



Audit and Risk Committee

DATE:	17 th November 2021
TITLE OF REPORT:	Head of Finance Report
AUTHOR AND CONTACT DETAILS	Keith McAllister keith.mcallister@slc.ac.uk
PURPOSE:	To present an update on matters re Audit and Risk
KEY RECOMMENDATIONS/ DECISIONS:	<ul style="list-style-type: none"> • To note the work that has been undertaken by the internal audit service provider and the management responses to all recommendations, and that the College will be monitoring these via a formal report which will be presented to each meeting of the Audit and Risk Committee. • To note the management response to the recommendations of the Azets Review, including the introduction of a new approach to assurance via the Assurance Framework. • To review and note the College’s strategic risk register, and to note the work being undertaken to embed risk throughout the College
RISK	<ul style="list-style-type: none"> • That the College’s risk management and audit arrangements do not adequately cover all requirements to ensure the safeguarding of public funds and of college assets • That the College does not adequately secure the economic, efficient and effective management of the College’s resources and expenditure.
RELEVANT STRATEGIC AIM:	Sustainable behaviours – <input type="checkbox"/> Financial sustainability <input type="checkbox"/> Appropriate risk management

<p>SUMMARY OF REPORT:</p>	<p>The internal reports undertaken as part of the 2020/21 cycle presented to the Committee (Appendices 1 – 4) have a low number of recommendations, with none being ranked as “High.” However, the Committee should note the high number of recommendations made via the Azets Review report (Appendix 5), all of which are currently being implemented, post approval of the management response at the ARC meeting on 1 July.</p> <p>Going forward, the College will monitor outstanding recommendations via a new review schedule which will be presented to each Audit and Risk Committee meeting.</p> <p>The College has reshaped its main Risk Register to be strategic in nature and individual support and academic areas will have their own operational risk registers.</p> <p>Significant effort and energy has been invested in seeking continuous improvement across all areas of the College’s control and assurance arrangements, which has benefitted from support by our ARC and our Internal Auditors.</p> <p>A tendering exercise was carried out to appoint a new internal audit service provider with the appointment of Henderson Loggie being approved at the Board meeting of 4th November.</p>
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1. Introduction

The main purpose of this Report is to update members on the work being undertaken in the fields of Audit and Risk.

2. Internal Audit 2020/21

- The internal audit service providers, Azets UK, will present the following reports:

Appendix 1: Student Experience

Appendix 2: Curriculum Planning

Appendix 3: Follow Up

Appendix 4: Annual Report

Appendix 5: Azets Review Action Plan

- Azets Review - the internal audit providers undertook an extensive review in early 2021 and made 16 recommendations, linking these to a previous review undertaken in 2013. Attached as **Appendix 5** is the action plan flowing from the two reports, which is currently a work in progress. The report was presented by the Auditors to a special meeting of the Audit and

Risk Committee in July 2021 and is attached as **Appendix 6** for reference only.

The Appendices are not for publication being independent advice intended to aid the Board with their deliberations

3. College Internal Audits

□ Attached as **Appendix 7** is the report from the College's Quality Audit Group (QAG) on their work undertaken to review the Educational Maintenance Allowance provision. The College is required to review the arrangements twice a year by Audit Scotland and the year-end internal audit review of student support funding checks that this has been done.

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4. Audit Recommendation Monitoring

□ The College will be maintaining its own rolling report on outstanding audit recommendations. Attached as **Appendix 8** is the first of these and it has been populated by the recommendations flagged as outstanding in **Appendices 2 and 4**. This report will be added to as and when appropriate and will also incorporate recommendations arising from the 2020/21 external audit exercise.

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5. External Audit

- The external audit service providers, Mazars LLP, will present a verbal report on progress re the audit of the annual accounts. It is the College's wish to meet the SFC deadline for submission of the audited Financial Statements (31st December 2021) and we are working with Mazars to that end.
- The Head of Finance will give a verbal update on work being undertaken re the National Fraud Initiative exercise.
- Members should note that the College buildings have been revalued as per the agreed cycle and this new valuation, which almost doubles the asset value, will appear in the Balance Sheet as at 31st July 2021. Whilst this does not impact the depreciation charge for 2020/21, it will make a significant difference in 2021/22 and beyond.

6. Risk

- As reported to the previous meeting of the Committee, the College is embarking on a change to the methodology of dealing with risk which will better meet current requirements, and which will incorporate all relevant staff into the process.
- Attached as **Appendix 9** is the most recent Strategic Risk Register which was compiled through discussions at the College's Senior Leadership Team. This will also be presented to the College Leadership Team in November 2021.
- Training has been arranged for all management re the roll out of Operational Risk Registers, with the intention that these will form part of the regular monthly meetings that all support staff departments and curricular areas have. These departmental risk registers will be referenced to the Strategic Risk Register.
- A further update on the enhancement of Risk and Audit Assurance arrangements will be presented at a future meeting of the Audit and Risk Committee.

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7. Audit Scotland Technical Bulletin (2021/2)

□ Audit Scotland issues a Bulletin to the public sector each quarter with updates on audit, fraud etc. **Appendix 10** is an extract from this Bulletin covering general issues affecting the public sector, fraud and a section specific to the college sector. Changes to the 2020/21 financial statements requirements are referred to in the section above on External Audit.

The Appendix is already published by Audit Scotland

8. Other business

- **Assurance Framework** - Members are asked to note that a proposal and supporting papers re the establishment of an Assurance Framework was presented to the Board of Management on 4th November. The proposal was welcomed and Board members provided feedback which will be incorporated into the College's processes. It was noted that there will be reports to this Committee on progress and ongoing monitoring will be to this Committee on a quarterly basis. This enhanced approach to control and assurance arrangements within the College, supported by our new approach to risk management, will enable the College's continued focus on securing the efficient, effective and economical management of resources and expenditure.
- **Internal Audit Appointment** – Members are asked to note that, following a tendering exercise managed for the College by APUC,

Henderson Loggie were appointed to provide the internal audit service for a period of four years, with a one-year option to extend. This was approved at the Board meeting of 4th November. The Head of Finance has been in contact with the firm and they should be represented at this meeting.