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AUDIT COMMITTEE REPORT

BORDERS COLLEGE REGIONAL BOARD

Subject: Draft 2020/21 Annual Audit Committee Report to Regional Board	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Hazel Robertson, Vice Principal – Finance and Corporate Services	**Date:** 21 September 2021

Purpose: To consider the draft Annual Report of the Audit Committee to the Regional Board.

Linked to Strategic Ambition: Take a leading role in enabling an inclusive, resilient and sustainable Scotland

Executive Summary:

It is a requirement of the Financial Memorandum that the Audit Committee prepares an annual report on its activities for approval by the Regional Board. The report should include the Audit Committee's assessment of the adequacy and effectiveness of the College's internal control systems. This assessment should be based on the results of the work of the internal audit service (IAS) as reported in the IAS annual report, and the external auditors' opinion on the financial statements as well as the management letter and report issued to those charged with governance of the College.

A first draft of the 2020/21 report is attached for consideration. Note that the report still requires to be updated for the opinions of the external auditors, and the internal audit report will be attached following consideration by the Audit Committee.

A final draft will be presented for approval at the meeting scheduled for 25 November 2021.

Recommendation:

Committee to agree finalisation of the annual report.

Previous Committee Approvals: n/a

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

BORDERS COLLEGE

Annual Report of the Audit Committee to the Regional Board - Activities Undertaken for the year ended 31 July 2021

1.0 INTRODUCTION

1.1 Requirements for Audit and Accounting are incorporated in the Financial Memorandum issued by the Scottish Funding Council (SFC).

1.2 The Memorandum requires the preparation of an Annual Report from the Audit Committee to the Regional Board.

1.3 This report details the activities of the Audit Committee for 2020/21.

2.0 COMMITTEE CONSTITUTION AND TERMS OF REFERENCE

2.1 The following Committee members served during the year 01 August 2020 to 31 July 2021 and up to the date of signing this report:

P Scrimger	Chair
J McBeath	
D Johnson	
B McGrath	
C Gillie	(from 18 January 2021)
J MacKenzie	(left 21 June 2021)
A Letham	(left 17 June 2021)
A McKerracher	(from 22 June 2021)

2.2 In October 2017 the current Terms of Reference were extended by the Audit Committee to reflect the terms of the Code of Good Governance for Scotland's Colleges referring to the Audit Committee. The Terms were approved by the Board in December 2017 subject to two further changes being made which were subsequently agreed by the Audit Committee. The current agreed duties of the Audit Committee are as follows:

- To make a recommendation to the Regional Board on the appointment, reappointment, remuneration or removal of the internal auditors

- To advise the Regional Board of the process for the appointment of the external auditor (currently appointed by Audit Scotland) its remuneration and of any issues relating to the role of the external auditor

- To review the processes and advise the Regional Board on the internal and external auditor’s assessment of the College’s financial and other internal control systems

- To review and advise the Regional Board on compliance with corporate governance requirements and good practice guidance

- Reviewing the scope, efficiency and effectiveness of the work of internal audit and advise the Regional Board thereon

- To establish appropriate performance measures and indicators to monitor the effectiveness of external audit

- To consider the College's annual financial statements and the external auditor's report after review by the Finance and General Purposes Committee and prior to submission to the Regional Board

- To advise the Regional Board on relevant issues arising from the Audit Committee's consideration of internal audit, progress reports, annual reports and College Management's response thereto

- To respond appropriately to any notification to the Audit Committee of fraud or other improprieties

- To review the external auditor's management letter and monitor management's response

- To advise the Regional Board on relevant issues arising from the external auditor's management letter, other external audit reports and College's management's response thereto

- To promptly pursue recommendations arising from audit reports and monitor their implementation

- To have access to and ensure attendance of external auditors at Audit Committee and Regional Board meetings as required

- To advise the Regional Board of any potential conflict of interest following consideration of any non-statutory audit work

- To ensure the College has effective arrangements for securing economic and efficient use of the College's resources and report to the Regional Board thereon and on the identification of potential topics for value for money reviews, having regard to national value for money studies in the further education sector

- To produce and submit an annual report to the Regional Board

- To review previously reported cases of impropriety to establish whether they have been handled appropriately

- To note any updates of Register of Board Members' Interests

- To note any updates of Register of Gifts.

3.0 INTERNAL AUDIT SERVICE

3.1 Following a procurement exercise, Wylie & Bisset, Glasgow were appointed by the College to provide Internal Audit Services for the period 01 August 2019 to 31 July 2022, subject to annual reviews of performance. Subject to meeting performance standards, the contract allows for extension of up to two years.

3.2 The internal audit plan for the year was based on the College's Strategic Plan, Annual Priorities and Risk Register, and was approved at the Audit Committee in September 2020. This plan has been systematically followed. The areas addressed in the year were:

- Audit of FES Return (Credits Audit) (required)
- Student Support Funds (required)
- EMA Audit (required)
- Management Information Systems (requested review)
- Purchasing and Procurement (requested review)
- VFM Community / Leisure (requested review)
- Value for Money (requested review)
- Follow-up on Previous Audit Recommendations (requested review)

3.3 Wylie & Bisset prepared a report on each review and these reports have been reviewed by the Committee. Action plans incorporated in the reports are reviewed at subsequent meetings.

3.4 The internal auditors have reported that:

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes. In our opinion, Borders College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. Our fieldwork was carried out between September 2020 and July 2021 and we have not undertaken any further internal audit assignments at the time of this report."

3.5 Summaries of the issues arising in relation to each system or activity covered by the internal audit work in 2020/21 have been reported to the Audit Committee. All reports contained action plans detailing responsible officers and implementation dates. The reports were discussed and agreed with management prior to submission to the Audit Committee.

3.6 There are no recommendations made by Internal Audit during 2020/21 with a risk rated as medium or above (Appendix 1). Also shown at **Appendix B** are the current status of all uncompleted recommendations as at 22 September 2021.

3.7 In addition, the Internal Audit Service highlighted the existence of areas of good practice across all areas reviewed.

3.8 Overall input to the audit assignments was 24 days, including those for the Credits, Student Support Funds and Education Maintenance Allowances, and

Wylie & Bisset presented their Annual Report 2020/21 to the Audit Committee on 30 September 2021. A copy of that report is attached as **Appendix C**.

4.0 EXTERNAL AUDIT SERVICE

4.1 Audit Scotland is responsible for the audit of all Further Education Colleges in Scotland. External audit services for the financial year ended 31 July 2021 were provided by their appointees, Azets, Edinburgh (formerly Scott Moncrieff). This was the fourth year of Azets appointment term as external auditors, following a re-tendering exercise by Audit Scotland. In the light of Covid-19 the external auditor's term of office has been extended by a year. The audit started in early October, as planned. The auditors presented their Annual Report to the College's Audit Committee on 25 November 2021. No audit report qualifications were necessary to the financial statements for the year to 31 July 2021. Their conclusions stated:

Opinion on financial statements

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Conclusions relating to going concern

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

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

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinions on other matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education

(Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

5.0 ECONOMIC AND EFFICIENT USE OF THE COLLEGE'S RESOURCES

5.1 The College had an approved Procurement Strategy which was merged with the Procurement Policy to provide a single source of procurement advice. These documents covered the period to 31 July 2021, and encompass the principles of economic and efficient use of the College's resources, including:

- Innovation in service delivery
- Ethical, social and environmental principles
- Sustain and further develop partnerships
- Enhanced contracts management
- Quality management information
- Enhance capability of procurement practitioners.

5.2 Borders College falls below the threshold for taking part in the Procurement and Commercial Improvement Programme (PCIP) programme; but has undertaken the Operational Procurement Review (OPR) with Advanced Procurement for Universities and Colleges (APUC). Outputs from the latest OPR in 2019/20 are included in the College's Operational Procurement Action Plan. The summary statement from the review was:

"Borders College has robust processes and controls in place that provide solid stakeholder support for the operation and delivery of benefits from effective procurement operations. There is a strong and supportive senior management overview of the procurement function and the work of the procurement office is well

recognised by institutional budget holders. Analysis of data and reporting against performance is regular and sound. The level of resource seems adequate and well-matched to delivery of objectives. It is noted that a revised institutional strategy is planned for introduction in 2020/2021 and the College documentation that sits in support of that will be revised and re-aligned accordingly. The score achieved meets the optimal target level of 67% and with a few minor tweaks of process, the score looks set to be improved upon by the time of the next review, but without unnecessary expenditure of resource."

5.4 The Committee is content that, coupled with the assignments undertaken by the internal audit service, these measures enable the College to demonstrate achievement of economic and efficient use of resources in its activities. Additional KPIs and targets are due to be introduced for 2021/22.

6.0 FRAUD AND IMPROPRIETY

6.1 There was no instances of fraud reported to the Committee during the year or in the period up to the approval of this report.

6.2 The Anti-Fraud Policy and Anti Bribery Policy were both reviewed in 2019 and are not yet due for review.

7.0 GOVERNANCE

7.1 The Committee received updates to the Registers of Members Interests in accordance with its Terms of Reference.

8.0 CONCLUSIONS

8.1 The activities of external and internal audit have indicated that satisfactory control exists within the College in all primary control areas. Operational responsibilities have been met and statutory responsibilities met.

8.2 The Audit Committee is satisfied that acceptable arrangements are in place to promote economy, and efficiency within the College.

8.3 The Audit Committee has considered the adequacy and effectiveness of the College's Internal Control Systems on the basis of audit work performed during the year. The Audit Committee is satisfied that adequate and effective internal control systems are in operation within Borders College.

9.4 The various reports and Committee minutes have been circulated to Board members.

It is the Committee's view that the responsibilities delegated to it from the Regional Board have been satisfactorily discharged.

Paul Scrimger, Chair
Date: 25 November 2021

APPENDIX A – AUDIT RECOMMENDATIONS RANKED MEDIUM OR HIGHER

APPENDIX B – STATUS OF ALL OUTSTANDING RECOMMENDATIONS

Internal and External Audit + Data Breach Recommendations - Progress
22 September 2021

	Internal audit			Externa			DP	TOTAL
	High	Med	Low	Grade 4	Grade 3	Grade 2		
Closed				1		1	4	6
On track			3		1			4
Revised deadline			5		2			7
Overdue / concern								0
TOTAL	0	0	8	1	3	1	4	17

APPENIDIX 3 INTERNAL AUDIT ANNUAL REPORT