

## **Item: 7**

**Monitoring and Audit Committee: 11 November 2021.**

**Internal Audit Report: Orkney College – Credits.**

**Report by Chief Internal Auditor.**

### **1. Purpose of Report**

To present the internal audit report on procedures and controls relating to Orkney College Credits for the academic year 2020/21.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That Internal Audit has undertaken a review of the further education statistical return and supporting systems, known as Credits, at Orkney College in relation to academic year 2020/21.

#### **2.2.**

That an audit certificate and an audit report were provided to the Scottish Funding Council to report the findings of the review.

#### **2.3.**

The findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the above review.

**It is recommended:**

#### **2.4.**

That the Committee review the audit findings to obtain assurance that action has been taken or agreed where necessary.

### **3. Background**

#### **3.1.**

Orkney College is required to provide a further education statistical return on an annual basis to the Scottish Funding Council. The further education statistical return provides Credits data for the academic year 2020/21 and relates to the activities eligible for Scottish Funding Council funding in that year. The data is used to inform decisions relating to College grant allocations.

### **3.2.**

The further education statistical return must be supported by a college certificate, an audit certificate providing an opinion on the further education statistical return and an audit report providing full details of the findings of the review.

## **4. Audit Findings**

### **4.1.**

The audit provides substantial assurance that the further education statistical returns are free from material misstatement and that the processes and procedures relating to the collection and recording of student data are operating satisfactorily.

### **4.2.**

The internal audit report, attached as Appendix 1 to this report, does not contain any recommendations. Areas where minor administrative errors were found, were corrected during the audit and will continue to be monitored as part of the annual audit process.

## **5. Corporate Governance**

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **6. Financial Implications**

### **6.1.**

There are no financial implications associated directly with the recommendations to this report.

### **6.2.**

A Credit is equal to 40 hours of notional student learning and, for the academic year 2020/21, the average funding per credit was £311.11. The Credits data has been generated by the College management information system and returned to the Scottish Funding Council through the further education system.

## **7. Legal Aspects**

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

## **8. Contact Officers**

Andrew Paterson, Chief Internal Auditor, extension 2107, email [andrew.paterson@orkney.gov.uk](mailto:andrew.paterson@orkney.gov.uk).

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## **9. Appendix**

Appendix 1: Internal Audit Report – Orkney College Credits.



## Internal Audit

### Audit report

### Orkney College Credits - Academic Year 2020/2021

Draft issue date: 29 September 2021

Final issue date: 8 October 2021

**Distribution list:** Acting Principal, Orkney College  
 Business Systems Specialist (FE Reporting)  
 Executive Director of Education, Leisure &  
 Housing Services  
 Head of Finance  
 For onward distribution to:  
 Scottish Funding Council

### Contents

Audit Opinion .....	1
Executive Summary .....	1
Introduction .....	2
Audit Scope .....	2
Audit Approach .....	2
Audit Resources .....	4
Distribution of Report .....	4
Audit Findings .....	5
Conclusions .....	6
Key to Opinion .....	7
Appendices .....	8

## Audit Opinion

Based on our findings in this review we have given the following audit opinion.

### Substantial

The framework of governance, risk management and control were found to be comprehensive and effective.

A key to our audit opinions and level of recommendations is shown at the end of this report.

## Executive Summary

This audit reviewed Orkney College's 2020/21 student activity data return to provide an independent opinion on the accuracy of the Further Education Statistical (FES) return.

Our audit found sufficient evidence to give substantial assurance that the FES returns are free from material misstatement. The procedures and controls relating to the collection and recording of student data were found to be operating satisfactorily.

An update has been provided on the status of the recommendations made following the 2019/20 audit.

The assistance provided by officers contacted during the audit is gratefully acknowledged.

## Introduction

Colleges are required to provide a further education statistical (FES) return, a College certificate, an audit certificate and an audit report on an annual basis to the Scottish Funding Council (SFC). These data are used to inform decisions relating to College grant allocations; therefore, it is important to ensure that they have been compiled accurately.

The Credits data for academic year (AY) 2020/21 has been generated by the College management information system (SITS) and returned to the SFC through the FES system. This data relates to all activity that is fundable by the SFC in AY 2020/21. A Credit is equal to 40 hours of notional student learning.

The unaudited 2020/21 student activity data was uploaded after each quarter to SFC on 6 November 2020 for quarter 1, 5 February 2021 for quarter 2 and 2 July 2021 for quarter 3. The quarter 4 return was the final return for 3,591 Credits for the year and was submitted on 8 October 2021 following the correction of errors.

This report has been prepared for the management of the College to communicate the findings of our review. A copy of our Auditor's certificate is included as Appendix III to this report.

This review was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

## Audit Scope

A review of Orkney College's 2020/21 student activity data return has been carried out in accordance with the SFC FES Return and Audit Guidance 2020/21 which was issued on 2 August 2021. The review was carried out to provide an independent opinion on the accuracy of the FES return, including whether the return has been compiled in accordance with SFC guidance and that there are adequate procedures in place to ensure the accurate collection and recording of data.

The audit commenced with reviewing and recording the systems and procedures in place, followed by detailed testing to assess whether the systems and procedures are working.

Detailed findings arising from the review are included in this report.

A comparison of the Credits claimed per each Price Group (PG) for 2021 and 2020 was also completed and is included in Appendix I; this includes a brief explanation of any major fluctuations in PG Credits totals.

Consideration was also given to any new risks arising due to the COVID-19 pandemic.

## Audit Approach

The guidance notes issued from the SFC for both the audit and for the administrative arrangements surrounding the return were obtained and reviewed to ensure the audit included the required tests, and to be able to provide an opinion as to whether the required procedures for the data returns were being followed by College staff.

The systems in place for maintaining student records and for the completion of the 2020/21 student activity return were documented and tested.

A number of samples of students and courses were selected to carry out tests as set out in the audit guidance. The total Credits included in the samples checked was 367.68 which is 10.2% of the total Credits claimed.

The main testing was carried out on a sample of 50 students, which represented 5.70% of the total Credits claimed. The sample was selected on a random basis and included a number of short courses which explains the relatively low percentage of total Credits examined. On this sample the following tests were carried out to check that:

1. There are signed enrolment forms for each student and the date of enrolment agrees to the FES return;
2. Course start, and end dates are agreed from the enrolment form to the FES return;
3. Required dates have been calculated correctly;
4. Students have attended at least once after the required date;
5. Modes of attendance, advance and non-advanced classifications, and price groups have been correctly applied;
6. Student category and source of funding codes have been correctly recorded;
7. Only fundable students on fundable courses have been included within the claim;
8. The Credits have been calculated correctly for each student.

Specific samples for the following areas were also selected and tested:

- a) A sample of 1 student undertaking the European Computer Driving License (ECDL) course was examined to confirm that the correct Credits were being claimed in relation to the number of modules which had been completed by the student. The sample represented 100% of the total number of ECDL students.
- b) All students for which zero Credits were claimed were identified. These records were examined to confirm that it was correct to claim zero Credits. 100% of the population was examined.
- c) It was confirmed that there were no spanning students during 2020/21. There was therefore no requirement to complete this test.
- d) It was confirmed that there were no infill students during 2020/21. There was therefore no requirement to complete this test.
- e) All students whose name was recorded twice against a course title were checked to determine whether they were duplicate entries and that the Credits claimed was correct. 100% of the population was examined.
- f) All students for whom over 18 Credits had been claimed were reviewed to determine whether the value of the Credits claimed was appropriate, and to check that, where more than one different course was being claimed, the courses could be classed as related study. 100% of the population was examined.
- g) A random sample of 20 students was selected from all the fee waiver codes from a fee waiver report provided by the College. The records held for these students were checked to confirm that the fee waiver was assessed correctly based on evidence provided by the students concerned and claimed correctly in accordance with SFC guidance. This represented 3.9% of the population coded against fee waiver.
- h) It was confirmed that there were no open learning students for whom credits were being claimed during 2020/21. There was therefore no requirement to complete this test.
- i) It was confirmed that there were no students studying under a collaborative provision arrangement. There was therefore no requirement to complete this test.

- j) A total of 1 student studying through work-based learning was identified from a report provided by the College and this student was selected for testing to ensure that the planned learning hours were realistic. This represented 100% of the work-based students.
- k) A sample of 10 students who withdrew from their course were selected and checked to ensure that the Credits for these students were calculated correctly. The required dates were checked and whether the student had met the 25% required date. The sample size represented 27.8% of the students who withdrew during the year.
- l) The European Social Fund (ESF) funding for the Highlands and Islands came to an end in 2019/20 therefore there was no requirement to undertake this test for 2020/21.
- m) There was no requirement to complete any additional testing because of errors found in the initial sampling.

## Audit Resources

The audit was carried out by the following staff: -

Staff Member	Audit Days
Internal Auditor	14
Chief Internal Auditor	1

A management review of the internal audit file was completed by the Chief Internal Auditor prior to issue of this report.

The auditor who completed this audit is a qualified member of a Consultative Committee of Accountancy Bodies (CCAB) organisation.

## Distribution of Report

This report is for the consideration of the management of Orkney College and the SFC. This report which incorporates management comments will also be presented to the Council's Monitoring and Audit Committee.



## Audit Findings

### 1.0 Review of 2019/2020 Audit Recommendations

1.1 The table below provides an update on the status of the recommendations made following the 2019/2020 audit.

Audit Recommendation	Action Taken	Findings in 2020/21
<p>1. The college should ensure that all students set as non-fundable when enrolled are checked to confirm that this is accurate. Staff training should assist with this.</p>	<p>A new member of staff is now established in post and is trained. Work has been, and continues to be, undertaken in revising course set up and student enrolment procedures to incorporate information on non-fundability of courses and students to support recording within the student records system. There is an ongoing plan to carry out tests on our data to identify and review any issues relating to fundability.</p>	<p>Audit testing in 2020/21 found an improvement in the correct allocation of students as fundable or non-fundable. A small group of 3 students were identified who had been incorrectly set as non-fundable and has been corrected prior to the final submission of the FES return.</p> <p>This will continue to be monitored in future audits, no further recommendation required.</p>
<p>2. The College should review its procedures for identifying spanning students to ensure that they are correctly identified, and credits are claimed once and in the correct year.</p>	<p>A new member of staff is now embedded and trained. Work has been undertaken to revise the procedures for set up of courses to reduce/remove the need for spanning of courses.</p>	<p>There were no spanning students identified for testing in 2020/21 which was confirmed as correct with the College. No further recommendation required.</p>
<p>3. A procedure should be introduced to ensure that fee waiver applications and evidence are obtained from students where required in accordance with the SFC guidance to confirm fee waivers are correct.</p>	<p>Procedures are being put in place and work will be ongoing with Finance to review fee waivers and address any further issues that arise from this. Review and monitoring work has extended this work to other fee categories.</p>	<p>Audit testing did not identify any issues with the allocation of fee waivers for 2020/21. This will continue to be monitored in future audits, no further recommendation required.</p>
<p>4. The College should review its procedures for the processing of student withdrawals to ensure that leaver information is correctly captured for the FES return.</p>	<p>A new member of staff has been embedded and trained. Ongoing advice is being offered to staff to remind them of the importance of recording withdrawals and</p>	<p>Audit testing for 2020/21 identified one student where the leaver date on the leaver form did not agree to the date of last attendance. This student is</p>

Audit Recommendation	Action Taken	Findings in 2020/21
	<p>that they must cross check these to registers to determine last physical date of attendance. We are aware that the completion of registers during COVID is more problematic – remote learning does not lend itself to regular attendance and marking of registers, and therefore we are reiterating advice with staff regularly.</p>	<p>an SVQ student and progress is monitored on Proof Positive with no register held. This therefore would not have been picked up by the checks being done between registers and leaver forms.</p> <p>This will continue to be monitored in future audits, no further recommendation required.</p>

## 2.0 2020/21 Audit Findings

- 2.1 The audit work completed has assessed the adequacy of the college’s systems, procedures and controls which underpin the completion of the FES return, to provide an opinion on the accuracy of the FES return.
- 2.2 The audit process has provided sufficient evidence to give substantial assurance that the FES returns are free from material misstatement. The procedures and controls relating to the collection and recording of student data were found to be operating satisfactorily.
- 2.3 An error report is included in Appendix II which details the errors found during audit testing that affected the number of credits claimed. These errors were corrected by the College prior to submission of the final claim.

## Conclusions

- 3.1 Audit testing has confirmed that there is a substantial system in place at Orkney College to produce the FES return. Areas where minor administration errors were identified will continue to be monitored as part of the annual audit process.

## Key to Opinion

### Audit Opinion

Opinion	Definition
<b>Substantial</b>	The framework of governance, risk management and control were found to be comprehensive and effective.
<b>Adequate</b>	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
<b>Limited</b>	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
<b>Unsatisfactory</b>	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

**Report to Management  
Collection of 2020-2021  
Credits Data**

**Detailed Analytical Review**

Price Group	2021 Credits	2020 Credits	Credits Change	% Change
01	526	721	-195	-27.0
02	992	1382	-390	-28.2
03	1325	1387	-62	-4.5
04	162	152	10	6.9
05	586	188	398	212.1
	3,591	3,829	-238	-6.2

Overall, the Credits in 2020/21 have decreased from 2019/20. The major movements can be explained as follows:

2020-21 has been a challenging year due to the effects of COVID and the impact of the cyber incident which stuck UHI in March 2021.

COVID has been the cause of a downturn in student numbers across the education sector as well as in Orkney College and the UHI as a whole. It has created uncertainty around the availability of education and the quality of experience that learners might expect. In Orkney College we have felt the impact in relation to full time enrolment, work based courses, schools liaison programmes, Business Engagement activities and in relation to some community focused learning. Despite this situation, there have also been some areas which have performed positively such as Inclusive Practice and Maritime and overall we have been able to maintain our credit delivery close to the target set by UHI. In relation to the Inclusive Practice area we have become aware that SFC require us to code students individually to allocate them to Price Group 5, previously we understood that the course only required to be flagged as such. Therefore some of the increase in Price Group 5 is due to the recoding of students who were previously allocated to Price Group 1 as they did not have the appropriate Price Group 5 code.

**Price Group 1 -**

Inclusive Practice Stepping Stones course recoded so it moves to PG5.

Drop in Business Engagement courses due to COVID - less availability / demand.

Drop in Business VQ enrolments as work based / practical activities were more difficult to deliver during COVID.

**Price Group 2 -**

Down turn in FT Art , IT, Care.

Drop in Business Engagement courses due to COVID - less availability / demand.

Drop in Care VQ enrolments as work based / practical activities were more difficult to deliver during COVID.

Gardening programmes for learners with additional needs did not run.

Drop in schools liaison activities in IT & Care.

**Price Group 3 -**

Drop in Business Engagement courses due to COVID - less availability / demand.

Drop in FT Engineering, Hairdressing & Construction.

Increase in Maritime short course activity helps offset drops elsewhere.

**Price Group 4 -**

Small increase in Business Engagement courses in Agriculture - easier to offer as lockdown eased as delivery is primarily outdoors.

**Price Group 5 -**

New Employability Workshop course increases enrolments.

Stepping Stones course is re-coded and moves from Price group 1.

**Report to Management  
Collection of 2020-21  
Credits Data**

**Error Report**

Description of error	Over / (Under)	Credit Value	Price Group	£ Value <b>£311.11 (See table)</b>	Corrected
1 An overclaim was made for a student who studied through their school rather than the College who provided support.	Overclaim	2.70	2	£839.98	Yes
2 Underclaims were made for 3 students who are fundable but had been enrolled on courses flagged as non-fundable.	Underclaim	0.30	3	-£93.33	Yes
3 An overclaim was made for a student recorded as having attended the same course twice but in fact only attended once.	Overclaim	0.35	1	£108.89	Yes
4 An overclaim was made for a student who withdrew prior to their required date.	Overclaim	6	2	£1,866.63	Yes
<b>Total Adjusted Errors</b>	Overclaim			£2,815.50	
	Underclaim			-£93.33	

**Price Groups and Price Paid per Credit**

Price Group	1	2	3	4	5	Total Credits Delivered
Price Per Credit	£236.91	£269.44	£313.88	£403.17	£416.51	
Credits	526	992	1325	162	586	3591
Total	£124,614.66	£267,284.48	£415,891.00	£65,313.54	£244,074.86	£1,117,178.54
Average Funding Per Credit						£311.11

## Orkney College

### Credits Audit Certificate for AY 2020-21

#### **Auditor's report to the members of the Board of Management of Orkney College**

We have audited the FES return which has been prepared by Orkney College under the 'Credits' Guidance issued 6 August 2020 and which has been confirmed as being free from material misstatement by the College's Acting Principal in her certificate dated 8 October 2021.

We conducted our audit in accordance with guidance contained in the 2020-21 audit guidance for colleges and updated guidance relating to 'one plus' activity. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of the data. It also included examination, on a test basis, of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material misstatement.

In our opinion:

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

Signed by:



Date: 8 October 2021

Name of audit firm: Orkney Islands Council, Internal Audit Section

Contact name: Andrew Paterson

Contact telephone number: (01856) 873535 Ext 2107

Date FES returned: 8 October 2021