F

BORDERS COLLEGE REGIONAL BOARD

Audit & Risk Committee

30 November 2023

ANNUAL AUDIT AND RISK COMMITTEE REPORT TO THE REGIONAL BOARD
Activities undertaken for the year ended 31 July 2023

1.0 Introduction

1.1 The arrangements for Audit and Accounting are incorporated in the Financial Memorandum issued by the Scottish Funding Council. The current Financial Memorandum was issued, effective from 1 December 2014. This requires the preparation of an Annual Report from the Audit and Risk Committee to the Regional Board.

1.2 This report details the activities of the Audit and Risk Committee for the year ended 31 July 2023.

2.0 Recommendation

The Committee is recommended to approve the Annual Report for submission to the Regional Board on 14 December.

3.0 Background

3.1 The Terms of Reference for the Audit and Risk Committee (formally Audit Committee) were approved at the Regional Board on 1 December 2022. The full Terms of Reference are contained in Appendix A.

3.2 The Committee is required to meet four times per year as a minimum and requires three members to be present for the meeting to be quorate.

3.3 The keys area of remit for the Audit and Risk Committee during the reporting period were:

- External Audit
- Internal Audit
- Annual Accounts and Auditor's Management Letter
- Corporate Governance
- Risk Register, Risk Management and Business Continuity Plan
- Data Protection and Freedom of Information
- Cyber Security
- College Financial Regulations
- Register of Gifts
- Impropriety/Fraud
- Annual Report to the Regional Board

- Annual Review of Effectiveness

4.0 Membership and Attendance

4.1 The table below details the membership of the Committee during the period and the attendance of members.

Name	Notes	Attendance
C Gillie (Chair)		4/4
D Peace	Retired from Board 23/2/23	3/3
S Prentice	Retired from Board 17/6/23	0/4
A McKerracher		4/4
V Key		4/4
P McGreal	Resigned from Board 20/6/23	1/2
P MacDonald	Joined Board 1/4/23	0/1

4.2 The Vice Principal – Finance and Corporate Services and Secretary to the Board also attended the meetings, although not as voting members.

5.0 Internal Audit

5.1 The Colleges internal audit service is provided by Wylie & Bisset following a procurement process in 20019. The current contract runs until 31 July 2024.

5.2 The fees for the period, as contained in the accounts were £10,585 (£10,220 2021/22)

5.3 The internal audit plan for 2022/23 was developed following discussion with the Vice Principal: Finance & Corporate Services and was approved at the Audit Committee on 29 September 2022. The following areas were approved for review during the year:

- Payroll
- Complaints Handling
- Estates Management
- Equality & Diversity
- Disaster Recovery Testing
- Student Support Funding
- Education Maintenance Allowances
- Credits

5.4 The internal auditor grades the areas reviewed as

- 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

5.5 Each recommendation is assigned a grading. The agreed gradings are shown below

- High - Major weakness that we consider needs to be brought to the attention of the Audit 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

5.6 All audits were completed within the year, including a follow up review of outstanding recommendations from previous audits. All reports have been presented to and reviewed by the Committee. The table below shows the outcomes of the audits.

		Recommendations		
Area	**Overall Conclusion**	**High Priority**	**Medium Priority**	**Low Priority**
EMA	N/A	-	-	-
SSF	N/A	-	-	-
Credits	N/A	-	-	-
Payroll	Strong	-	-	-
Complaints Handling	Strong	-	-	2
Equalities & Diversity	Strong	-	-	1
Estates Management	Strong	-	-	1
Disaster Recovery Testing	Strong	-	-	-
Follow Up Review*	Substantial	-	1	4
Total		**-**	**1**	**8**

5.7 All reports contain actions plans which detail responsible officers and implementation dates. Progress on the implementation of these action plans are reviewed by the Committee on a regular basis and during the Follow Up Review by the auditors.

5.8 The 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 2022 and May 2023, and we have not undertaken any further internal audit assignments at the time of this report."

6.0 External Audit

6.1 The College's external audit service is provided by Azets, as reappointed by Audit Scotland for a five-year period commencing 2023. This is the first year of the appointment. Although the college does not appoint Azets, the Audit Committee monitors the scope and quality of their work.

6.2 The fees for the period, as contained in the accounts were £25,210 (£17,995 2021/22)

6.3 The auditors presented their Annual Report to the Audit meeting on 30 November 2023. The audit opinion given was an unqualified opinion.

6.4 During the annual audit outstanding audit recommendations were reviewed. All outstanding recommendations were agreed as complete and points cleared. Four new recommendations were agreed as part of the 2022/23 annual audit.

7.0 Risk Management

7.1 The Committee has reviewed the College's Strategic risk register and monitored progress on actions agreed for risks assigned to the Committee for Governance and cyber security. The Committee also had oversight of all risks contained in the risk register.

7.2 The Business Continuity Plan is designed to ensure the College can continue to operate vital services and functions in the event of business disruption. The Committee reviewed and approved the revised Business Continuity Plan on 11 May 2023.

8.0 Fraud and Impropriety

8.1 The Committee approved revised policies for Anti-Bribery and Anti-Fraud & Corruption during the period. Both policies were extensively revised to improve transparency and clarity of roles.

8.2 The Committee approved revised Financial Regulations during the reporting period and has agreed to formally review these on an annual basis.

8.3 The Committee has been provided with reports detailing hospitality accepted during the period. These have been reviewed and found to be in-line with the Anti-bribery Policy.

8.4 No instances of fraud, theft or impropriety have been bought to the Committee's attention during the year or up to the date of the approval of this report.

9.0 Audit Committee Terms of Reference activities

9.1 The Terms of Reference (ToR) for all Committees were reviewed and updated prior to approval by the Board on 1 December 2022. A workplan was developed to ensure the Committee fulfilled all responsibilities.

9.2 The Committee jointly reviewed and scrutinized the Annual Report and Accounts with the Finance and Resources Committee prior to recommending to the Board the Report and Accounts for approval.

9.3 The Committee is provided with Information updates of key technical updates relevant to the role of the Committee. This includes updates from Audit Scotland.

9.4 In line with good practice the Committee has established a rolling program of private to meet the Principal, Vice Principal Finance & Corporate Services, and senior representatives of Internal Audit and External Audit outside of the formal Committee meeting. These commenced in February 2023 with a meeting with the Vice Principal Finance & Corporate Services.

9.5 The Committee carried out a self-assessment at the end of the 2022/23 year. The feedback, as a whole, was positive, but based on the results a development and action plan is being drawn up to address some of the lower scoring items.

10.0 Implications and Considerations

10.1 Financial Implications:

There are no financial implications from this report.

10.2 Learner Implications:

There are no direct learner implications from this report.

10.3 Staff Implications:

There are no staff implications from this report.

10.4 Equality and Diversity Implications/Equality Impact Assessment:

There are no equality and diversity implications from this report.

10.5 Sustainability/Environmental Implications:

There are no sustainability or environmental implications from this report.

11.0 RISK COMMENTARY

11.1 The Audit and Risk Committee provides oversite and scrutiny of the internal controls of the College. These controls provide key mitigation actions and measures in the management and monitoring of risks.

12.0 Conclusion

12.1 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.

12.2 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 and Risk Committee is satisfied that adequate and effective internal control systems are in operation within Borders College.

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

12.4 The work completed during the year by the Committee has allowed the Committee to fully comply with its Terms of Reference.

Kirsty Robb, Vice Principal Finance & Corporate Services

Previous Board or College Committee Approvals: Audit Committee 5 October 2023

Alternative formats

If you need access to a college document in an alternative format, for example, accessible PDF, large print, easy read, audio recording and braille:

- Complete an accessibility request form by **clicking on this link**.
- Call **01896 66 26 00** and ask to speak with the Marketing Team.

We will consider your request and get back to you within 5 working days.

Translate documents from this website into other languages

You can download any of our published documents and translate them into many languages. Please click this link to use **Google Translate**

For publication ☒	**Not for publication** ☐ **If not, why not?**

Appendix A

BORDERS COLLEGE

AUDIT COMMITTEE

TERMS OF REFERENCE

1. Constitution

A minimum of five Members of the Regional Board, excluding the Chair of the Board, Chair or Member of the Finance and General Purposes Committee and Principal.

At least one member of the Committee should have a background in finance, accounting or auditing; if no such member has the requisite background then the Committee may co-opt an individual with the appropriate background. The Regional Board will be advised of the details of any proposed co-opted individual. The co-opted individual will not count for the purposes of constituting a quorum. The Vice Principal, Finance and Corporate Services and Principal would normally be in attendance but may be excluded at the request of the Committee.

1.1 Quorum: Three members of the Committee shall constitute a quorum.

1.2 Chair: To be elected by the Regional Board.

2. Terms of Reference

The Audit Committee provides assurance to the Board that the appropriate measures are in place for governance, internal control and risk management, and provides oversight of, and guidance on, such matters.

Key remit areas for the Audit Committee are:

- External Audit
- Internal Audit
- Annual Accounts and Auditor's Management Letter
- Corporate Governance
- Risk Register, Risk Management and Business Continuity Plan
- Data Protection and Freedom of Information
- Cyber Security
- College Financial Regulations
- Register of Gifts
- Impropriety/Fraud
- Annual Report to the Regional Board
- Annual Review of Effectiveness

2.1 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;

2.2 To consider and review the College's Annual Accounts and Annual Report and the external auditor's report prior to submitting to the Regional Board;

2.3 To review the external auditor's Management letter and monitor Management's response and to advise the Regional Board on relevant issues arising from the external auditor's management letter, other external audit reports and College's Management response;

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

2.5 To review the scope, efficiency and effectiveness of the work of internal audit and advise the Regional Board;

2.6 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;

2.7 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;

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

2.9 To monitor and ensure the effectiveness of the College Strategic Risk Register, the Risk Management Framework and the College approach to risk assessment and risk appetite, undertaking reviews as appropriate, and to oversee and approve revisions of, and amendments to, the College Business Continuity Plan;

2.10 To oversee, and be assured that, all legislation and guidelines are being adhered to and followed with reference to Data Protection (DP) and Freedom of Information (FoI) Requests;

2.11 To ensure the College has relevant and suitable procedures in place around cyber security, and be assured that the College is taking appropriate action where necessary;

2.12 To approve changes and amendments to the College Financial Regulations and to provide assurance that the Regulations are being adhered to;

2.13 To note any updates of the Register of Gifts;

2.14 To respond appropriately to any notification to the Audit Committee of fraud or other improprieties and to review previously reported cases of impropriety to establish whether they have been handled appropriately;

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

2.16 In accordance with the Scottish Funding Council Code of Audit Practice, to submit an annual report to the Regional Board; and

2.17 Annually review the Committee effectiveness and report the results of that review along with a Development and Improvement Plan.

3. Meetings

3.1 The Committee shall meet four times a year;

3.2 The Committee shall sit privately without any non-members present for all or part of a meeting if they so decide; and

3.3 The members of the Audit Committee should meet with the internal and external auditors without the Executive team present at least annually.

4. Reporting

All Members of the Regional Board shall receive a copy of the minutes of each meeting and the Chair of the Committee shall make a report at the following Regional Board meeting.

Approved by the Board - 1 Dec 2022 Date of next review – June 2023