CITY OF GLASGOW COLLEGE

Board of Management
Audit Committee

Date of Meeting	**Wednesday 16 May 2018**
Paper No.	**AC4-F**
Agenda Item	**8.2**
Subject of Paper	**Internal Audit Report – Business Development/International Activities**
FOISA Status	**Disclosable**
Primary Contact	**Henderson Loggie**
Date of production	**May 2018**
Action	**For Discussion and Decision**

Recommendations

The Committee is asked to consider and discuss the report and the management responses to the internal audit recommendations.

1. **Purpose of report**

   The purpose of this review is to provide management and the Audit Committee with assurance on key controls relating to the curriculum and financial plans in place for City of Glasgow College and their alignment with the regional plan for Glasgow and the college student number targets.

2. **Context and Discussion**

   Following the Audit Needs Assessment undertaken by Henderson Loggie in session 2016-17, and the consequent Internal Audit Strategic Plan 2016-2020, both approved by the Committee in March 2017, an operating plan was created for the year ended 31 July 2017.

   This internal audit of Business Development/International Activities provides an outline of the objectives, scope, findings and graded recommendations as appropriate, together with management responses. This constitutes an action pan for improvement.

   The Report includes a number of audit findings which are assessed and graded to denote the overall level of assurance that can be taken from the Report. The gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

3. **Impact and implications**

   Refer to internal audit report.

City of Glasgow College

Business Development / International Activities

Internal Audit Report No: 2018/04

Draft Issued: **1 May 2018**

Final Issued: **8 May 2018**

LEVEL OF ASSURANCE   **Satisfactory**

Content

Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires Improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the College to material risk and which requires to be brought to the attention of the Audit Committee.
Priority 2	Issue subjecting the College to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

1. Overall Level of Assurance

Satisfactory	System meets control objectives with some weaknesses present.

2. Risk Assessment

This review focused on the controls in place to mitigate the following risks on the City of Glasgow College ('the College') Risk Register:

- Failure to achieve operating surplus via control of costs and achievement of income targets (net risk score: **15**);
- Failure to maximise income via diversification (net risk score: **12**);
- Failure to achieve improved business development performance with stakeholders (net risk score: **10**);
- Negative impact upon College reputation (net risk score: **10**); and
- Negative impact of statutory compliance failure (net risk score: **10**).

3. Background

As part of the Internal Audit programme at the College for 2017/18 we carried out a review of business development and international activities. The Audit Needs Assessment, completed in March 2017, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College undertakes a wide range of commercial work, defined as any activity generating non-Scottish Funding Council (SFC) income. This includes: leisure and short courses for members of the public; bespoke training and consultancy provision; Scottish Vocational Qualifications (SVQs); international activities (including international students, partnership work and consultancy); EU and non-EU-funded projects; articulation agreements with universities (where students study at the College for one or more years before moving onto a university); large scale contracts with industry training bodies, Skills Development Scotland (SDS) and other organisations; venue and facilities hire; short term lets; and a range of other income-generating activities.

Commercial income generation is driven by both the Corporate Development team (which includes a range of business development, project management and administration staff) and staff within Faculties (including the Faculty Directors, Industry Academy Heads and Curriculum Heads). The College is currently consulting on a revised organisational structure, and one of the envisaged benefits of this new structure is that the new structure should help to further embed commercial income generation work within Faculties.

4. Scope, Objectives and Overall Findings

This audit considered the key risks in relation to the College's commercial activities including its operations in the international market. The table below notes each separate objective for this review and records the results:

Objective	Assurance	Findings 1	2	3	Actions already planned
The objective of this audit was to obtain reasonable assurance that:	Assurance	No. of Agreed Actions			Actions already planned
1. An effective strategic and operational planning process has been established, including identification of key markets and courses	Satisfactory	0	0	1	✓
2. An appropriate management and support structure has been put in place to identify and promote commercial opportunities, including marketing and agency arrangements to support the College with the recruitment of international students	Satisfactory	0	1	4	✓
3. Key risks and opportunities are identified and mitigated / exploited	Satisfactory	0	0	4	
4. There is effective pricing in the market place, with full cost recovery as the target and careful consideration being given to activity which does not meet this target	Satisfactory	0	0	2	
5. Management information, including financial information on each specific activity, is adequate and easily accessible to all relevant staff	Satisfactory	0	0	1	
6. There is regular review of activities by the Board of Management and its committees	Satisfactory	0	0	1	
7. Feedback is sought from customers and acted upon	Good	0	0	0	
8. Appropriate systems and procedures are in place to manage intellectual property risks covering areas such as: ownership; identification; application approval; and maintenance	Satisfactory	0	0	0	✓
9. Adequate arrangements have been put in place to prevent and respond to external claims against the College for breach of contract and robust agreements are signed with partners	Satisfactory	0	0	0	✓
Overall Level of Assurance	Satisfactory	0	1	13	
		System meets control objectives with some weaknesses present.			

5. Audit Approach

From discussion with the following College staff and review of relevant documents, we established the key controls in place within the above areas and considered their adequacy:

- Roy Gardner, Executive Director, Corporate Development and Innovation
- Carla Gethin, Head of Business Development and Industry Academies
- Stuart McDowell, Partnership Development and Academy Manager
- Sheryl Nicolson, International Compliance Manager
- Douglas Morrison, STEM and Innovation Lead
- Eleanor Doull, Head of Marketing
- Ann Brannan, Events Manager
- Jacqui Massie, Business Manager
- Stacey McEwan, Workforce Development Officer
- Elspeth McCallum, Head of Industry Academy for the Faculty of Leisure and Lifestyle

6. Summary of Main Findings

Strengths
- A wide range of commercial activities are undertaken by the College, with these activities being the responsibility of both Faculties and the Commercial Development Team;
- A good commercial and support structure for commercial work is in place. This includes Faculty and Commercial Development Team staff, along with Industry Academy Heads and administration support;
- Processes are in place for identifying and appraising new opportunities, including considering whether there are appropriate margins;
- Controls are in place to mitigate key risks covering commercial activity;
- Staff receive regular management information, including commercial income generation actual and budget figures, and there is appropriate information and oversight of commercial activities by the Development Committee; and
- There are formal mechanisms in place for obtaining and acting upon feedback received from customers.

Weaknesses
- Although there is a Corporate Development Strategy that has been reviewed by the Development Committee this has still to be approved by the Board and operational plans to support the Strategy have still to be completed, however we note that this work is being done regarding this;
- There is the need for an efficient and effective Customer Relationship Management system to be implemented across the College to make the best use of contact opportunities between College staff and existing and potential clients. We note that a system is currently being piloted by the Commercial Development Team;
- Costing forms did not set out what authorisation was required when the margin was below the standard College commercial margin;
- There had not been a recent formal comparison of College course prices to competitors' prices;
- Improvements were required to provide enhanced assurance over the robustness of Faculty income targets; and

6. Summary of Main Findings (Continued)

Weaknesses (Continued)

- There was no formal variance analysis for in year commercial income variances to budget, or any explanation as to what reactive work was being done to respond to any negative variances.

7. Acknowledgements

We would like to thank the College staff for the co-operation and assistance we received during the course of our review.

HENDERSON LOGGIE
Chartered Accountants

8.   Findings and Action Plan

Objective 1: An effective strategic and operational planning process has been established, including identification of key markets and courses

Strategic Planning
The College has a draft Corporate Development Strategy 2017 - 2025 which was reviewed by the meeting of the Development Committee in November 2017 and will be presented to a future meeting of the College Board for approval. The finalisation of this strategy has been delayed due to feedback being received from the EFQM audit which has recently been undertaken within the College. The Executive Director, Corporate Development and Innovation advised that a more focussed operational document is being developed to expand specific details of the strategy, including KPIs. The College developed an International Strategy covering 2014 - 2017 but this has not been updated. Instead, as part of the Corporate Development Strategy 2017 - 2025, it has been agreed to focus on four international areas: creating a framework for international partnerships; developing globally relevant curriculum; diversifying international student recruitment; and promoting student mobility (both outwards and inwards). The development of a strategy for international work around these four areas has still to be developed. A strategic initiative template has also been developed for use on each significant strategic initiative to ensure there will be a robust consideration of what each initiative will involve and how this will be delivered.

Operational Planning
A Corporate Development Team operational plan is in place which sets out areas of focus and increases in commercial income targets. Within Faculties there are operational plans, and each of the Industry Academy Heads has KPIs and targets, some which are related to commercial work. The commercial income targets agreed by Faculties are required to be supported by a list of courses and the income from each course on the College's Student Recruitment Plan document.

Objective 1: An effective strategic and operational planning process has been established, including identification of key markets and courses (Continued)

Observation	Risk	Recommendation	Management Response	
Film Location Income Due to the College's new and iconic buildings the College is increasingly being used as a site for filming. We discussed this with the Events Manager and noted that there is currently no strategy or operational plan in place to maximise this income stream.	Without a concerted effort to grow film income the College may not be maximising its income in this area.	**R1** Develop a strategy and operational plan for income generation from the use of College sites for filming.	We will develop a strategy and operational plan for income generation using the College estate for filming. **To be actioned by:** Eleanor Doull, Head of Marketing **No later than:** 30 September 2018	
			Grade	3

Objective 2: An appropriate management and support structure has been put in place to identify and promote commercial opportunities, including marketing and agency arrangements to support the College with the recruitment of international students

The Commercial Development Team includes:

- The Executive Director, Corporate Development and Innovation, who oversees the Commercial Development Team and is involved in strategy setting; major developments; networking; and relationship management of key partnerships;
- The Head of Business Development and Industry Academies, who oversees business development opportunities, including the operational plan;
- The Business Manager, who oversees the Business Development Officers and the administrative staff responsible for supporting the delivery of City Enterprises courses to members of the public and bespoke short courses and other commercial work;
- Business Development Officers, who work to promote the College's commercial offering, and work closely with employers;
- The Partnership Development and Academy Manager, who is involved with EU funded projects and international work, including international partners; bespoke training for overseas organisations; educational collaborations; and educational delivery projects; and
- The International Compliance Managers and Administrator, who are involved with international student recruitment, including students from international partners that come to study at the College (in the second year of their qualification).

Commercial work and support is also undertaken by:

- The Workforce Development Team, which is responsible for the College's Modern Apprenticeships;
- Faculty staff, including Industry Academy Heads and Faculty administrators, who are responsible for arranging and delivering courses for members of the public, bespoke courses and bespoke training. The Industry Academy Head role helps support liaison between the Commercial Development Team and the Faculties;
- The Events Team, who are responsible for promoting the use of the College for events; and
- The Marketing Team, who support College commercial work through general brand-awareness marketing and targeted marketing to support specific commercial activity.

Objective 2: An appropriate management and support structure has been put in place to identify and promote commercial opportunities, including marketing and agency arrangements to support the College with the recruitment of international students (Continued)

Observation	Risk	Recommendation	Management Response
Organisational Restructure We note that an organisational restructure is currently ongoing and that as part of this process there will be some new and some merged roles, as well as some changes in the reporting structure. In particular, it is planned that the Industry Academy Head role will be removed and subsumed into the role of the new Associate Deans posts, and existing Faculty Director and Curriculum Head posts.	If the role currently being undertaken by the Industry Academy Head is not clearly set out in other staff members' job descriptions as part of the restructuring, there is a risk that the full range of duties within this role will not be adequately covered.	R2 Ensure that the job descriptions of the planned Associate Deans and existing Faculty Directors and Curriculum Heads make appropriate reference to business development roles.	It is imperative that the College continues to develop Industry Academies. This new structure will enhance the activity to date. Job descriptions will reflect this. **To be actioned by:** Roy Gardner, Executive Director, Corporate Development and Innovation and Joanna Campbell, Vice Principal, Student Experience **No later than:** 31 August 2018
			Grade 2

Objective 2: An appropriate management and support structure has been put in place to identify and promote commercial opportunities, including marketing and agency arrangements to support the College with the recruitment of international students (Continued)

Observation	Risk	Recommendation	Management Response	
Identification There is currently reliance on Faculty staff, Industry Academy Heads, Business Development Officers and other Commercial Development Team staff to identify opportunities. This is achieved in a number of ways, including networking, employer engagement, and receiving alerts of commercial opportunities from organisations such as Scottish Development International and Public Contracts Scotland. We noted that although there is ongoing work there are no established forums where Faculty and Commercial Development Team staff can focus solely on consideration of new opportunities.	Not all available commercial opportunities may be identified and followed up.	**R3** Consider the development of a programme of 'blue skies' commercial opportunity identification sessions for each individual Faculty, with Commercial Development Team staff present, to solely explore new commercial ideas and opportunities.	A new forum with Faculty Assistant Deans will be set up to explore the proposals set out here. **To be actioned by:** Roy Gardner, Executive Director, Corporate Development and Innovation **No later than:** 31 August 2018	
			Grade	3

Objective 2: An appropriate management and support structure has been put in place to identify and promote commercial opportunities, including marketing and agency arrangements to support the College with the recruitment of international students (Continued)			
Observation	**Risk**	**Recommendation**	**Management Response**
Promotion The Marketing Team undertake general brand awareness marketing and campaigns including use of Google ads, social media, radio adverts, and billboards. They also support requests from the Commercial Development Team and Faculties to promote specific courses, which generally is supported through social media adverts due to the ability to target market audiences. The Marketing Team are also responsible for the College website and ensuring that courses descriptions include key words to optimise being found on search engines. A comprehensive website section covers the College's commercial offering, including lists of short courses, marketing of rooms for hire and other information. Business Development Officers, when in contact with existing and potential clients, promote the College's offering. From discussion with a range of staff it was noted that Commercial Development Team staff considered that support provided from the Marketing Team was good, but they saw benefit in having a dedicated contact point within the Marketing Team, and welcome enhanced access to more marketing tools so that they can be more actively involved in marketing activity in the future.	There may be delays in arranging marketing activity, and it may not be the most efficient route if it is viable for some marketing activity to be progressed directly by the Commercial Development Team.	R4 Consider the interface between The Commercial Development Team and the Marketing Team and the processes used for communicating and delivery of marketing activity and how these might be improved. As part of this exercise consideration should be given to providing the Commercial Development Team with access to some marketing tools so that they pro-actively undertake marketing activity themselves.	Both teams will review how they can enhance the interface / processes for communicating and delivering marketing activity. The recommendations are fair and representative of the discussions that took place with the auditor. **To be actioned by:** Carla Gethin, Head of Business Development and Industry Academies; Jacqui Massie, Business Manager and Eleanor Doull, Head of Marketing **No later than:** 31 August 2018
			Grade　　　3

Objective 2: An appropriate management and support structure has been put in place to identify and promote commercial opportunities, including marketing and agency arrangements to support the College with the recruitment of international students (Continued)

Observation	Risk	Recommendation	Management Response
Email Promotion The Marketing Team may conduct email marketing for courses targeting individuals who have previously attended similar courses. This is permissible under data protection legislation under the 'soft opt-in' exemption which applies if the following conditions are met: • where the College has obtained a person's details in the course of a sale or negotiations for a sale of a product or service; • where the messages are only marketing similar products or services; and • where the person is given a simple opportunity to refuse marketing when their details are collected, and if they don't opt out at this point, are given a simple way to do so in future messages. We were advised this marketing is carried out on an ad hoc basis, and the process requires a request for information from ICT or Student Records, drafting of the emails, and issue of the emails all of which is resource intensive. We note that there may be benefit in considering a more formal approach to this type of targeted marketing, although the resources required and the likely success from such marketing activity should be considered before changing the existing arrangements.	Marketing opportunities to previous students may not be maximised.	**R5** Consider in detail the way in which marketing activity is carried out for previous students under the 'soft opt-in' exemption. This should consider the resource involved, and it may be beneficial to conduct a pilot exercise to gauge the resource involved and to quantify the benefits driven by the marketing activity.	We agree that this is an area that does need reviewing. The team will review email software options along with automation. **To be actioned by:** Eleanor Doull, Head of Marketing **No later than:** 31 August 2018
			Grade 3

Objective 2: An appropriate management and support structure has been put in place to identify and promote commercial opportunities, including marketing and agency arrangements to support the College with the recruitment of international students (Continued)

Observation	Risk	Recommendation	Management Response
External Perceptions One of the barriers facing the College in deriving income from its training and other commercial offering is that some potential customers have an outdated view of what a College can offer commercially. Therefore, part of promotion of the College's commercial offering can involve breaking down these outdated preconceptions. We noted that the College has a range of activities which allow employers to interact with the College, but there is currently no formal approach or strategy for making external parties aware of the full range of commercial activities the College offers. This would include ensuring that there is a consistent message as to what is offered and ensuring that all Faculties are involved in disseminating this to organisations that they work with. We note however that the work undertaken to promote the Flexible Workforce Development Fund has assisted in delivering this for larger employers.	Marketing opportunities to external organisations may not be maximised.	**R6** Consider ways to raise the awareness of existing and potential commercial customers on the range of services the College can provide as part of its commercial offering.	The commercial and marketing team to consider ways to raise the awareness of potential customers on the range of services the college can provide. **To be actioned by:** Carla Gethin, Head of Business Development and Industry Academies; Jacqui Massie, Business Manager and Eleanor Doull, Head of Marketing **No later than:** 30 September 2018
			Grade 3

Objective 2: An appropriate management and support structure has been put in place to identify and promote commercial opportunities, including marketing and agency arrangements to support the College with the recruitment of international students (Continued)

Use of Agents

We note that agencies are not currently used for attracting international students. This is consistent with the rest of the college sector, with most colleges either not using agents at all, or restricting use to reputable agents who have established a long-term relationship with the specific college and who have been effective in sourcing students.

Customer Relationship Management Software

Promoting commercial offering to existing or previous customers is an important mechanism to secure commercial business. The Business Development Officers have access to a database which has details of previous customers. However, the current database does not provide the functionality to remind Business Development Officers to periodically follow up with existing or previous customers to identify current customer training needs and to explore whether the College can assist in meeting these needs through training or bespoke consultancy. Many colleges have a customer relationship management (CRM) system that is used to record all interaction with existing or previous customers, and to create task lists for staff to highlight when Business Development Officers should make contact. We were advised by the Executive Director, Corporate Development and Innovation that the College is piloting the use of Salesforce, a CRM, which commenced use in October 2017.

Objective 3: Key risks and opportunities are identified and mitigated / exploited

Risks
We reviewed the processes and risks relating to:
- Courses open to the public provided by City Enterprises;
- Bespoke commercial provision;
- International students;
- EU and international projects;
- Work based learning (SVQs);
- Modern Apprentices;
- Contracts with training bodies; and
- Venue hire.

From this review we noted that in the processes covering identification, costing, marketing, monitoring and feedback that generally appropriate controls were in place. However, several areas for improvement were noted and these are outlined either below, or elsewhere within this report. We noted that the Development Committee has a standing agenda item to review the strategic risks that the College has identified in relation to commercial activity. In addition, we noted that some specific income generation projects had project risk registers.

Opportunities
Identification of opportunities has been covered under Objective 2.

Objective 3: Key risks and opportunities are identified and mitigated / exploited (Continued)

Observation	Risk	Recommendation	Management Response
Tier Four Visa Status For the College to retain its Tier Four international student visa status it must ensure that there are less than 10% of international visa applications refused in any year (on a rolling basis). We noted the College undertakes interviews by Skype with international students to ensure that they are prepared for the application process for their UK visa, which includes an interview. We noted that although there is informal monitoring of the number of refusals that there is no formal calculation of the percentage of refusals.	The College may lose its Tier Four status if it exceeds the 10% limit on number of visa refusals.	**R7** Formally calculate the percentage of international visa applications refused. At times of less activity this may be undertaken quarterly, but at peak times it may be appropriate to conduct this exercise monthly.	We agree it would be a good idea to make a formal refusal calculator on our rolling figures throughout the year, and we will look into implementing this. The International Office do collect all details on visa refusals and update our records accordingly. All of our visa refusals are kept on file and are also reported to UKVI. We also store and review our quarterly reports received from UKVI, which feature our refusal metrics. The College is required to submit a yearly Basic Compliance Assessment (BCA) to UKVI. The visa refusal percentage is calculated from the total number of refusals from the total number of assigned Confirmation of Acceptance for Studies (CAS) that are "used" by students for a Tier 4 Application, for the preceding year from the date the BCA is submitted. We calculate the refusals percentage using all our CAS Data before submitting the BCA application. We also keep the Executive Director, Corporate Development and Innovation informed of the status of the BCA application. **To be actioned by:** Mervyn Adams, International Compliance Manager and Sheryl Nicolson, International Compliance Manager **No later than:** 30 June 2019 with work ongoing throughout academic session 18/19.
			Grade 3

Objective 3: Key risks and opportunities are identified and mitigated / exploited (Continued)			
Observation	**Risk**	**Recommendation**	**Management Response**
Corruption The Bribery Act 2010 places requirements upon the College to ensure that its staff are aware of corruption risks and has appropriate procedures in place to mitigate this risk. A number of College staff travel internationally to secure commercial business and there is a higher risk of corruption in some of the countries that these staff are required to travel to. The College has an Anti-Bribery and Corruption Policy in place but we noted not all staff were aware of this policy.	Staff may not comply with the requirements of the Bribery Act in discharging their role.	**R8** Provide training to all Commercial Development Team staff who travel internationally regarding the pertinent requirements of the Bribery Act 2010 and the details of the College's Anti-Bribery and Corruption Policy.	It is good governance to continue to undertake training in this area. This will be done for all staff participating in overseas visits on College business. **To be actioned by:** Roy Gardner, Executive Director, Corporate Development and Innovation (together with Organisational Development). **No later than:** 30 September 2018
			Grade 3

Objective 3: Key risks and opportunities are identified and mitigated / exploited (Continued)

Observation	Risk	Recommendation	Management Response	
Procedures We noted that some of the areas reviewed did not have formal procedures in place, or only had high level flowcharts which did not always describe in detail the key controls that staff should be applying. We did note that the risk associated with a lack of detailed procedural guidance is currently mitigated to some extent by having more than one staff member involved in each area.	Without procedures or details of how processes should be undertaken there is a higher risk of errors, omissions or provision of poor or inconsistent customer service.	**R9** For areas of international activity without formal procedures work should be undertaken to ensure that these are developed. For areas with flowchart procedures ensure that there are accompanying notes explaining how the actions are to be carried out, who is responsible, where key documents are to be stored, and how authorisations are to be retained (such as saving copies of emails).	We are in the process of developing an international process along with supporting information for all staff engaged in international activity. **To be actioned by:** Carla Gethin, Head of Business Development and Industry Academies and Stuart McDowell, Partnership Development and Academy Manager **No later than:** 31 August 2018	
			Grade	3

Objective 3: Key risks and opportunities are identified and mitigated / exploited (Continued)			
Observation	**Risk**	**Recommendation**	**Management Response**
Completeness of Invoicing We discussed with the Partnership Development and Academy Manager how they ensure that EU and international activity, as set out on their detailed activity log, is invoiced. We were advised that there are informal mechanisms to note whether this had been done but they agreed there would be benefit in adding an 'invoiced? (Y/N)' column into the activity log to provide a formal record.	International or EU income may not be claimed.	**R10** Add a column into the EU and international activity log to record when income has been claimed or invoiced.	We are content with these findings and the actions are a fair representation of the discussions that took place. The activity log will be amended. **To be actioned by:** Stuart McDowell, Partnership Development and Academy Manager **No later than:** 31 August 2018
			Grade · **3**

Objective 4: There is effective pricing in the market place and, wherever possible, with full cost recovery as the target and careful consideration being given to activity that does not meet this target.

Commercial activity costing and pricing is performed by either academic or Commercial Development Team staff. A standard costing and pricing form is used which contains all staffing costs (based on estimated hours and an appropriate standard hourly rate) and materials (based on estimates) to calculate the cost of a proposed activity. A standard margin (to cover overheads and a profit element) is then applied to arrive at the price to be offered. The standard margin can be flexed, as this can be increased if the College considers that the client has the capacity to pay more or reduced below this if it is considered that this makes the College uncompetitive. We reviewed the standard margin and considered this reasonable (based on benchmarking against margins used by others in the sector).

Observation	Risk	Recommendation	Management Response	
Costing Forms From a review of the costing form we noted that this: • does not have a section requiring justification if there is lower than standard margin applied; • does not require formal authorisation if below a certain percentage (set at an appropriate threshold under the standard margin); • The form is generally kept electronically and there is no information on how any authorisation should be retained (such as in authorisation by email); • There is no information on where the completed forms and authorisations should be kept, such as in a standard folder in the Faculty or Commercial Development Team network drives.	The pricing for commercial work may not be maximised.	**R11** Amend the costing form to include the specific enhancements noted in this audit report.	Discussions around the costing model really identified that although we do checks on costs, we do not record this. Also, the auditor suggested some improvements to the business case / business opportunity model that would make the process more streamlined. This will be actioned, and faculties would follow it. We are already looking at additions to the cost sheet top include this. **To be actioned by:** Carla Gethin, Head of Business Development and Industry Academies and Jacqui Massie, Business Manager **No later than:** 31 August 2018	
			Grade	3

Objective 4: There is effective pricing in the market place and, wherever possible, with full cost recovery as the target and careful consideration being given to activity that does not meet this target. (Continued)

Observation	Risk	Recommendation	Management Response
Comparison to Competitors' Prices We noted that Commercial Development Team staff had undertaken a formal competitor comparison on short courses in the past but had not undertaken this comparison recently. It was agreed that a review would be timely.	Commercial income may be reduced because prices are higher than competitor's prices	**R12** Undertake a formal competitor price comparison and consider the need for the revision of current course prices.	Agreed. The team will engage in this process. **To be actioned by:** Carla Gethin, Head of Business Development and Industry Academies; Jacqui Massie, Business Manager and Sharon Sime. Business Development Officer **No later than:** 30 September 2018
			Grade — 3

Objective 5: Management information, including financial information on each specific activity, is adequate and easily accessible to all relevant staff

A range of management information on commercial activity is produced for staff and management. This includes:

- The Student Recruitment Plan (SRP) – this sets out the courses, expected course participants and price per person, and supports the income targets for Faculties and some Commercial Development Team activity. This does not include bespoke consultancy;
- Activity spreadsheet – this records all potential or actual commercial work (excluding courses on the SRP) gained through quotation, tender, discussion with existing or potential clients, or from the Flexible Workforce Development Fund. It is used to record expressions of interest and ensure that these are followed up to either secure the work; to identify that this work will not go ahead; or to identify whether this is to be put on hold but to be followed up at a later date. It covers all Faculties and the commercial short courses undertaken by the Commercial Development Team, which are under the 'City Enterprises' banner;
- International student recruitment spreadsheets which ensure that all application and visa requirements are covered;
- Venue hire income which is used for invoicing purposes;
- Project cost monitoring reports; and
- Workforce Development spreadsheets which ensure that Modern Apprenticeship documentation and audit requirements are met.

Income reports are prepared from the SRP and Activity Spreadsheet, and these are reported to the Development Committee. These provide a summary of actual income versus target.

The Business Manager checks the numbers of applicants for City Enterprises short courses regularly to identify any courses which would benefit from further marketing and promotion and if minimum numbers have not been met then the course will be cancelled two weeks before it is due to be run.

Objective 5: Management information, including financial information on each specific activity, is adequate and easily accessible to all relevant staff (Continued)

Observation	Risk	Recommendation	Management Response	
Robust Faculty Income Targets Faculty and Commercial Development Team income targets are set each year, and Faculty income targets must be supported by courses, estimates of course participants, and prices per course on the SRP. The Faculty targets are set by Faculty staff based on their expectations. The Head of Business Development and Industry Academies presented a paper to the November 2017 Development Committee about how Faculty income targets have fluctuated over time, and how achievement against target has varied. Committee members considered that in general the overall target alignment was inconsistent and that in some areas were possibly unrealistic and sought assurance on the reliability of 2017/18 targets. We noted that the Executive Director, Corporate Development and Innovation did not review proposed Faculty course participant numbers against participant numbers on the same or similar courses run in the past for reasonableness.	Commercial Faculty income targets may not be robust.	**R13** Review target course participant numbers used by Faculties in setting their income targets against participant numbers on the same or similar courses run in the past for reasonableness. Where proposed target participant numbers are significantly higher than historic actuals the Faculties should provide a justification for these variances.	Agreed. **To be actioned by:** Roy Gardner, Executive Director, Corporate Development and Innovation; Joanna Campbell, Vice Principal, Student Experience and Stuart Thompson, Vice Principal Finance & Resources **No later than:** 31 August 2018 (and reviewed throughout the academic session.)	
			Grade	3

Objective 6: There is regular review of activities by the Board of Management and its committees.

The Board Development Committee terms of reference includes the following responsibilities:
- To conduct an ongoing strategic review of the College's commercial and international activities ensuring alignment with the College's Strategic Plan;
- To receive and review reports on the College's commercial and international activities, to consider, assess, and manage associated risks, and new opportunities, and to oversee the implementation of new business, international and commercial activities; and
- To review and report on any significant investment opportunities, development opportunities, and associated benefits and risks to the Board of Management.

We reviewed the Development Committee papers and minutes for their meetings in June and November 2017 and January and April 2018 and noted these included regular agenda items covering:
- Performance against targets (commercial and international) covering financial performance, and commercial work in the pipeline;
- International projects update including key risks, considerations and approvals required for work to proceed;
- Flexible Workforce Development update;
- International travel costs versus benefits update

This level of review of commercial activities by the Development Committee of the Board is considered adequate.

Observation	Risk	Recommendation	Management Response
Variance Analysis We reviewed the information in the Development Committee performance against target reports (including international student income) and noted that although the overall commercial targets were forecast to be met for 2017/18 that there were significant negative and positive variances against budget across the Faculties. We noted there was no formal explanations for such variances in the report, or discussion about what proactive action would be taken to address these negative variances.	Timely and proactive action may not be undertaken to address the underlying reasons for any negative Faculty commercial income variances.	**R14** Provide a formal variance analysis (including any action being taken to reverse negative variances) on all variances over parameters for Faculty and international student recruitment targets in the Development Committee performance against targets report.	This variance analysis will be incorporated into a quarterly review looking at Faculty performance against targets. **To be actioned by:** Roy Gardner, Executive Director, Corporate Development and Innovation and Stuart Thompson, Vice Principal Finance & Resources. **No later than:** 30 September 2018 and monthly thereafter in relevant months.
			Grade 3

Objective 7: Feedback is sought from customers and acted upon.

Formal processes are in place for obtaining feedback on commercial activity in a range of ways including:
- feedback forms from City Enterprises short courses, or through surveys for Faculty run courses;
- feedback obtained verbally by Business Development Officers following up on bespoke training;
- formal performance management processes on large contracts;
- review and audit procedures done by Skills Development Scotland (SDS) on Modern Apprenticeship programmes;
- EU projects require dissemination of findings and may identify areas for future improvement;
- Visits to, and ongoing communication with, international partners;
- General informal feedback from employers; and
- the College's formal complaints procedure.

These processes are considered to be adequate.

Objective 8: Appropriate systems and procedures are in place to manage intellectual property risks covering areas such as: ownership; identification; application approval; and maintenance.

From discussion with staff the only risk area relating to intellectual property exists where the College developed course notes, which partners or course participants could copy and use to run training in competition. However, it would be difficult for the College to identify such instances. In addition, if this was undertaken overseas this may require court action which may be costly and have little chance of success. The College mitigates this risk internationally by only working with reputable partners. Site visits and due diligence checks are completed before the College commences working with any such partner. It is our view that there are no other practical controls that could be put in place to manage this risk.

The College is developing a new standard contract for international work (see Objective 9) and this will include a section on intellectual property rights. The work ongoing in this area is reflected in the table in Section 4 above.

Objective 9: Adequate arrangements have been put in place to prevent and respond to external claims against the College for breach of contract and robust agreements are signed with partners.

In most cases of commercial UK work there is not a formal contract covering training or bespoke provision, as the amounts involved are not significant and the risk of complaints and legal action are low. This is considered reasonable based on College staff advising that historically there have been a low number of issues with commercial provision raised and this is in line with the approach followed in other colleges. Where there are contracts in place for UK provision there is reliance on trainers and Faculty staff undertaking commercial provision to ensure that conditions of contract are met. If there were any claims for breach of contract or poor delivery these would aim to be resolved through discussion and mediation with the client.

For venue hire there is a standard contract and if this is not signed before the date of the hire then the venue staff ensure that this documentation is signed on the day of the venue hire.

EU grant work has standard contracts that must be signed.

For other international work there is generally an overarching signed Memorandum of Understanding in place, supported with a signed service level agreement. It was noted that these do not currently include clauses relating to intellectual property rights and data protection and a standard contract is being drawn up which will cover these areas. As work is being undertaken in this area no recommendation has been raised.