



UHI North, West and Hebrides

Internal Audit **2023-24**

Non SFC Income
July 2024

Overall Conclusion

Substantial

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Non SFC Income

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

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We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

1 Executive summary

UHI North, West and Hebrides
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Overview

Purpose of review

The purpose of this assignment was to review the methods and structure in place for the management of commercial income from the College and to consider whether best value is being achieved. We also reviewed the controls in place for raising bills and monitoring income and receivables from commercial courses.

This review formed part of our 2023/24 Internal Audit Annual Plan.

Scope of review

Our objectives for this review were to ensure:

- | The management structure for commercial income raised from commercial courses within the College is sufficient and allows for commercial income to be maximised.
- | The College maximises the opportunities present to raise commercial income from commercial courses and service delivery.
- | The College has the appropriate controls in place for the raising, logging and management of bills and receivables.
- | Levels of commercial income generated are monitored on a regular basis throughout the financial year by management and Committee.
- | The Board and Senior Management receive sufficient reporting of performance against budget and against plans throughout the year to enable informed decision making, with actual versus budget reports used to control future decisions.
- | The College can demonstrate it achieves value for money from its commercial income.
- | Comparisons with similar Colleges are undertaken to ensure all opportunities for commercial income are identified.

1 Executive summary

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

1 Executive summary

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Background

Sources of Non SFC Income

The following are the sources of Non SFC Income raised by the College:

- Commercial courses;
- Modern Apprenticeship and Scottish Vocational Qualification (SVQ);
- Employability;
- Office Rental;
- Room/Venue Hire; and
- Cafes.

Please see **section 3: Detailed Recommendations** for further information.

Commercial Courses

Through its Business Development Unit (BDU), the College offers short commercial courses to students and members of the public. These courses are listed on the College website. Prices are determined using the cost calculator and the payment is made through Eventbrite, which is linked to the College's finance system and bank account. The College also offers courses which are funded by the Flexible Workplace Development Fund, an opportunity for the College to engage with local employers and develop a deeper understanding of the skills required in local regions.

Employability

The College has an annual agreement with the Highland Council which runs from April to March every year. Clients are referred to the College by the Council and the College helps to develop the client to be a suitable candidate for employment. Time spent with the clients is recorded on an Activity Sheet, which is sent to the Council at the end of the month, and adjustments are made, if necessary. After agreement with the Council, the BDU issues the Council with an invoice monthly and payment is made.

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Office Rental, Room/Venue Hire

The College has lease agreements with different bodies, where the College leases its buildings on a short-term basis to these bodies. Agreements on payment, duration of contracts and frequency of payments are set out in the Licence Agreement.

Cafés

The College has Cafés at three of its locations; Stornoway, Thurso and Portree. The Cafés are managed by the Facilities team. Income and expenditure are managed using the College's relevant procedures. The Café at the Fort William location has been closed, and the BDU is looking to bring in a third party to run it on a 'nil' rent basis. This will go on for 6 months and the BDU will reassess this.

Modern Apprenticeship and SVQ

Modern Apprenticeships are offered by the College in conjunction with Skills Development Scotland (SDS). Levels of income received for these age groups: 16-19, 20-24 and 25 and above vary, and individuals are required to make necessary payments where there is no funding.

SVQs offer the same framework as the Modern Apprenticeship schemes, but SVQs are fully paid for by the individual or their employer. The Finance Team issues an invoice to the individual and the course can only commence when payment is received.

Income and Budget Monitoring and Reporting Arrangements

The income generated from the different sources is monitored by the Director of Finance and this is used to present financial updates via a Financial Report to the Finance and General Purposes Committee. Reports were presented in August, November 2023 and February 2024. The College, however, does not set Key Performance Indicators (KPIs) for these sources of income. Please see **section 3: Detailed Recommendations** for further information.

1 Executive summary

Control for Managing Bills Receivable

Raising of invoices is undertaken centrally by the Finance Team. Departments who generate income send the Finance Team a notification to raise an invoice, and the College's invoicing system is then used to generate all invoices for the Non SFC Income. The Finance Team also manage the income and expenditure on SUN, which is the finance system of the College.

1 Executive summary

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Work Undertaken

Our work undertaken for this review included the following:

Objective 1: The management structure for commercial income raised from commercial courses within the College is sufficient and allows for commercial income to be maximised.

| We discussed with the relevant staff to ascertain the arrangements in place for commercial income.

Objective 2: The College maximises the opportunities present to raise commercial income from commercial courses and service delivery.

| We held discussions to confirm if the College was maximising all opportunities to raise income.

Objective 3: The College has appropriate controls in place for the raising, logging and management of bills and receivables.

| We conducted sample testing on 15 credits from various sources of income during the period February to April 2024 to ensure the College is following agreed process and procedure.

Objective 4: Levels of commercial income generated are monitored on a regular basis throughout the financial year by management and Committee.

| We reviewed the excel spreadsheet used to monitor income by cost centre and confirmed that the levels of income are monitored. Additionally, budget figures are monitored against actual figures on the excel spreadsheet.

Objective 5: The Board and Senior Management receive sufficient reporting of performance against budget and against plans throughout the year to enable informed decision making, with actual versus budget reports used to control future decisions.

| We reviewed the Minutes presented to the Board of Management through the Finance and General Purposes Committee in August, November 2023 and February 2024.

1 Executive summary

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| We reviewed the Financial Reports presented to the Board of Management through the Finance and General Purposes Committee in August, November 2023 and February 2024.

Objective 6: The College can demonstrate it achieves value for money from its commercial income.

| We held discussions with the Director of Business Enterprise & Development and the Risk and Compliance Manager to ascertain if a value for money exercise is carried out.

Objective 7: Comparisons with similar Colleges are undertaken to ensure all opportunities for commercial income are identified.

| We held discussions with the members of staff at the BDU and Finance Team to ascertain if they carry out benchmarking with similar Colleges.

2 Detailed recommendations

Conclusion

Overall Conclusion: Substantial

Following our review, we can provide the College with a substantial level of assurance surrounding the arrangements and controls in place in respect of Non SFC Income. We have raised 3 recommendations for improvement. We have also raised good practice points. Please refer to **Section 3: Detailed Recommendations** for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Non SFC Income	0	2	1	3

As can be seen from the above table there were no recommendations made which we have given a grading of high.

2 Detailed recommendations

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The College has different sources of Non SFC Income which includes Employability, Modern Apprenticeship, Scottish Vocational Qualification, Room/Venue hire, Office rentals and Cafes. We sample tested 15 income streams from the various sources of the College receives, and we can conclude that there were no issues found.
2.	The Finance Team monitors the income from different sources, and this is presented to the Finance and General Purposes Committee on a quarterly basis.
3.	We reviewed the Boardbook which contains the Agendas, Minutes and Reports and confirmed that the Board receives regular reports in relation to budget. The actual v's budget figures are also reported.

2 Detailed recommendations

Comparison with other Colleges			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>Grant funding and other income is used by the College to provide courses and services to benefit the local communities it serves.</p> <p>During our review, we discovered that the College does not conduct a comparison exercise to determine if it is fully optimising the opportunities available to generate income or the achievement of Value for Money.</p> <p>There is a risk that by not comparing/benchmarking against similar Colleges, the College may be missing out on potential revenue streams or efficiencies.</p>	Medium	<p>We recommend that the College conducts regular benchmarking exercises to identify good practice, value for money opportunities and potential income opportunities.</p> <p>Below are areas the College can consider to increase its commercial income generation, but not limited to:</p> <ul style="list-style-type: none"> Commercial courses should be assessed for viability before commencement. The introduction of new curriculum courses should also be assessed for commercial viability. Industry partnerships, such as partnership programmes with local businesses to create tailored training programmes. Online and Distance Learning Programmes. Offering consultancy services to businesses in areas of expertise, such as business development and strategic planning. Campus Facilities hire: The College should

2 Detailed recommendations

			seek to rent out its conference halls, lecture theatres, sport facilities, and event space to external organisations for events, conferences and meeting.
Management response			Responsibility and implementation date
<p>Prior to introducing a commercial course, a course calculator model is applied and benchmarking is carried out to ensure we maximise the opportunity. This will be extended to the commercialisation of any curriculum courses including MA/SVQ delivery.</p> <ol style="list-style-type: none"> 1) We will introduce a new step in curriculum course introduction process which will ask the proposer to propose the commercial proposition/viability of the new course. (ie. Module 4 would work as a stand alone course, covering an identified need within the industry and the following breakdown shows the delivery cost, the retail price and the profit this module would deliver) 2) We will carry out a full review of MA/SVQ delivery to ensure we maximise income generation through a mix of credit allocation and cash contributions from employers. 3) We will review our areas of expertise and establish if there are any opportunities for providing consultancy services in these areas. 4) We will create a menu of options for facilities hire and promote these facilities. 5) We will carry out review of the commercial course landscape and repeat annually. 			<p><i>Responsible Officer:</i></p> <p>Director of Enterprise & Engagement</p> <p><i>Implementation Date:</i></p> <ol style="list-style-type: none"> 1) 31st October 2024 2) 31st March 2025 3) 31st October 2024 4) 31st October 2024 5) 31st October 2024

2 Detailed recommendations

Value for Money			
Ref.	Finding and Risk	Grade	Recommendation
2.	<p>The College operates in an environment where the benefits of the delivery to the community can outweigh the cost. For example resource is required to deliver new curriculum courses which may be specific to the needs of the local community. Conducting a Value for Money analysis helps to ascertain whether the College is experiencing a positive return in income generation areas.</p> <p>The merged College set out key aims within the merger proposal and identified measures to monitor performance against these.</p> <p>During our review, we discussed with members of staff at the BDU to ascertain if the College can demonstrate Value for Money. We were informed that the College does not carry out a Value for Money analysis, nor could we evidence any such assurance being presented to the Board.</p> <p>There is a risk that the College cannot ascertain</p>	Medium	<p>We recommend that the College develop a Value for Money analysis for every source of income. Additionally, the College should clearly define and quantify the non-financial benefits it derives, to ensure that they are measurable and can be effectively communicated.</p> <p>We also recommend that the College incorporates regular reviews to track the impact and effectiveness of investments in income generation areas.</p> <p>We also recommend that a cost benefit analysis is undertaken to demonstrate what key aims are achievable with the resources available to the College.</p>

2 Detailed recommendations

	that its resources are being used efficiently to generate income, potentially leading to financial waste.		
Management response		Responsibility and implementation date	
<ol style="list-style-type: none"> 1) We will create a commercial income monitor 2) The senior leadership team will assess the desired non-financial benefits and will approve any courses that are not financially profitable. 3) Create a model to measure, monitor and review costs v benefits and identify the resource required to enact it vs the benefits. 4) We will undertake quarterly reviews to track the impact and effectiveness of investments in income generation projects and seek new ones. 		<p><i>Responsible Officer:</i></p> <p>Director of Enterprise & Engagement</p> <p><i>Implementation Date:</i></p> <ol style="list-style-type: none"> 1) 30th November 2024 2) 31st October 2024 3) 31st December 2024 4) 30th November 2024 	

2 Detailed recommendations

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Key Performance Indicators (KPIs)			
Ref.	Finding and Risk	Grade	Recommendation
3.	<p>Implementing KPIs for the College ensures that it is maximising potential income opportunities.</p> <p>During our review, we discussed with various staff members and were informed that KPIs in relation to income generation have not been set, nor are they reported on. Similarly the Commercial team are not provided with targets for achievement.</p> <p>There is a risk that without KPIs, the College may not be fully capitalising on potential income sources. There is also a risk that the College may miss opportunities to streamline operations and increase efficiency.</p>	Low	<p>We recommend that the College establish specific, measurable, achievable, relevant and time-bound (SMART) goals for each income source.</p> <p>We also recommend that the College implement tracking and reporting systems for its KPIs to allow measurement against these goals. These KPIs should be qualitative and quantitative.</p>

2 Detailed recommendations

Management response	Responsibility and implementation date
<ol style="list-style-type: none"> 1) We will agree and establish KPI's for each income source and centre and combine them with the commercial income monitor. 2) We will monitor and review performance against these KPI's quarterly to inform operational decisions and continuous improvement 	<p><i>Responsible Officer:</i></p> <p>Director of Enterprise & Engagement</p> <p><i>Implementation Date:</i></p> <ol style="list-style-type: none"> 1) 31st October 2024 2) 30th November 2024

3 Audit arrangements

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The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit and Risk Management Committee meeting.

Audit stage	Date
Fieldwork start	3 June 2024
Closing meeting	19 June 2024 & 27 June 2024
Draft report issued	4 July 2024
Receipt of management responses	25 July 2024
Final report issued	30 July 2024
Audit and Risk Management Committee	14 August 2024
Number of audit days	6

4 Key personnel

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We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wbg			
Partner	Graham Gillespie	Partner	gg@wbg.co.uk
Senior Manager	Sue Brook	Senior Internal Audit Manager	sb@wbg.co.uk
Senior	Titilayo Alaba	Internal Audit Senior	ta@wbg.co.uk
Auditor	Megan Clarke	Internal Auditor	mc@wbg.co.uk

UHI North, West and Hebrides			
Key Contact	Roddy Macphee	Risk and Compliance Manager	ex22rm@uhi.ac.uk
	David Campbell	Director of Business Enterprises & Development	david.campbell@uhi.ac.uk
Wbg appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

A Grading structure

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Non SFC Income

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance Classification	
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

A Grading structure

UHI North, West and Hebrides
Non SFC Income

For each recommendation, we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit and Risk Management Committee and addressed by Senior Management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

B Assignment plan

UHI North, West and Hebrides
Non SFC Income

Purpose of review

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This review forms part of our 2023/24 Internal Audit Annual Plan.

Scope of review

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- | Comparisons with similar Colleges are undertaken to ensure all opportunities for commercial income are identified.

B Assignment plan

UHI North, West and Hebrides
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Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- | Discuss with relevant staff to ascertain the structure in place to ensure that commercial income from commercial courses are maximised.
- | Review the relevant documentation to ascertain the structure for maximising the income from commercial sources.
- | Review the controls in place for the management of bills and receivables.
- | Review the monitoring and reporting arrangements in place.
- | Review reports in relation to the commercial income.
- | Review the College's Value for Money process in relation to commercial income and ascertain if this is fit for purpose.

Potential key risks

The potential key risks associated with the area under review are:

- | The Board and Senior Management do not receive sufficient reporting of performance against budget and against plans throughout the year to enable informed decision making, with actual versus budget reports used to control future decisions.
- | The College does not maximise the opportunities present to raise commercial income from commercial courses and service delivery.

B Assignment plan

- | The College does not have appropriate controls in place for the raising, logging and management of bills and receivables.
- | Levels of Commercial Income generated are not monitored on a regular basis throughout the financial year by management and Committee.
- | The College cannot demonstrate it achieves value for money from its commercial income.
- | Comparisons with similar Colleges shows all opportunities for commercial income are not identified.