

## Board of Management Audit & Assurance Committee

<b>Date of Meeting</b>	<b>Tuesday 3 September 2024</b>
<b>Paper No.</b>	<b>AAC1-B</b>
<b>Agenda Item</b>	<b>4.2</b>
<b>Subject of Paper</b>	<b>Audit &amp; Assurance Committee Annual Report 2023-24</b>
<b>FOISA Status</b>	<b>Disclosable</b>
<b>Primary Contact</b>	<b>Drew McGowan Associate Director of Governance and Risk</b>
<b>Date of production</b>	<b>8 August 2024</b>
<b>Action</b>	<b>For Approval</b>

### **1. Recommendations**

- 1.1. To review the Audit & Assurance Committee annual report for the 2023-24 academic year and approve it for tabling at the Board of Management for noting.

## **2. Purpose**

- 2.1. To provide the Committee and the Board of Management with a high-level review of the Committee's business throughout the most recent academic year.

## **3. Consultation**

- 3.1. Members are asked to discuss the Committee's annual report and, subject to any changes, approve the paper for tabling at the Board of Management's next meeting for noting.

## **4. Key Insights**

- 4.1. Since 2014-15, following an internal audit recommendation, the Board of Management has established the practice of preparing an annual report for each committee. Annual committee reports are tabled early in the academic year.
- 4.2. The annual reports provide a high-level review and record of the Committee's deliberations and decision-making which can be used by members to reflect on the year, as well as to inform other stakeholders. In addition to the regular publication of Board and committee minutes and papers, annual committee reports demonstrate the College's commitment to openness and transparency.
- 4.3. All of the annual reports prepared for the committees will be used as a basis for the drafting of the College's annual report, in line with the original internal audit recommendation.

## **5. Impact and Implications**

- 5.1. Annual committee reports are one aspect of the Board's established practices that aim to provide assurance to the College's students, staff and other stakeholders, including the Regional Board, that our systems of governance, effectiveness and accountability remain robust and delivered to a high standard.

### **Appendices:**

**Appendix 1:** The Audit & Assurance Committee Annual Report 2023-24

# Audit & Assurance Committee Annual Report 2023-24

## Introduction

1. The Audit & Assurance Committee is responsible for reviewing the effectiveness of the College's governance arrangements, financial systems, internal controls and risk management practices. The Committee provides assurance to the Board of Management that the College continues to meet the legislative and regulatory requirements applicable to the college sector.
2. P Hillard convened the Committee and its membership consisted of L Hamilton, D Anderson C Singh. D Anderson resigned from the Committee at the end of the academic year ahead of taking up the position of Chair of the Board in August 2024.

## Committee Business

3. During this academic year, four meetings of the Committee were held to consider the work and priorities of the College within its remit. Members received reports and presentations from members of the Executive Leadership Team (ELT) and Senior Management Team (SMT), as well as from the College's internal and external auditors – Henderson Loggie and Audit Scotland respectively. A summary of key issues and business of note is enclosed below.

## Annual Report and Accounts

4. The Chief Financial Officer and the Associate Director of Governance and Risk presented the Annual Report and Accounts 2022-23 to the Committee in December 2023. The Committee recommended the Annual Report and Accounts to the Board of Management for final approval. From 2024-25, the Audit & Assurance Committee and the Finance Committee will hold a joint meeting to consider the Annual Report and Accounts together.

## External Audit Annual Report

5. Audit Scotland, the College's external auditors, were appointed by the Auditor General for Scotland to examine and report on our financial management sustainability, corporate governance and performance. This audit work, undertaken annually for all public bodies in Scotland, is carried out in accordance with Audit Scotland's Code of Audit Practice, the International Standards on Auditing (UK) and the Ethical Standard for Auditors. The external audit provides an independent assurance that the College continues to be managed effectively, spends public funds efficiently and complies with relevant legislation and regulations.
6. Audit Scotland presented the External Audit Annual Report 2022-23 to the Committee in December 2023. Members welcomed that the College had received an unqualified opinion on the financial statements, regularity and other prescribed matters. Key messages in the report include:
  - **Financial Management and Sustainability:** The College had appropriate financial arrangements in place with controls operating as expected. For 2022-23, an operating deficit of £3.2 million and an underlying operating deficit of £2.8 million were reported. The budget for 2023-24 forecasted a deficit for the third successive year. The College must balance voluntary severance and compulsory redundancy, undertaken to improve our financial position, against continuing to meet learning targets.
  - **Vision, Leadership and Governance:** The College has a clear vision, strategy and measures in place to monitor progress. Governance arrangements continue to be appropriate and there is a range of information published on the College's website. A review of the Board's structure was undertaken in 2022-23 and, based on observations, this restructure did not result in any negative impact. Committee members deliver effective scrutiny of management reports.
  - **Use of Resources to Improve Outcomes:** The College has developed an appropriate performance management framework which links to its strategic plan; however, work should be undertaken to develop its approach to demonstrate Best Value.

- External audit recommendations, like internal audit recommendations, are followed up on and progress is reported to the Committee quarterly.

### Internal Audit Reports

- Internal audits are a valuable independent assessment and source of assurance of the College's operational effectiveness. They help identify strengths, weaknesses and risks and these findings support continuous improvement across the College.
- The College worked in partnership with Henderson Loggie to plan and conduct a programme of internal audits throughout 2023-24 and reported findings to the Committee. The recommendations are from internal audits graded low, medium or high. Each audit is also graded with one of four overall levels of assurance which, from high to low, are: good, satisfactory, requires improvement, and unacceptable.
- During 2023-24, 11 internal audits were undertaken in areas across the College and reported to the Committee. Of these, eight of the internal audits were graded as "good", the highest overall level of assurance, and three were graded as satisfactory. 10 low-level and two medium-level recommendations were made throughout the internal audits and accepted by the College's management. No high-level recommendations were made. Henderson Loggie and the College's own Compliance Auditor monitor the implementation of recommendations and report on progress to the Committee throughout the year.

Internal Audit Report	Recommendation Level			Assurance Level
	High	Medium	Low	
Procurement and Creditors/Purchasing	0	1	1	Satisfactory
Budgetary Control	0	0	0	Good
Staff/Organisational Development	0	0	1	Good
Cash and Bank/Treasury Management	0	0	1	Satisfactory
Fraud Prevention and Detection	0	0	1	Good
Libraries and Learning Technologies	0	0	1	Good
Quality Assurance and Enhancement	0	0	2	Good
Business Engagement	0	0	0	Good
Severance Schemes	0	0	0	Good
Payroll	0	0	0	Good
IT Network Security	0	1	3	Satisfactory
	<b>0</b>	<b>2</b>	<b>10</b>	

- The Scottish Funding Council (SFC) require colleges to have the student activity data they submit in their Further Education Statistics (FES) return audited. Henderson Loggie conducted an internal audit of the 2022-23 data and issued an independent opinion confirming the return complied with all relevant guidance and that adequate procedures were in place for accurate data collection and recording. They could, therefore, provide a reasonable assurance that the College's return was free from material misstatements.
- In June 2024, noting their satisfaction with the current service quality, members of the Committee approved the extension of Henderson Loggie's internal audit services contract for a further 24-month period. A new tender process will be undertaken to award an internal audit contract beyond 31 July 2026.

### Audit & Assurance Committee Self-Evaluation

- Members completed a self-evaluation of the effectiveness of the Committee and the College's internal controls, financial reporting and internal/external audit arrangements. The results were discussed in a private session of the Committee and members agreed on actions to be

progressed in the new academic year. Areas for development included additional training, meeting attendance and format, the use of deep dives and communicating the work of the Committee to the Board. The self-evaluation exercise, based on the model questionnaire provided in the Scottish Government's Audit & Assurance Committee Handbook, will be undertaken annually.

### **Freedom of Information and Data Protection**

14. The Committee received an annual report on the requests submitted to, and handled by, the College under the Freedom of Information (Scotland) Act 2002 and the Environmental Information (Scotland) Regulations 2004. The Associate Director of Governance and Risk confirmed that 68 requests were received and 97% were responded to within the statutory 20-day timescale in the previous academic year. There was a 183% increase in the number of requests received from 2021-22 to 2022-23. Due to the level and complexity of requests received from October to December 2022, 2 responses were issued late.
15. The Data Protection Officer submitted quarterly reports to provide members with oversight of the current levels of data protection support, training and compliance across the College. It was reported to the Committee that eight data breaches were recorded in 2022-23, none of which required notification to the Information Commissioner's Office (ICO). Further to the procurement of a new General Data Protection Regulation training module in the previous academic year, it was reported that 98% of staff had completed the training by June 2024.

### **Complaints and Compliance**

16. The Committee received a report from the Director of Excellence on the volume and nature of complaints received and handled by the College. 84 complaints were received in 2022-23 regarding customer care, applications, courses, services and facilities – an increase of 15% on the previous year. Almost two-thirds of complaints were resolved within five working days while 31% were not upheld. For complaints that were either upheld (2.4%) or partially upheld (8%), actions and lessons learned were captured to inform improvements. One complaint was escalated to the Scottish Public Service Ombudsman, which did not result in further action.
17. The Director of Excellence also reported to the Committee on the College's compliance with external quality standards and awarding bodies to provide assurance that effective arrangements were in place to meet requirements and identify non-compliance. The Committee welcomed the high levels of compliance across the College and discussed areas of non-compliance with the Maritime Coastguard Agency and Institute of Workplace and Facilities Management where improvement work was in progress.

### **Business Continuity**

18. The Associate Director of Governance and Risk apprised the Committee of the business continuity desktop exercise undertaken at the College in May 2024. He highlighted that Ashton Resilience found the College's response to the simulated incident to be strong and confirmed that the recommendations would be implemented as part of the planned review of the Business Continuity Plan. The Committee welcomed the positive report and that the College takes business continuity and incident management seriously.

### **Risk Management**

19. The Committee has the responsibility to ensure that the College has effective risk management arrangements in place. Following a session on risk appetite at the Strategic Planning Day in November 2023, the Committee reviewed the updated Risk Management Policy and agreed to recommend it to the Board for final approval.
20. Members also regularly reviewed the Strategic Risk Register and Management Action Plans (MAPs) for those risks within the remit of the Committee, recommending any changes to the Board for final approval. Risks are rated low, medium, high or critical.

21. The risk of a failure to manage performance and achieve improved performance (SR9) was rated as high at the end of the academic year. The risk score was increased due to the identified areas of non-compliance referenced in paragraph 16, as well as the new Tertiary Quality Enhancement Framework (TQEF) requirements being introduced in 2024-25. The Director of Excellence reported that work with faculties to address course performance, internal verification training for staff and external verification meetings were being progressed to address these issues.

### Members' Attendance

22. The attendance of members of the Committee for this academic session, and the previous four academic years, is as follows:

Year	No. of Meetings	Possible Attendances	Actual Attendances	Percentage Attendance
2019-20	5	19	12	63%
2020-21	4	19	15	79%
2021-22	5	20	17	85%
2022-23	5	17	16	94%
2023-24	4	15	11	73%

### Review

23. Committees review their Terms of Reference annually, recommending any changes to the Board for approval. This is an opportunity for members of the Committee to reflect on the purpose, remit, business, membership and meetings at the end of the academic year with the next session in mind. No material changes were requested by the Committee in 2023-24.