,000
Depreciation	46,250	185,000	185,000
Net surplus/(deficit) for the year	412,758	97,056	36,717

Argyll College UHI Ltd
Statement of Comprehensive Income
For the period ended 31 Oct 2019

	Actual 2019/20 £	Reforecast 2019/20 £	2018/19 £
Income			
SFC grants	1,272,090	3,722,225	3,616,214
UHI grants	191,720	608,724	630,334
Tuition fees and education contracts	77,529	442,000	872,390
Other operating income	56,196	462,700	346,186
Commercial training activity	6,623	38,000	51,534
Release of deferred capital grant	0	0	126,188
Investment income	96	3,000	7,145
Total income	<u>1,604,254</u>	<u>5,276,649</u>	<u>5,649,991</u>
Expenditure			
Staff costs	947,781	3,969,682	4,236,833
Other operating expenses	197,337	1,081,200	1,226,867
Depreciation	46,250	185,000	184,842
Interest and other finance costs	128	4,050	9,720
Total expenditure	<u>1,191,496</u>	<u>5,239,932</u>	<u>5,658,262</u>
Income/(Deficit) before other gains and losses	<u>412,758</u>	<u>36,717</u>	<u>(8,271)</u>
Impairment loss	0	0	(122,639)
Total comprehensive income for the period	<u><u>412,758</u></u>	<u><u>36,717</u></u>	<u><u>(130,910)</u></u>

Argyll College UHI Ltd
 Balance Sheet
 As at 31 Oct 2019

	31/10/2019	2018/19
Tangible fixed assets	3,847,041	3,836,896
Debtors		
Trade debtors	77,089	47,628
Prepayments	0	0
Other debtors	130,958	130,637
Deferred tax asset	0	0
	<u>208,047</u>	<u>178,265</u>
Cash at bank	1,890,024	1,701,517
	<u>2,098,071</u>	<u>1,879,782</u>
Creditors <1yr		
Trade Creditors	8,139	115,935
Bank Loans	9,035	15,105
Accruals	492,135	553,633
Deferred Grants	142,581	142,581
Tax & Social Security creditor	68,000	67,017
Other creditors	47,377	57,319
	<u>767,267</u>	<u>951,590</u>
Net current assets	1,330,804	928,192
Creditors >1yr		
Deferred Grants	3,028,501	3,028,501
Net Assets	<u><u>2,149,344</u></u>	<u><u>1,736,587</u></u>
Reserves		
Unrestricted funds	1,736,587	1,736,587
Comprehensive income for the period	412,758	0
	<u><u>2,149,345</u></u>	<u><u>1,736,587</u></u>



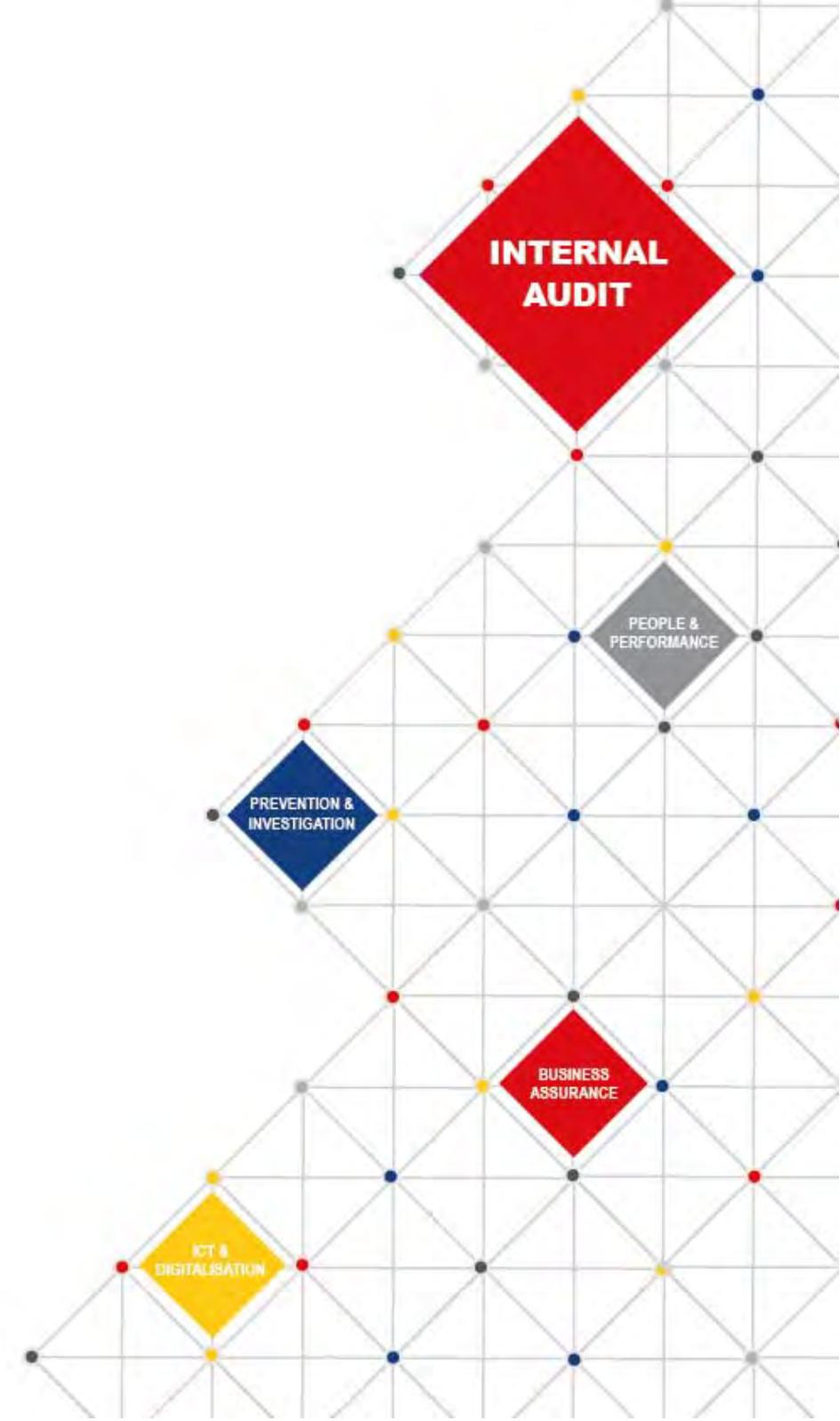
Argyll College

Internal Audit Annual Report

November 2019

FINAL

2018/19



Internal Audit Annual Report

INTRODUCTION

This is the 2018/19 Annual Report by TIAA on the internal control environment at Argyll College. The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation’s framework of governance, risk management and control. This report is designed to assist the Board in making its annual governance statement.

HEAD OF INTERNAL AUDIT’S ANNUAL OPINION

TIAA is satisfied that, for the areas reviewed during the year, Argyll College has reasonable and effective risk management, control and governance processes in place.

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by Argyll College from its various sources of assurance.

INTERNAL AUDIT PLANNED COVERAGE AND OUTPUT

The 2018/19 Annual Audit Plan approved by the Audit Committee was for 10 days of internal audit coverage in the year. During the year there were no changes to the Audit Plan.

All the planned work has been carried out and the reports have been issued (Annex A).

ASSURANCE

TIAA carried out 3 reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve the College’s objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below.

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	0	1
Reasonable Assurance	3	1
Limited Assurance	0	1
No Assurance	0	0

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2018/19.

Urgent	Important	Routine
0	8	5

AUDIT SUMMARY

Control weaknesses: There were no areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited assurance'.

Recommendations Made: We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
Directed	0	4	4
Compliance	0	4	1
Operational	0	0	0
Reputational	0	0	0

Value for Money: Value for money issues are considered as a matter of course during our work and any VFM issues identified were reported to the College during the year.

Overall there was evidence to support the College's achievement of value for money with regard to economy, efficiency or effectiveness of the systems reviewed. This assessment is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out in 2017/18.

During the year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

Operational
2

INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

PERFORMANCE AND QUALITY ASSURANCE

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	100%
Compliance with Public Sector Internal Audit Standards	100%	100%

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit Standards (PSIAS) in 2017 and in particular to meet the requirement of an independent five year review, the outcome confirmed full compliance with all the standards. Our work also complies with the IIA-UK Professional Standards.

RELEASE OF REPORT

The table below sets out the history of this Annual Report.

Date Report issued:	27 th November 2019
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Annexes

Annex A

Actual against planned Internal Audit Work 2018/19

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Management and Board Reporting	Assurance	2	2	Reasonable	Final Report Issued
General Data Protection Regulation	Assurance	3	3	Reasonable	Final Report Issued
Budgetary Control	Assurance	2	2	Reasonable	Final Report Issued
Follow Up	Follow Up	1	1		Final Report Issued
2018/19 Annual Plan	Management	0.5	0.5		
2018/19 Annual Report	Management	0.5	0.5		
Audit Management	Management	1	1		
	Total Days	10	10		



Argyll College

Assurance Review of Management and Board Reporting

November 2019

FINAL

2018/19



Executive Summary

OVERALL ASSURANCE ASSESSMENT

OVERALL CONCLUSION

The College's Board and sub-committees meet regularly and are in receipt of various information that is useful.

- Terms of Reference and remits of the Board and its sub-committees are adequately defined but these are due for review.
- There are gaps in the information provided as this is not aligned with a defined strategy and linked KPIs are not reported.
- There are appropriate arrangements for the collation of reporting but there have been issues with the timeliness of some reports.
- Further recommendations have been made to improve arrangements including an action tracker, standard cover information and a set SMT agenda.

SCOPE

The review considered the arrangements for reporting to the Board, Sub-Committees and the Senior Management Team and the processes established for ensuring the information provided is complete, up to date, in an appropriate format and aids the scrutiny and decision making processes.

ACTION POINTS

Urgent	Important	Routine	Operational
0	3	3	1

Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	Management information provided to the Board should be linked to the College's strategic objectives but the College does not currently have a current Strategic Plan. The Strategic Plan provided was for 2015-18 and no strategic objectives have been defined for the current period. There is a variety of information reported but none that is directed by Strategy or objectives.	A Strategic Plan including strategic objectives be developed and approved for 2019/20 onwards.	2	<i>Senior management are acutely aware of the need for Strategic Plan to be documented. In the past year, there have been a number of major, unplanned, operational issues to be dealt with which have necessarily taken precedence. That said, work has progressed on the basis for a strategic plan, the next stage of which is to share with the Board in December.</i>	31/07/20	Principal/SMT
4	Directed	There are defined KPIs for student success and retention at set times in the year but there has been no further reporting of KPIs on a regular basis. As above, KPIs should be linked to strategic objectives but these objectives must first be defined.	KPIs be developed which are linked to the College's strategic objectives. A framework be devised for all KPIs which documents ownership, clear definition of the KPI and measurement and documented procedures be introduced for the collection and calculation of the information.	2	<i>See above. As the strategy is developed, appropriate KPIs will be defined and agreed.</i>	31/07/20	Principal/SMT

PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Compliance	A review of papers identified two occasions where the papers were issued a day late and several cases where not all documents were ready to be sent with the papers. The Principal's report is tabled at the Board meetings and there are other examples where reports were provided at a later date.	It be ensured that Board and sub-committee papers are provided to members in a timely manner to provide sufficient time for review.	2	<i>The Executive Team are aware of the need for papers to be sent out one week in advance of the meetings. However, given the very limited staff resources within the organisation, and in particular within the SMT and the workloads of the members of that team, other calls on their time will continue to mean that papers may not always be finalised at the desired time.</i>	N/A	Executive Team
1	Directed	Terms of Reference for the Board of Governors and its sub-committees are adequately defined but these were due for review in March 2019.	The Terms of Reference for the Board of Governors and sub-committees be reviewed.	3	<i>These will be reviewed at the Board and Board sub-committee meetings at first round of Committee meetings in March 2020.</i>	31/03/20	Board Secretary
2	Directed	A change in Principal has had an impact on SMT meetings and it was advised that these meetings have been somewhat sporadic. There has not been a set agenda for the SMT and consideration needs to be given to the key areas of discussion and reports required to provide structure and effectiveness to these meetings.	A set agenda and structure be agreed in respect of monthly SMT meetings.	3	<i>The geographic dispersal of the SMT creates a challenge to regular meetings which is longstanding. Since the change in Principal, the membership of SMT has been reviewed and is now expanded to include HR representation. A monthly pattern has been established with an agenda which has a number of standing items.</i>	31/07/20	Principal

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.	2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.	3	ROUTINE	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	Directed	Minutes record matters arising and actions identified. These can be picked up at the next meeting when reviewing the minutes of the meeting. However there is currently no action tracker which increases the risk of losing track of actions not completed by the next meeting.	An Action Tracker be introduced for Board and sub-committee meetings to track actions until completion.	3	<i>This will be introduced at the set of Committee/Board meetings in the first quarter of 2020 calendar year.</i>	31/03/20	Board Secretary

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Directed	A standard covering section be added to Board reports to provide consistency and ensure consideration of key factors.	<i>Competing time pressures, particularly given recommendation 6 means this is not always completed, but ET will endeavour to reintroduce this practice.</i>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Detailed Findings

Introduction

1. This review was carried out in October 2019 as part of the planned internal audit work for 2018/19. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

Materiality

2. It is essential that the Board, it's Sub-Committees and the Senior Management Team receive information which is reliable, accurate, timely and useful in order to inform effective scrutiny of the College's operations and decision making.

Key Findings & Action Points

3. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

Scope and Limitations of the Review

4. The review considered the arrangements for reporting to the Board, Sub-Committees and the Senior Management Team and the processes established for ensuring the information provided is complete, up to date, in an appropriate format and aids the scrutiny and decision making processes.
5. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

Disclaimer

6. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Risk Area Assurance Assessments

7. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

8. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

9. The table below sets out the history of this report.

Date draft report issued:	29 th October 2019
Date management responses received:	25 th November 2019
Date final report issued:	26 th November 2019

10. The following matters were identified in reviewing the Key Risk Control Objective:

Directed Risk: Failure to direct the process through approved policy & procedures.

- 10.1 A Board Effectiveness Review previously undertaken by Wylie & Bisset noted feedback regarding frustrations with the quality and timeliness of information to the Board. Feedback stated that information was vague but from review of the report it is unclear if this was the views of one member or several Board members. It was advised that, at the time, the Principal did not provide reports and this may have been the source of the problem. There has since been a change in Principal and a regular Principal's report is now provided to the Board.
- 10.2 There is not currently a policy/procedure covering management and board reporting but arrangements are broadly defined within the Standing Orders and Terms of Reference. This audit has recognised some additional requirements including reporting of performance against defined objectives and KPIs. Such guidance is addressed separately for these individual issues.
- 10.3 Terms of Reference for the Board of Governors and its sub-committees are adequate defined but these were due for review in March 2019. Whilst they may be considered suitable, the Board should review the Terms of Reference to confirm they still meet requirements and consider the level of delegation to sub-committees.

Recommendation: 1	The Terms of Reference for the Board of Governors and sub-committees be reviewed.
Priority: 3	

- 10.4 Board and sub-committee meetings are regular based on agreed intervals. There is no documented pre-determined work plan that defines what is to be considered at each meeting. However there are clear cycles in the programme of meetings and several items are provided to each meeting. The Board and sub-committees usually work to standard agendas with items added, such as policy reviews, when required.
- 10.5 A change in Principal has had an impact on SMT meetings and it was advised that these meetings have been somewhat sporadic. However going forward it is intended that the SMT will meet on a monthly basis. There has not been a set agenda for the SMT and consideration needs to be given to the key areas of discussion and reports required to provide structure and effectiveness to these meetings.

Recommendation: 2	A set agenda and structure be agreed in respect of monthly SMT meetings.
Priority: 3	

- 10.6 Board and sub-committee papers do not follow a standard structure. It may be of benefit to have a standard covering section which outlines who the report is by, its purpose and recommendation(s) made. Implications for risk, equality and diversity, sustainability and finance may also be documented where appropriate to ensure consideration is given to all key factors.

Operational Effectiveness Matter: 1 **A standard covering section be added to Board reports to provide consistency and ensure consideration of key factors.**

- 10.7 The purpose and requirement for each Board report are clearly defined in the agenda i.e. to approve, discuss, consider or note.
- 10.8 Management information provided to the Board should be linked to the College's strategic objectives but the College does not currently have a current Strategic Plan. The Strategic Plan provided was for 2015-18 and no strategic objectives have been defined for the current period. It was advised that there have been other priorities since the new Principal joined the College but it is recognised that this requires development. There is a variety of information reported but none that is directed by Strategy or objectives.

Recommendation: 3 **A Strategic Plan including strategic objectives be developed and approved for 2019/20 onwards.**
Priority: 2

- 10.9 There are defined KPIs for student success and retention at set times in the year but there has been no further reporting of KPIs on a regular basis. As above, KPIs should be linked to strategic objectives but these objectives must first be defined.

Recommendation: 4 **KPIs be developed which are linked to the College's strategic objectives. A framework be devised for all KPIs which documents ownership, clear definition of the KPI and measurement and documented procedures be introduced for the collection and calculation of the information.**
Priority: 2

- 10.10 The Board Secretary provides secretarial support to the Board and circulates papers and agendas as well as arranging meetings and performing other tasks such as minute taking. Papers and agendas are due to be issued to members one week in advance.
- 10.11 Minutes record matters arising and actions identified. These can be picked up at the next meeting when reviewing the minutes of the meeting. However there is currently no action tracker which increases the risk of losing track of actions not completed by the next meeting.

Recommendation: 5 **An Action Tracker be introduced for Board and sub-committee meetings to track actions until completion.**
Priority: 3

- 10.12 There are no formal checking procedures in place to confirm the accuracy of information reported but this information does come from senior staff and there is an expectation that it is evidence based.
- 10.13 The Board Secretary coordinates the collation of information for reporting to the Board and sub-committees. Managers write reports relevant to their areas and provide the information to the Board Secretary for circulation with the rest of the papers.

Compliance Risk: Failure to comply with approved policy and procedure leads to potential losses.

10.14 Evidence of the issuing of Board and sub-committee papers was reviewed for meetings in the past year. There were two occasions where the papers were issued a day late and several cases where not all documents were ready to be sent with the papers. The Principal's report is tabled at the Board meetings and there are other examples where reports were provided at a later date.

Recommendation: 6	It be ensured that Board and sub-committee papers are provided to members in a timely manner to provide sufficient time for review.
Priority: 2	

10.15 From review of agendas, minutes and a sample of reports provided to the Board it was concluded that the reports and information provided to the Board were in accordance with the Board's strategic remit.

10.16 A sample of reports to the Board was reviewed and it was found that the information provided was appropriate and sufficient to enable the Board to make informed decisions.



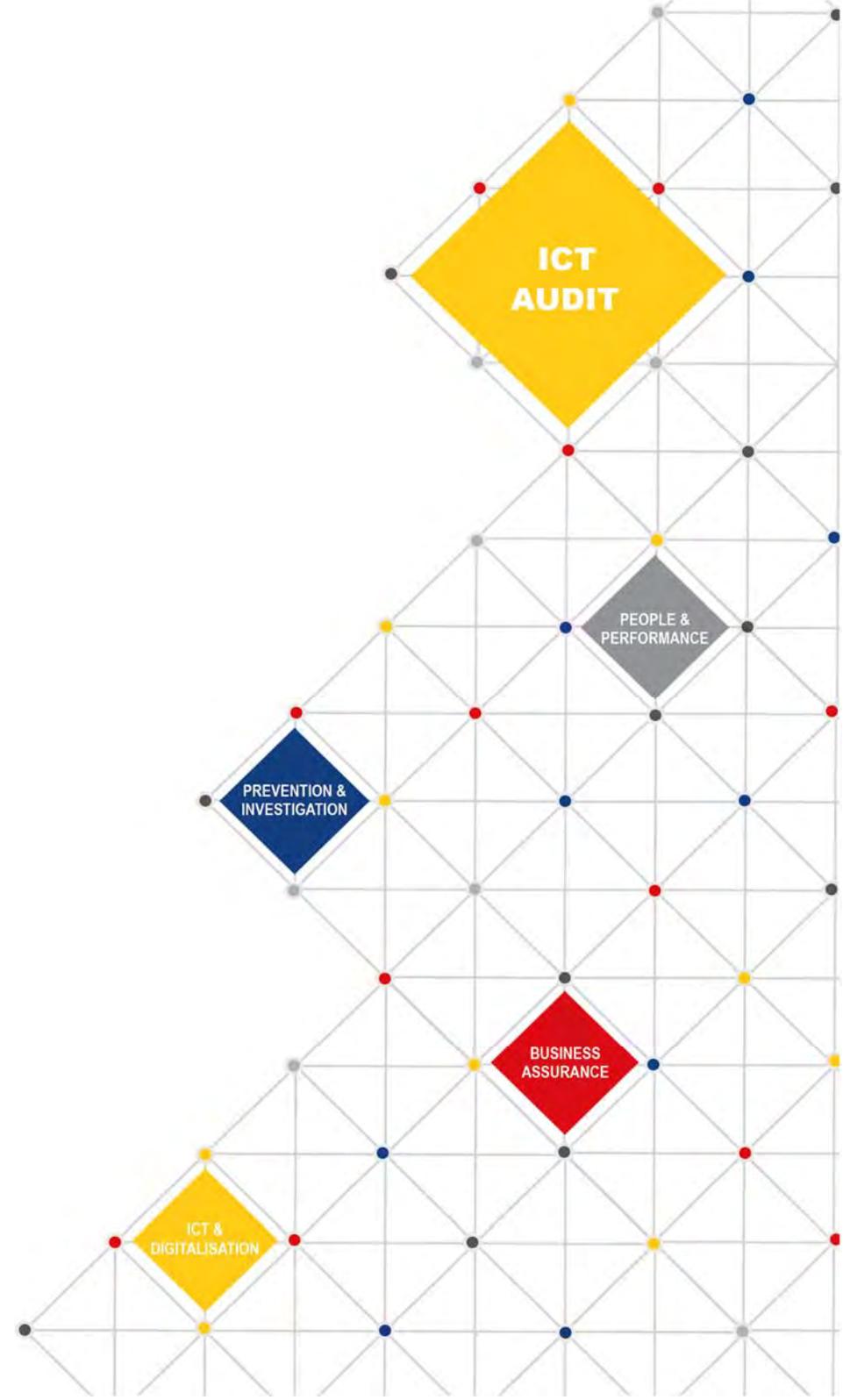
Argyll College

ICT Review of General Data Protection Regulation

November 2019

FINAL

2018/19



Executive Summary

OVERALL ASSURANCE ASSESSMENT

OVERALL CONCLUSION

The College's preparation for compliance with GDPR considered relevant elements and action taken was in line with ICO guidance.

- An appropriate Data Protection and Retention Policy has been documented but there is currently a lack of guidance pertaining to subject access requests.
- A data mapping exercise has been undertaken across the organisation and relevant sources of personal data have been identified.
- Training was provided to staff prior to implementation of the GDPR but no arrangements are currently in place for new staff.
- There is a requirement to consider the impact, relating to GDPR, from the College's use of CCTV.

SCOPE

The review assessed the arrangements the College has in place to ensure compliance with the GDPR. This included policies and procedures, staff training, arrangements for identifying what information is required, how this is held securely and disposed of when it is no longer required, monitoring and arrangements for remaining aware of changes in legislative requirements. The review did not consider the source of any information obtained by the College, how it was collected or the validity and quality of the information held.

ACTION POINTS

Urgent	Important	Routine	Operational
0	3	1	1

Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	There have been no training arrangements put in place for new staff as GDPR is not explicitly covered within staff induction.	Data Protection training be included within new staff members' induction.	2	<i>We agree that whilst training was carried out in Sep 2018, this has not necessarily been carried out for new starts. Induction in future will ensure that training on GDPR is part of induction and also that there is a way of capturing that all staff undertake mandatory refresher training on GDPR on an annual basis.</i>	31/07/20	Depute Principal
2	Compliance	The Data Protection Policy refers to a Data Subject Access Request Policy and provides link to the website but this does not work. It was confirmed by staff that the College does not have a standalone Data Subject Access Requests Policy.	Procedures for managing and responding to Subject Access Requests be documented.	2	<i>Procedures for managing and responding to Subject Data Access Requests will be added to the Data Protection Policy. Subject access request are reported quarterly to the Scottish Information Commissioner at the same time as Freedom of Information requests. There has only been one SAR in the last 10 years.</i>	13/12/19	Depute Principal
4	Compliance	The College does use CCTV in Oban but the impact of the system and its usage has not been considered in the context of GDPR.	A CCTV Policy be developed and CCTV usage be recorded within the data maps with consideration given to its impact and legal basis.	2	<i>Agreed this is required particularly as it is intended for security purposes that CCTV will be installed</i>	31/03/20	Finance Director

PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
					<i>inside the doors of each of our centres.</i>		
3	Compliance	It was advised that data sharing agreements are not in place as the College is considered a data processor rather than data controller.	Data sharing arrangements be reviewed with a view to establishing data sharing agreements where necessary.	3	<i>Agreed that this should be reviewed.</i>	31/07/20	<i>Principal</i>

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Compliance	The College to consider use of auto deletion or anonymisation of personal data in accordance with retention schedules on relevant IT systems.	<i>Agreed. This will be reviewed by the HR dept and documented appropriately.</i>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Detailed Findings

Introduction

1. This review was carried out in October 2019 as part of the planned internal audit work for 2018/19. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

Materiality

2. Breaches associated with non-compliance with GDPR can result in fines up to 4% of Global Turnover or €20M, whichever is greater.

Key Findings & Action Points

3. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

Scope and Limitations of the Review

4. The review assessed the arrangements the College has in place to ensure compliance with the GDPR. This included policies and procedures, staff training, arrangements for identifying what information is required, how this is held securely and disposed of when it is no longer required, monitoring and arrangements for remaining aware of changes in legislative requirements. The review did not consider the source of any information obtained by the College, how it was collected or the validity and quality of the information held.
5. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

Disclaimer

6. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Risk Area Assurance Assessments

7. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

8. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

9. The table below sets out the history of this report.

Date draft report issued:	29 th October 2019
Date management responses received:	25 th November 2019
Date final report issued:	26 th November 2019

10. The following matters were identified in reviewing the Key Risk Control Objective:

Directed Risk: Failure to direct the process through approved policy & procedures.

- 10.1 The College's Data Protection and Retention Policy was updated in May 2018 in response to the implementation of the General Data Protection Regulation (GDPR). From review of the policy, it was confirmed that this adequately covers the key legislative requirements of GDPR including the data protection principles.
- 10.2 The Depute Principal has been assigned as the College's Data Protection Officer.

Compliance Risk: Failure to comply with approved policy and procedure leads to potential losses.

- 10.3 The work undertaken to reach a stage of compliance with GDPR was in line with the Information Commissioner's Office (ICO) guidance.
- 10.4 Ensuring staff awareness of their responsibilities in respect of managing and handling personal information is identified as a commitment within the Data Protection and Retention Policy. The UHI Data Protection Officer provided an adequately detailed training course to staff via video conference and all staff were required to complete UHI web based training on GDPR. Completion for all staff was monitored by UHI centrally.
- 10.5 However, there have been no training arrangements put in place for new staff as GDPR is not explicitly covered within staff induction.

Recommendation: 1	Data Protection training be included within new staff members' induction.
Priority: 2	

- 10.6 A data mapping exercise was undertaken across the organisation. Relevant personnel were assigned responsibility for their respective areas and personal data maps have subsequently been documented for each section. A template data map was used to ensure that details including data subjects, purpose, source, etc. were recorded consistently. A review of the data maps did not identify any clear omissions based on the auditor's knowledge of the organisation and the sector.
- 10.7 Comprehensive retention schedules have been defined within the Data Protection and Retention Policy. Retention periods were found to be based on legal requirements or best practice. The relevant manager is responsible for compliance with the retention periods within their respective areas. It was advised that there has been a review of records held and records to be disposed of have been identified. Whilst compliance with retention periods has not been assessed as part of this audit, arrangements for compliance have been considered. It was advised that IT systems such as Cascade HR and SITS, registry system, do not utilise any auto deletion or anonymisation tools.

Operational Effectiveness Matter: 1	The College to consider use of auto deletion or anonymisation of personal data in accordance with retention schedules on relevant IT systems.
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- 10.8 The College has updated privacy notices for relevant data subjects including staff and students. These provide details on the College, how and what data is collected, why the information is collected and how it will be used, how the data will be shared and how it will be held. The documents also specify the rights of the individuals.
- 10.9 From review of the documentation provided it is clear that the College is aware of and has considered the rights of individuals. This includes specifying these rights in the Data Protection Policy and Privacy Policy and stating their rights in the Privacy Notices.
- 10.10 The Data Protection Policy refers to a Data Subject Access Request Policy and provides a link to the website but this does not work. It was confirmed by staff that the College does not have a standalone Data Subject Access Requests Policy. Clear guidance is required on internal procedures for receipt of and response to Subject Access Requests.

Recommendation: 2

Procedures for managing and responding to Subject Access Requests be documented.

Priority: 2

- 10.11 The GDPR has imposed requirements to identify and document the legal bases for processing personal data. The College's data mapping exercises have explicitly considered and identified the legal basis for processing the personal data.
- 10.12 The Regulations have required adapted procedures in respect of consent to collect/process/retain an individual's data. Consent only applies in limited circumstances but the College has given due regard to these requirements in policies and processes. Explicit consent must be given by the data subject in relevant cases and standard consent forms are in use for marketing.
- 10.13 There are specific requirements for the processing of children's personal data for those under the age of 13. The College may obtain such data as part of bursary/student funding where details of children and siblings who may be under 13 are requested. This is adequately controlled and covered within relevant privacy notices.
- 10.14 Information and the approach for dealing with data breaches are outlined within the Data Protection and Retention Policy. These arrangements were communicated within the staff training and there should subsequently be a reasonable level of staff awareness. It was advised that there have been no data breaches at the College.
- 10.15 The Data Protection Retention Policy gives due consideration to the requirement for Data Protection Impact Assessments (DPIAs). DPIAs are only required under GDPR when using new technologies and/or when the processing is likely to result in a high risk to the rights and freedoms of individuals. It was concluded following review that DPIAs are not currently required based on this criteria.
- 10.16 Some information sharing with third parties has been addressed within the data maps and documented within the Privacy Notices. However, it was advised that data sharing agreements are not in place as the College is considered a data processor rather than data controller. However, the responsibilities should be adequately defined and data sharing agreements should be in place with relevant third parties.

Recommendation: 3

Data sharing arrangements be reviewed with a view to establishing data sharing agreements where necessary.

Priority: 3

- 10.17 The College transfers some personal data to the USA for Turnitin plagiarism software. This is clearly acknowledged in privacy notices and the data is transferred to Turnitin LLC in the USA under the European Commission's adequacy decision regarding the protection provided by the EU-U.S. Privacy Shield.
- 10.18 The College does use CCTV in Oban but the impact of the system and its usage has not been considered in the context of GDPR.

Recommendation: 4	A CCTV Policy be developed and CCTV usage be recorded within the data maps with consideration given to its impact and legal basis.
Priority: 2	

- 10.19 The Data Protection and Retention Policy briefly covers requirements for information security and refers to the Learning and Information Services (LIS) Security Policy and Security Awareness Policy. Hard copy files such as personnel files are held in secure and restricted spaces and the College has obtained Cyber Essentials accreditation.



Argyll College

Assurance Review of Budgetary Control

November 2019

FINAL

2018/19



Executive Summary

OVERALL ASSURANCE ASSESSMENT



OVERALL CONCLUSION

In general, there are appropriate controls which are operating effectively over the setting, monitoring and management of budgets.

- Accounting Regulations and Financial Procedures provide a clear structure and guidance to management on the key requirements pertaining to budget setting and management but Financial Procedures are due for review.
- Budgets are based on the previous year's outturn with consideration of new initiatives and the operating environment.
- Reporting of management accounts is adequately regular with monitoring of actual performance undertaken by the Principal.
- Budgets have not been devolved to budget holders and budgetary control is reliant on the Finance Director. Those authorising purchase orders do not have adequate awareness of budget performance.

SCOPE

The review considered the budget preparation process, including the timetable and procedures, basis of preparation, assumptions used, apportionment of central costs and the approval process. The review also considered the monitoring arrangements, including the production of timely management accounts and reporting to the Board.

ACTION POINTS

Urgent	Important	Routine	Operational
0	2	1	0

Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	Whilst management have delegated authority to authorise purchase orders and invoices, they have not been given responsibility for monitoring budgets. However it is expected that management authorising orders and invoices should have a knowledge of the budget and spend to date to make an informed decision on if the order can be placed without resulting in an overspend.	Budget holders be identified and assigned responsibility for budget monitoring and control.	2	<i>Size of college, restructure and changes in management responsibilities over the past two years has meant that budgets have not been delegated and budgetary control has been with the Exec Team. Once the College Strategic Plan and Operating Plan for 2020/21 and onwards has been finalised, it is planned that budgets will be devolved.</i>	01/08/20	Finance Director
3	Directed	Variances are not explicitly calculated and highlighted in the management accounts but are noted and explained in the supporting narrative. However the figures provided for comparison relate to the budget and expected outturn for the year. The current approach compares the full year budget against a forecasted figure that may not be accurate.	Spend to date be compared to budget to date and variances be calculated within the management accounts.	2	<i>This will be put to the Board/SMT to establish their interest in having this incorporated or otherwise into management accounts.</i>	13/12/19	Finance Director
1	Directed	Financial Procedures were due to be reviewed in November 2018 but this review has not yet taken place.	The Financial Procedures be reviewed to ensure these are up to date and reflective of current practice.	3	<i>These will be reviewed at the F & GP meeting in March 2020.</i>	31/3/20	Finance Director

PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
No Operational Effectiveness Matters were identified.			

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Detailed Findings

Introduction

1. This review was carried out in October 2019 as part of the planned internal audit work for 2018/19. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

Materiality

2. Actual income for 2018/19 was £5.6 million which was £26,000 over budget. Actual expenditure for the same period was £5.2 million which was £122,628 under budget.

Key Findings & Action Points

3. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

Scope and Limitations of the Review

4. The review considered the budget preparation process, including the timetable and procedures, basis of preparation, assumptions used, apportionment of central costs and the approval process. The review also considered the monitoring arrangements, including the production of timely management accounts and reporting to the Board.
5. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

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Risk Area Assurance Assessments

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Acknowledgement

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Release of Report

9. The table below sets out the history of this report.

Date draft report issued:	29 th October 2019
Date management responses received:	25 th November 2019
Date final report issued:	26 th November 2019

10. The following matters were identified in reviewing the Key Risk Control Objective:

Directed Risk: Failure to direct the process through approved policy & procedures.

- 10.1 Financial failure/operating loss and inability to achieve a balanced budget has been identified as a strategic risk by the College. Budgetary control is a key mitigating action related to this risk.
- 10.2 The Principal is ultimately responsible for the College's budget which is set and approved by the Board. The Finance Director has day to day responsibility for compiling financial reports and monitoring actual performance against budget.
- 10.3 The College has defined and approved appropriate Accounting Regulations. The Regulations clearly define arrangements for financial planning including budget preparation and budgetary control in respect of expenditure, changes to budget and virements.
- 10.4 Financial Procedures have also been documented to provide further guidance to staff and define controls. However, these procedures were due to be reviewed in November 2018 but this review has not yet taken place.

Recommendation: 1

The Financial Procedures be reviewed to ensure these are up to date and reflective of current practice.

Priority: 3

- 10.5 Delegated levels of expenditure have been defined within the Accounting Regulations. Budget holders can sign up to £1,000 for any one single order and the Executive Team can authorise up to £20,000. Orders in excess of £20,000 must be approved by the Board.
- 10.6 The draft budget is prepared by the Finance Director for consideration by the Finance and General Purposes Committee at its meeting in May. National Bargaining has had a significant impact on the College's budget but scope for change beyond mandatory changes has been minimal and the budget remains broadly similar year on year. There were previously changes following the introduction of a new centre in Helensburgh but this is now self-contained and the budget is expected to be consistent. It was advised that only the Head of Communications has further input in the budget setting process as the budget for communications is seen as a little more flexible in the areas of spend.
- 10.7 The draft is considered by the Finance and General Purposes Committee before being considered by the Board for approval in June.
- 10.8 The budget setting is considered in the context of the College's strategic aspirations but is realistic based on the current funding available and current credit targets.
- 10.9 Timescales for the budget setting process are based on the calendar of Committee meetings. There are clear milestones in respect of draft budget due dates and staff work back from these dates.
- 10.10 The current budget is based on the previous year with a review of outturn and consideration of inflation. This is assessed on a line by line basis but the draft budget shows that there has been little change to the previous year.

- 10.11 Whilst management have delegated authority to authorise purchase orders and invoices, they have not been given responsibility for monitoring budgets. This responsibility has been undertaken by the Finance Director. However it is expected that management authorising orders and invoices should have a knowledge of the budget and spend to date to make an informed decision on if the order can be placed without resulting in an overspend. The authorisation control is subsequently constrained in its effectiveness due to limited information.

Recommendation: 2

Budget holders be identified and assigned responsibility for budget monitoring and control.

Priority: 2

- 10.12 The Finance Director does not have regular meetings with other management specifically in relation to budgetary control. However the Finance Director will meet with certain staff members if there is an issue with their spending and/or budget.
- 10.13 The Management Accounts follow a standard format which provides details of the Income and Expenditure in addition to the Balance Sheet.
- 10.14 There is quarterly reporting of the Management Accounts to the Finance and General Purposes Committee and also to the Board. It was advised that the SMT usually review Management Accounts in advance of these meetings but this has not occurred recently due to other discussion requirements.
- 10.15 The Management Accounts provide a forecasted outturn for the year in all relevant quarters reported. This is based on spend to date and expectations for the rest of the year in the context of operations and original budget.
- 10.16 Variances are not explicitly calculated and highlighted in the management accounts but are noted and explained in the supporting narrative. However the figures provided for comparison relate to the budget and expected outturn for the year. Assessing variances on actual spend to date vs budget to date would provide more accurate and meaningful information. The current approach compares the full year budget against a forecasted figure that may not be accurate. Relevant budgets will require profiling to ensure the budget to date is reasonable based on the profile of spend/income.

Recommendation: 3

Spend to date be compared to budget to date and variances be calculated within the management accounts.

Priority: 2

- 10.17 It is noted in the Accounting Regulations that at the year end, budget holders will not normally have the authority to carry forward a balance on their budget to the following year unless the Financial Director has approved a specific scheme for carrying forward all or part of unspent amounts.
- 10.18 There have been no signs of unnecessary rushed end of year spending and each order is justified on a needs basis rather than desire to spend remaining budgets.
- 10.19 Access rights to the budget spreadsheet and accounting software is limited to relevant staff on a needs basis.
- 10.20 Purchase order processes ensure that expenditure is well controlled and commitments can be accounted for by the Finance team.

Compliance Risk: Failure to comply with approved policy and procedure leads to potential losses.

- 10.21 A review of the annual budget set confirmed that this was appropriate based on the previous year's actual outturn against budget.
- 10.22 It was confirmed that the narrative in the management accounts adequately highlighted and explained significant variances against budget throughout the year.
- 10.23 It was confirmed that the annual budget was approved by the Board in accordance with Accounting Regulations.
- 10.24 Assumptions made in financial planning were found to be reasonable and justified based on supporting evidence.



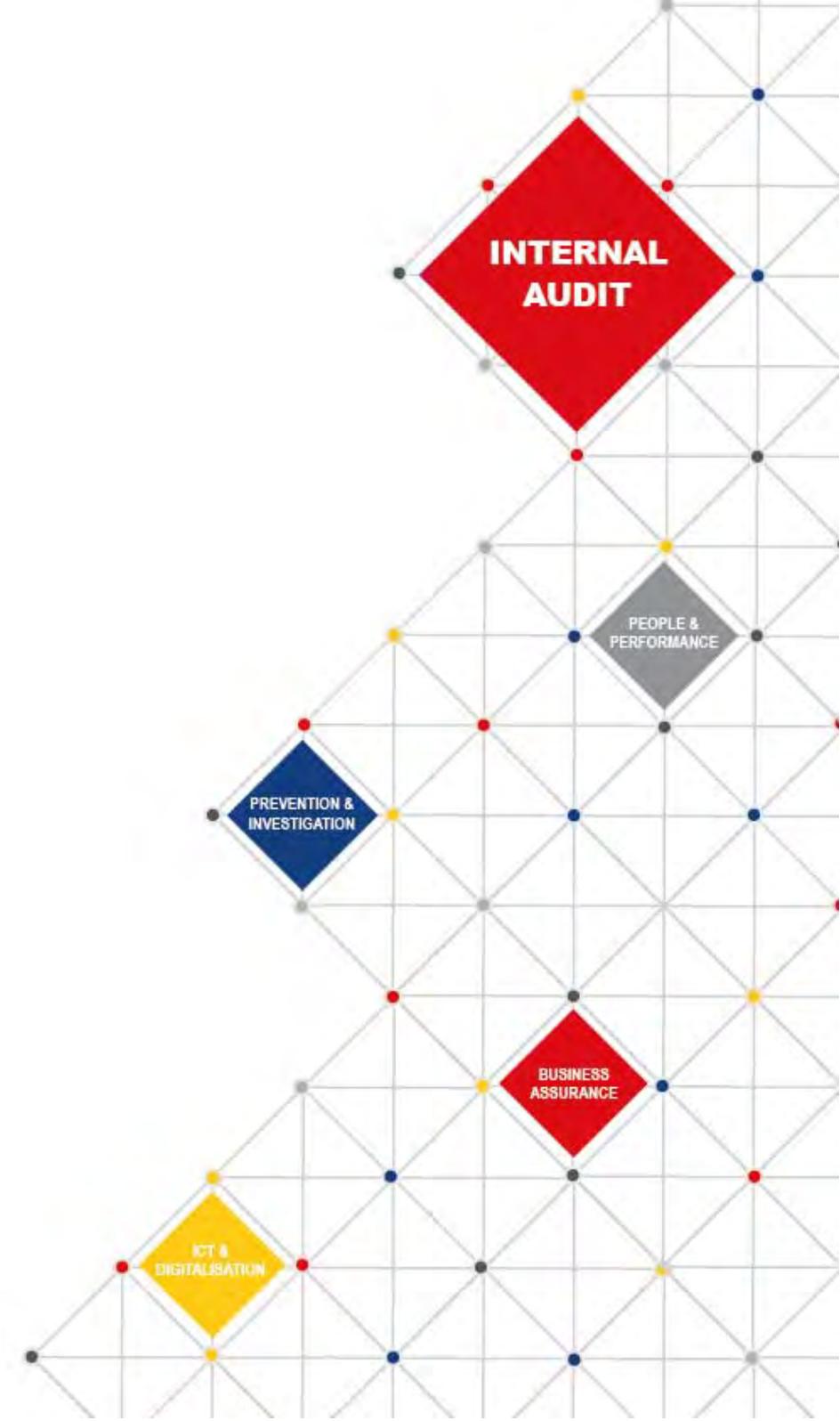
Argyll College

Follow Up Review

November 2019

FINAL

2018/19



Executive Summary

INTRODUCTION

1. This follow up review by TIAA established the management action that has been taken in respect of the priority 1 and 2 recommendations arising from the internal audit reviews listed below at Argyll College. The review was carried out in October 2019.

Review	Year
HR Management	2017/18
Internal Communications	2017/18
Student Support Systems	2017/18
Website Administration	2017/18
Appraisal Review of ICT Strategy, Procurement & Helpdesk Arrangements	2016/17

KEY FINDINGS

2. The follow up review considered whether the management action taken addresses the control issues that gave rise to the recommendations. The implementation of these recommendations can only provide reasonable and not absolute assurance against misstatement or loss. From the work carried out the following evaluations of the progress of the management actions taken to date have been identified.

Evaluation	Number of Recommendations
Implemented	7
Outstanding	4
Considered but not Implemented	1
Not Implemented	1

SCOPE AND LIMITATIONS OF THE REVIEW

3. The review considered the progress made in implementing the recommendations made in the previous internal audit reports and ascertained the extent to which management has taken the necessary actions to address the control issues that gave rise to the internal audit recommendations.
4. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.
5. For the purposes of this review reliance was placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

RELEASE OF REPORT

6. The table below sets out the history of this report.

Date draft report issued:	25 th November 2019
Date management responses rec'd:	
Date final report issued:	

Detailed Report

FOLLOW UP

7. Management representations were obtained on the action taken to address the recommendations and limited testing has been carried out to confirm these management representations. The following matters were identified in considering the recommendations that have not been fully implemented

8. HR Management

Audit title	HR Management	Audit year	2017/18	Priority	1
Recommendation	A process be established for undertaking Right to Work in the UK checks for all future recruitment, with evidence of this retained. For any current employees where checks have not been carried out action be taken to complete these.				
Initial management response	Process now implemented – forms part of the information applicants are asked to bring to interview. Process incorporates Home Office right to work checklist that is completed by the interviewer. The recruitment policy and process and flows chart will be amended to include this.				
Responsible Officer/s	HR Officer	Original implementation date	22/05/2018	Revised implementation date(s)	N/A
Latest Update	A review of the Recruitment, Selection and Retention Policy confirmed that this was updated in August 2019. This now includes adequate processes for confirming Right to Work in the UK. Forms are in use which must be obtained from the interviewees along with any ID evidence required.				
New implementation date	N/A	Status	Implemented	Fully implemented	

Audit title	HR Management	Audit year	2017/18	Priority	2
Recommendation	It be ensured that all officers with line manager personnel management responsibilities are provided with appropriate training to ensure they are aware of College policies and procedures and enable a consistent approach to be taken in compliance with college requirements.				
Initial management response	<p>HR Officer attending SMT meeting on 5th June.</p> <p>HR Officer and HR Administrator meeting Heads of Curriculum to agree and plan training for Curriculum Leads who will line manage teaching staff.</p> <p>HR Officer and HR Administrator will ensure compliance of implementation of college policy and procedure.</p>				
Responsible Officer/s	HR Officer	Original implementation date	01/09/2018	Revised implementation date/s	N/A
Latest Update	Processes have been clearly defined and evidence was reviewed to confirm that the HR Officer provided training to Curriculum Leads.				
New implementation date	N/A	Status	Implemented	Fully implemented.	

Audit title	HR Management	Audit year	2017/18	Priority	2
Recommendation					
Initial management response	It be ensured that recruitment is undertaken following a consistent process in compliance with policies and procedures.				
Responsible Officer/s	HR Officer/Head of Curriculum	Original implementation date	01/09/2018	Revised implementation date/s	N/A
Latest Update	Sample testing was undertaken on a small sample of new starts. This testing confirmed compliance with recruitment procedures and key documents such as authority to recruit, evidence of shortlisting, references and evidence of qualifications were retained.				
New implementation date	N/A	Status	Implemented	Fully Implemented	

Audit title	HR Management	Audit year	2017/18	Priority	2
Recommendation	Management be reminded of the induction processes to be followed and ensure that HR and Cascade are updated with details of completion.				
Initial management response	Will be included in Curriculum Lead training. HR will ensure compliance and will run monthly reports from Cascade.				
Responsible Officer/s	HR Officer HR Administrator	Original implementation date	01/09/2018	Revised implementation date(s)	TBC
Latest Update	It was advised that an induction checklist was in use but sample testing found that only one of the four new starts had a completed induction checklist on file.				
New implementation date	31/07/20	Status	Outstanding	Recommendation has not yet been fully implemented	

Audit title	HR Management	Audit year	2017/18	Priority	2
Recommendation	An appraisal process be established for review of staff performance and development with processes in place for recording completion and outcome of this.				
Initial management response	Process is in place but training required for line managers. Training dates identified by 30/5/18 HR will implement a system for tracking appraisals have taken place and informing line managers of what staff are due an appraisal.				
Responsible Officer/s	HR Officer / HR Administrator	Original implementation date	01/09/2018	Revised implementation date/s	TBC
Latest Update	It was advised that this recommendation has not yet been implemented due to other priorities.				
New implementation date	31/07/21	Status	Outstanding	Recommendation has not yet been implemented	

Audit title	HR Management	Audit year	2017/18	Priority	2
Recommendation	A formal leavers' process be established providing guidance to responsible officers, and incorporating a leavers interview and/or survey which includes review of the outcome of these and actions then taken in response to any issues identified or suggestions made.				
Initial management response	On receipt of resignation letter and within notice period HR will issue an exit survey to identify any issues that the college needs to address and to allow staff an opportunity to speak to HR if they would prefer that option.				
Responsible Officer/s	HR Officer	Original implementation date	01/09/2018	Revised implementation date/s	N/A
Latest Update	Management advised that they took the decision not to carry out exit interviews.				
New implementation date	N/A	Status	Considered but not Implemented	This recommendation was considered but will not be undertaken going forward.	

Audit title	HR Management	Audit year	2017/18	Priority	2
Recommendation	The policy on retention and/or disposal of HR documents be finalised and implemented.				
Initial management response	Completed.				
Responsible Officer/s	HR Officer	Original implementation date	25/05/2018	Revised implementation date/s	N/A
Latest Update	A separate internal audit review of GDPR confirmed compliance in respect of this particular issue				
New implementation date	N/A	Status	Implemented	Fully implemented.	

9. Internal Communications

Audit title	Internal Communications	Audit year	2017/18	Priority	2
Recommendation	Operational procedures be developed to guide staff in the delivery of the internal communications arrangements.				
Initial management response	This will be considered by the new Senior Management Team which has replaced the Operational Management Group, when the new Principal is in post, agreement will be reached on whether operational procedures is the correct way to go on this..				
Responsible Officer/s	SMT / Head of Communications (HoC)	Original implementation date	31/01/2019	Revised implementation date/s	TBC
Latest Update	The College has documented a Communications and External Relations Strategy but this does not cover operational procedures.				
New implementation date	31/07/20	Status	Outstanding	Recommendation has not yet been implemented	

10. Student Support Systems

Audit title	Student Support Systems	Audit year	2017/18	Priority	2
Recommendation	It be ensured that full records of support provided to students are maintained for each student receiving support.				
Initial management response	This is noted and we will ensure that full records are maintained.				
Responsible Officer/s	Head of Student Services	Original implementation date	30/04/2019	Revised implementation date/s	TBC
Latest Update	Sample testing on students with support provided confirmed that they had adequate records.				
New implementation date	N/A	Status	Implemented	Fully implemented.	

Audit title	Student Support Systems	Audit year	2017/18	Priority	2
Recommendation	It be ensured that consistent records of student support needs assessments are maintained for each student that clearly explain the basis of needs assessments made.				
Initial management response	Student support in Argyll College is in the process of moving over to the online PLSP system as provided by UHI so this will provide consistency. This will also make it easier to check that all the PLSP information provided is complete.				
Responsible Officer/s	Head of Student Services	Original implementation date	31/07/2018	Revised implementation date/s	N/A
Latest Update	The planned move to the online PLSP system did not take place for 2018/19 but it was confirmed to be in place for the current academic year. This should provide the required consistency.				
New implementation date	N/A	Status	Implemented	Fully implemented.	

11. Website Administration

Audit title	Website Administration	Audit year	2017/18	Priority	2
Recommendation	Documented procedures be developed to provide guidance to staff on the approved process for creating and maintaining website content.				
Initial management response	The website is currently being substantially revised and upgraded. Once this is completed, we will develop and document suitable procedures for ongoing updating and maintenance of the site.				
Responsible Officer/s	Head of Student Services	Original implementation date	31/03/2019	Revised implementation date/s	TBC
Latest Update	It was advised that this work is still ongoing as the website is still being revamped and upgraded.				
New implementation date	31/07/21	Status	Outstanding	Recommendation is yet to be fully implemented.	

Audit title	Website Administration	Audit year	2017/18	Priority	2
Recommendation	It be ensured that only approved Board minutes are posted for public review on the website, with action taken to replace the draft minutes for meeting 16.4 with the final approved minutes.				
Initial management response	This is noted and will be adhered to in future. The minutes of 16.4 will be replaced				
Responsible Officer/s	Board Secretary	Original implementation date	31/03/2019	Revised implementation date/s	N/A
Latest Update	Review of the website confirmed that only approved minutes had been published.				
New implementation date	N/A	Status	Implemented	Fully implemented.	

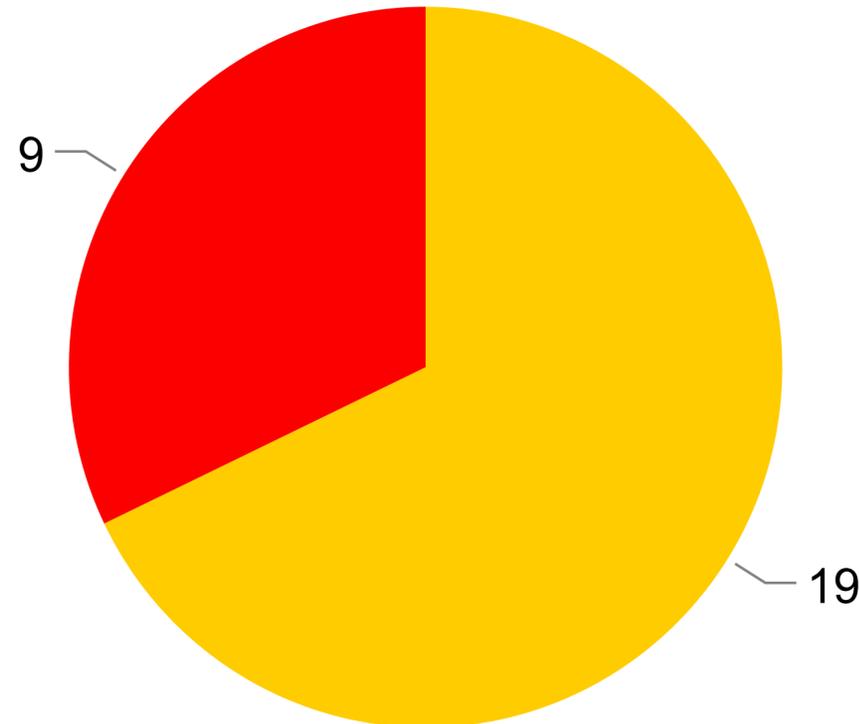
12. Appraisal Review of ICT Strategy, Procurement & Helpdesk Arrangements

Audit title	ICT Strategy, Procurement & Helpdesk	Audit year	Unknown	Priority	2
Recommendation	Password security be implemented which requires staff to change their password when they first log-in. Strong passwords be required and regular changes of passwords for both staff and students be forced by the system				
Previous Update	It was advised that this recommendation is being taken forward in conjunction with the UHI. The password policy is being updated by UHI and this will require users to have to change passwords annually. It was advised that when the UHI finalise the policy the College will put it out to all staff and students.				
Responsible Officer/s	Board Secretary	Original implementation date	N/A	Revised implementation date/s	N/A
Latest Update	The responsibility for password security sits with UHI. It was advised that there have not been any requirements to change passwords.				
New implementation date	N/A	Status	Not Implemented	The recommendation was not implemented	

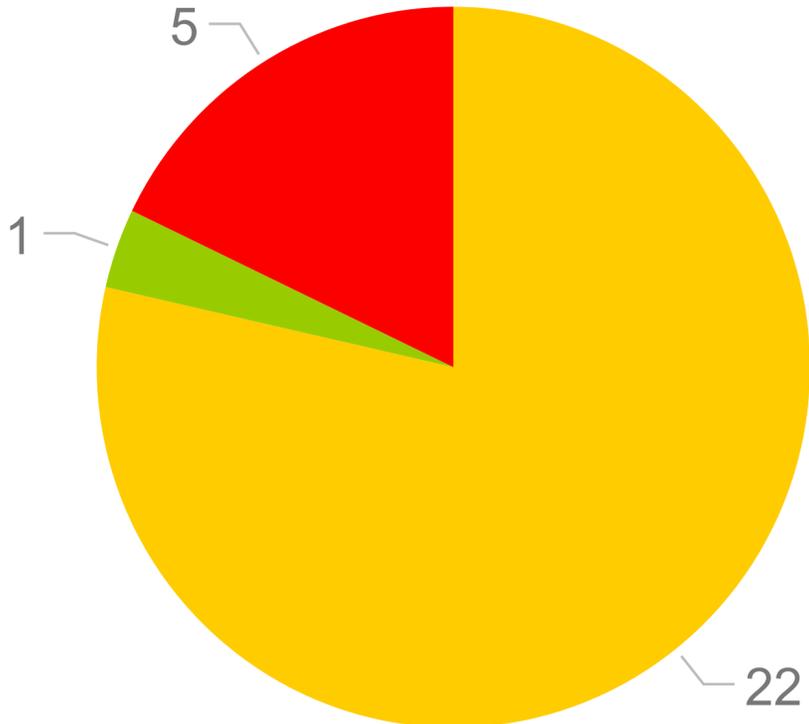
Overall Active UHI Risks:Impact

Academic Partner: All | Department/Project: All

Count of Gross Colour by Gross Colour



Count of Res Colour by Res Colour

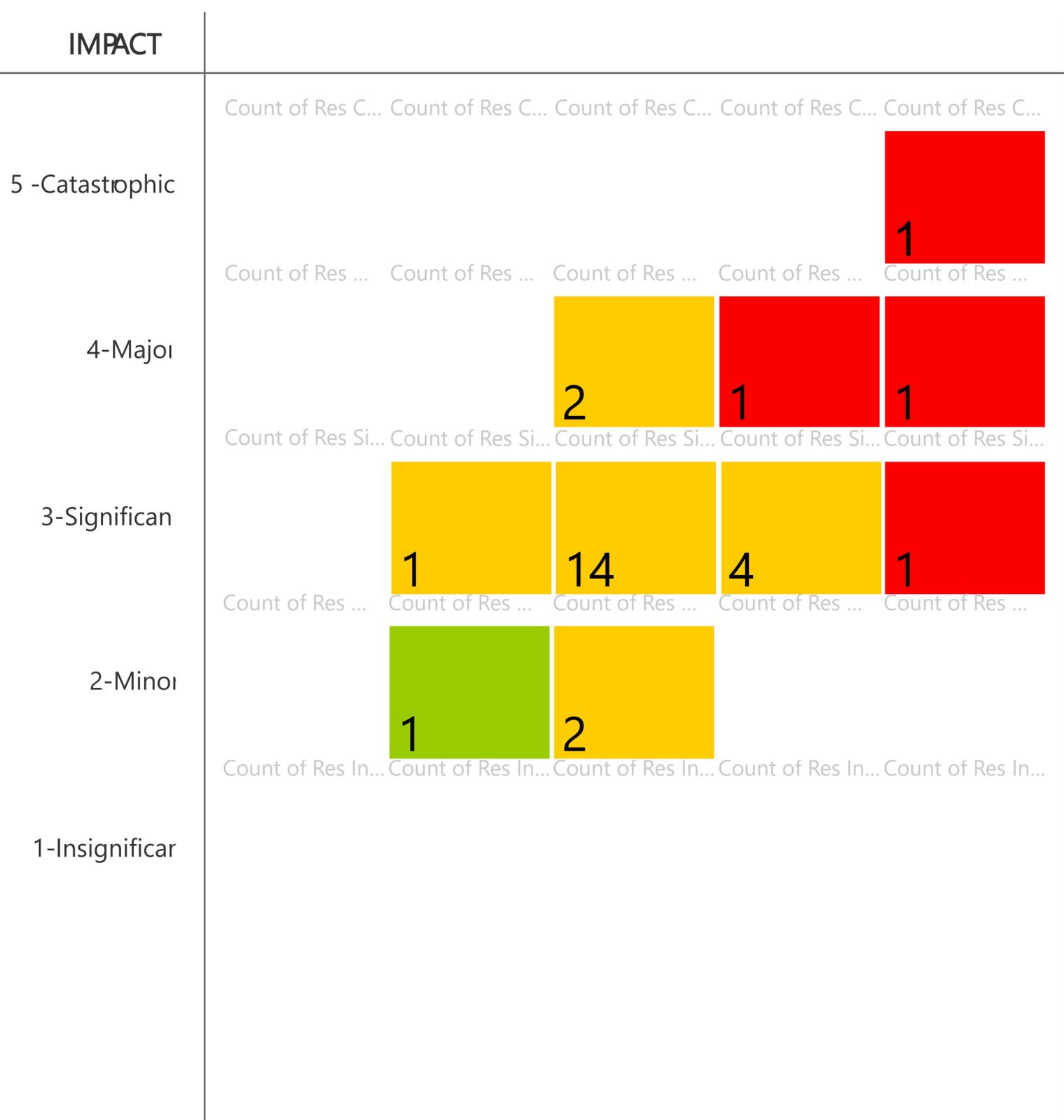


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Risk Status

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RISK MAP (for Residual risk)



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Risk Status

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Summary of the actual register entries for all the active risks where the residual impact score is >=12

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Risk Status

Active ▼

Ref ID	Risk Description	Causes	Impacts Evidence	Modified	Owner
Argyll_05	NRPA ongoing rollout	Implementation of national pay bargaining and a national pay scale for all staff	Potential unsustainable increase in college staffing costs due to agreed national pay bargaining increases. Funding only agreed to end of 2019/20	21/11/2019 15:39:12	Principal
Argyll_24	Implication of outcome of EU Referendum leading to loss of EU Funding.	Political uncertainty over continuation or replacement of previous EU funding	Student recruitment. Uncertainty over funding arrangements particularly in relation to capital projects	21/11/2019 16:09:19	Board & SMT
Argyll_02	KPIs below national average	Limitations of estates and resource, need for staff development, pressure to recruit to meet targets, lack of quality learning experience?	KPIs	21/11/2019 15:35:27	SMT
Argyll/03	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	Difficulty in balancing budgets	21/11/2019 15:36:40	Board
Argyll_01	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	Increase in full-time and HE students numbers recorded, and learning expectations of students	21/11/2019 15:33:10	Executive Team
Argyll/14	Disruption to services/projects and/or partnership working resulting from loss (temporary or permanent) of a key staff member.	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. Sparse staffing, key functions residing with one person with no alternatives.	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.	22/11/2019 15:31:38	Principal
Argyll/18	College estate not fit for purpose. (Support staff).	Lack of investment in capital maintenance/new capital project expenditure.	Having to rent additional space for support staff in Oban, no spare capacity in either Oban or Dunoon centres, poor working conditions for staff	22/11/2019 15:33:41	Board & SMT
Argyll/22	College nursery ongoing compliance with Care Commission requirements, numbers utilising nursery for paid 3-5 care falling and sustainability now in	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.	Falling level of fees from previous years. HMI report may lead to reduction in reputation and further reduction in fees/viability.	21/11/2019 16:07:08	Principal

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Active ▼

Residual Likelihood	Residual Impact	Residual Risk	Actions To Minimize	Future Mitigating Actions	Action Owner	Completion Date	Future Mitigating Actions 2
5	4	20	Continue to investigate wide/alternative sources of funding				
4	4	16	Quality Assurance Committee, review of recruitment procedures and offering, restructured management, role of Curriculum leads	Review of course delivery as part of planning process	31/12/2020 00:00:00	SMT	
5	3	15	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.	Develop Estates Strategy	01/02/2020 00:00:00	Executive Team	Continuing discussions with local aut
5	3	15	Dialogue with SFC, H&I FERB, EO and Scottish Govt.	Continue meeting with relevant stakeholders	30/07/2020 23:00:00	Principal	Explore more partnership/networking
3	4	12	Engage positively in reform agenda				
3	4	12	Staff training, use of expert consultants to keep the college informed & sharing good practice and learning with partner organisations.	Ensure that good practice is embedded at all levels in the college		Executive Team	
4	3	12	Additional capital/backlog maintenance funding recently approved for 2018/19. Develop strategy and funding opportunities for all premises.	Work with HIE and other partners to identify potential new premises.	30/07/2019 23:00:00	Executive Team	
4	3	12	Discussions starting to take place at Board level re succession planning for ET.	Continue discussions at Board level re continuity/succession planning	30/06/2020 23:00:00	Principal	Continue to review college roles and
4	3	12	Ongoing Review of nursery function, investigation of costs and income will be carried out.	Improve management information system	31/12/2019 00:00:00	Finance Director	Review nursery operations and mana

Summary of the actual register entries for all the active risks where the residual impact score is >=4

Ref ID	Risk Description	Causes	Impacts Evidence	Modified	Owner
Argyll_05	NRPA ongoing rollout	Implementation of national pay bargaining and a national pay scale for all staff	Potential unsustainable increase in college staffing costs due to agreed national pay bargaining increases. Funding only agreed to end of 2019/20	21/11/2019 15:39:12	Princip
Argyll_24	Implication of outcome of EU Referendum leading to loss of EU Funding.	Political uncertainty over continuation or replacement of previous EU funding	Student recruitment. Uncertainty over funding arrangements particularly in relation to capital projects	21/11/2019 16:09:19	Board
Argyll_02	KPIs below national average	Limitations of estates and resource, need for staff development, pressure to recruit to meet targets, lack of quality learning experience?	KPIs	21/11/2019 15:35:27	SMT
Argyll_15	Non-compliance with relevant statutory regulations.	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.	Loss, injury, financial and reputational damage.	22/11/2019 15:32:10	Board
Argyll_26	UHI fails to reform into a more efficient, open and accountable partnership in financial and operational terms.	Failure of Programme Board activity	Adverse financial circumstances. Institutional malaise.	21/11/2019 16:28:27	

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Risk Status

Active ▼

Summary of the actual register entries for all the active risks where the residual impact score is >=4

Residual Likelihood	Residual Impact	Residual Risk	Actions To Minimize	Future Mitigating Actions	Action Owner	Completion Date	Fu
5	5	25	Dialogue with SFC, H&I FERB, EO, Scottish Govt, Colleges Scotland, other relevant stakeholders. Attempt to increase income from other sources.	Continue dialogue with SFC on shadowing of NRPA	30/07/2020 23:00:00	Principal	
5	4	20	Continue to investigate wide/alternative sources of funding				
4	4	16	Quality Assurance Committee, review of recruitment procedures and offering, restructured management, role of Curriculum leads	Review of course delivery as part of planning process	31/12/2020 00:00:00	SMT	
3	4	12	Engage positively in reform agenda				
3	4	12	Staff training, use of expert consultants to keep the college informed & sharing good practice and learning with partner organisations.	Ensure that good practice is embedded at all levels in the college		Executive Team	

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Risk Status

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