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AUDIT COMMITTEE REPORT

Subject: Internal Audit Assignment – Risk Management	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Resources	**Date:** 04 May 2017

Purpose: To consider the findings of the internal audit assignment on Risk Management and approve the management responses and further actions.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:

Attached is the Internal Auditor's report on the review of the College's Risk Management arrangements. The report concludes that: -

"*the College has strong risk management arrangements in place.*"

There is one low-level recommendation as a result of this audit and the management response to this is included in the report.

Five areas of good practice are also identified in the report.

Recommendation: Committee are invited to consider and approve the report and management response, with further actions as necessary.

Previous Committee Approvals: n/a

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

Signed:

Vice Principal – Finance and Resources

Wylie+Bisset
Chartered Accountants, Business & Tax Advisers

Borders College

Internal Audit 2016-17

Risk Management
February 2017

Overall Conclusion
Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Borders College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

1 EXECUTIVE SUMMARY

Overview

Purpose of Review

It was agreed as part of the Internal Audit Plan for 2016/17 that internal audit would undertake a review of the risk management arrangements in place. The purpose of this review was to ensure that the College has appropriate risk management arrangements in place and that these have been embedded throughout the whole College. We also looked to ensure that the risk management arrangements represent good practice. This was a review to provide assurance to the Board, via the Audit Committee, that the College's risk management arrangements are adequate.

Scope of Review

Our objectives for this review were to ensure:

- The College has set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives and communications).
- The College has adopted a systematic process in identifying, evaluating and measuring its strategic and operational risks.
- The College has adequate reporting in relation to risk management activities.
- The College is providing appropriate risk management training.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

1 EXECUTIVE SUMMARY

Limitation of Scope

There was no limitation of scope.

Background

The College has developed a comprehensive Risk Management Policy that ensures risk is monitored, identified, assessed and managed within the College. The College also has a Risk Register which is linked to the Strategic plans of the College. The risk register is monitored and reviewed by the Senior Management Team and is a standing item at each meeting of the Regional Board as well as Audit Committee, Finance and General Purposes Committee, and Curriculum and Quality Committee. Following consideration by the Senior Management Team, the Vice Principal – Finance and Resources prepares a report for the Regional Board and Committee Meetings. The Colleges Strategic Risk Register is monitored by the Senior Management Team. The College also has an Operational Risk Register which is monitored by both the Senior Management Team and Middle Management. Strategic risks are linked to the Operational risks, following this information is provided on how the risk is managed. The Senior Management team are responsible for identifying any risks and ensuring there are plans in place to monitor the risk.

1 EXECUTIVE SUMMARY

Conclusion

Overall Conclusion

Overall Conclusion: Strong

From our review we can conclude that the College has strong risk management arrangements in place. We found that the College has a comprehensive Risk Management Policy in place, the College keep a detailed Strategic risk register & Operational risk register, both risk registers are discussed at all Audit Committees and Regional Board Meetings and there is a clear process in place for the identification and reporting of risks. However, we found that risk management training has only been provided to Regional Board Members and the Senior Management Team.

Summary of Recommendations

Grading of recommendations

	High	Medium	Low	Total
Risk Management	0	0	1	1

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of Good Practice

The following is a list of areas where the College is operating effectively and following good practice.	
1.	There is a clear structure in place for the reporting of risks and updating the risk register. As such the risk register is discussed and reviewed at all Audit Committees and Regional Board meetings.
2.	The College has a clear process in place for the identification and reporting of risks. Risks are reported on the risk registers which are separated between Strategic and Operational.
3.	The College has a detailed risk register in place which states the gross risk, net risk, who the risk is assigned to and how the risk should be managed.
4.	The College has a comprehensive Risk Management Policy in place. This is reviewed and approved by the Regional Board every 3 years. The Risk Management Policy was last updated in December 2016. The Risk Management Policy has clearly defined roles and responsibilities for staff members & Board Members for risk management at the College. The Risk Management Policy also clearly states the risk appetite of the College and there is a clear escalation process in place.
5.	The College discuss the risk register at every Regional Board meeting where a report is presented by the Vice Principal of Finance & Resources. The report is clear and defines the purpose, executive summary and recommendation. The Risk Register is also a standing item at every Audit Committee Meeting.

2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Risk Management

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	0	3	3
Number of recommendations at Borders College	0	0	1	1

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 DETAILED RECOMMENDATIONS

Staff risk management training			
Ref.	Finding and Risk	Grade	Recommendation
1.	Risk management training should be given to staff to ensure they are alert and can identify risks and report any to management. From our review we found that the only staff members who have received risk management training are Senior Management. From discussions with the Vice Principal of Finance & Resources we were informed that there is a plan to ensure staff receive some risk management training. There is the risk that staff are not aware of the current risks faced by the College, particularly risks within their areas of responsibility or how to identify potential risks and the escalation process once risks have been identified.	**Low**	We recommend that the College continue with the plan to provide risk management training to all staff members.
Management response			Responsibility and implementation date
Agreed. Risk management training will be rolled out via faculty and department meetings when considering self-evaluation and development plans.			*Responsible Officer:* Vice Principal – Finance and Resources *Implementation Date:* 30 September 2017

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit Committee meeting.

Audit stage	Date
Fieldwork start	13 February 2017
Closing meeting	17 February 2017
Draft report issued	3 March 2017
Receipt of management responses	28 March 2017
Final report issued	31 March 2017
Audit Committee	18 May 2017
Number of audit days	2

5 KEY PERSONNEL

We detail below our staff who will undertake the review together with the Organisation staff we shall require to speak to during our review.

Wylie & Bisset LLP			
Partner	Ross McLauchlan	Partner	ross.mclauchlan@wyliebisset.com
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Borders College			
Key Contact	Pete Smith	Vice Principal - Finance & Resources	psmit@borderscollege.ac.uk

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

APPENDICES

A GRADING STRUCTURE

For each area of review we assign a level of assurance in accordance with the following classification:

Assurance	Classification
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.

A GRADING STRUCTURE

For each recommendation we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit Committee and addressed by senior management of the organisation as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the organisation as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

Purpose of Review

It was agreed as part of the Internal Audit Plan for 2016/17 that internal audit would undertake a review of the risk management arrangements in place. The purpose of the review is to ensure that the College has appropriate risk management arrangements in place and that these have been embedded throughout the whole College. We will also look to ensure that the risk management arrangements represent good practice. This will be a review to provide assurance to the Board, via the Audit Committee, that the College's risk management arrangements are adequate.

This review is part of the 2016/17 Annual Internal Audit plan.

Scope of Review

Our objectives for this review are to ensure:

- The College has set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives and communications).
- The College has adopted a systematic process in identifying, evaluating and measuring its strategic and operational risks.
- The College has adequate reporting in relation to risk management activities.
- The College is providing appropriate risk management training.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of Scope

There is no limitation of scope.

Audit Approach

Our approach to the review has been:

- Review of risk management arrangements in place, including a review of risk management strategy, policy and framework, where applicable.
- Review of risk registers in place.
- Review of risk management training records for Board and sub-committee members.

Potential Key Risks

The potential key risks associated with the area under review are:

- The College may not have set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives and communications).
- The College may not have adopted a systematic process for identifying, evaluating and measuring its key strategic and operational risks.
- The College may not have adequate reporting in relation to risk management activities.
- The College may not be providing appropriate risk management training.