

AUDIT COMMITTEE REPORT

Subject: Internal Audit Assignment – Corporate Governance	Purpose: For Approval <input checked="" type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input type="checkbox"/>	
Prepared by: Hazel Robertson, Vice Principal – Finance and Corporate Services	Date: 20 January 2020	
Purpose: To present the findings of the Corporate Governance audit.		
Linked to Strategic Goal 3: Provide a high quality College experience.		
Executive Summary: The attached report details the work carried out by the College's internal audit service in reviewing the governance arrangements in place. The report confirms a strong overall conclusion with no recommendations made and a number of areas of good practice highlighted.		
Recommendation: Committee consider the findings of the report and approve the auditor's findings.		
Previous Committee Approvals: n/a		
For publication <input checked="" type="checkbox"/>	For publication with redactions <input type="checkbox"/>	Not for publication <input type="checkbox"/>

Borders College

Internal Audit 2019-20

Corporate Governance
December 2019

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 the 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.

Overview

Purpose of review

The purpose of the review was to ensure that the College had appropriate governance arrangements in place and that these had been embedded throughout the whole College. This review was to ensure that the College's Corporate Governance arrangements are appropriate and represent good practice, with particular focus being placed on College's structure, training and induction arrangements.

This assignment was agreed as part of the 2019/20 Internal Audit Plan.

Scope of review

Our objectives for this review were to ensure:

- The governance arrangements in place at the College are adequate and fit for purpose.
- Regional Board and committee terms of reference are clear and not overlapping.
- Regional Board and committees have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.
- Members are provided with sufficient, high quality management information in their areas of responsibility.
- There is a robust induction programme in place for new Board members.
- The Board and committees have effectively assessed their performance and the balance of skills required within the Board and sub-committees.
- The College are complying with the Code of Governance for Scottish Colleges.

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 was no limitation of scope.

Background

The College is governed by a Regional Board and 6 Committees. The six committees and their purpose are as follows:

- The Audit Committee is responsible for overseeing internal control at the College including governance, internal audit, external audit and risk management. The Audit Committee meet quarterly;
- The Finance & General Purposes Committee is responsible for monitoring the financial controls of the College and the financial arrangements, including budgeting, review of the quarterly management accounts, ensuring value for money is achieved and reviewing the annual review and financial statements. The Finance & General Purposes Committee meet quarterly. The Finance & General Purposes Committee also assumed the responsibilities of the HR Committee during 2019.
- The Curriculum & Quality Committee is responsible for ensuring that the College provide and monitor an academic programme and wider curriculum which supports both local and national economic skills requirements and ensuring and monitoring the delivery of the Regional Outcome Agreement. The Curriculum & Quality Committee meet quarterly.
- The Remuneration Committee is responsible for determining and reviewing salaries and the terms and conditions of service for the Senior Management Team. The Committee is also responsible for the performance framework applied to the Principal and the Senior Management Team. The Remuneration Committee meet as and when required.
- The Nominations Committee is responsible for the nominations, appointments and extensions to the regional members. The Committee is also responsible for success planning and the development of induction, training and development of Regional Board members; and
- The Chairs Committee is responsible for advising the Board on the selection/appointment of the Principal and Board Secretary and overseeing any urgent matter that may affect the operation of the College.

Currently there are 17 members of the Regional Board including 9 independent members, 2 staff members and the Student Union President. The Regional Board meets 5 times per annum with the meetings scheduled prepared annually. The Regional Board and Committees are governed by their Standing Orders, Terms of Reference, the Code of Conduct and Financial Regulations. The Regional Board is assisted by the Secretary of the Board who provides advice to the Board on regulatory and governance issues, secretarial support and ensuring timely, accurate, high-quality information is provided in a timely manner so that the Board can monitor the College's functions and objectives effectively. The College's Secretary to the Board stepped down in October 2019 with the Vice Principal (Finance & Corporate Services) undertaking the role until the new Secretary of the board begins in January 2020.

Code of Good Governance

The Code of Good Governance for Scotland Colleges details the standards of good governance for College Boards and provides the information for compliance which Scottish Colleges must follow. The Code of Good Governance for Scotland's Colleges purpose is to:

- Lead the College and set its strategic direction and values;
- Ensure effective management and financial controls; and
- Deliver high quality of learning and outcomes.

The College is required to report their compliance with the Code of Good Governance for Scotland's Colleges within their annual financial statements. We reviewed the Colleges draft Financial Statements for 2019 and can confirm that the College stated their compliance with the code. The Code of Good Governance is split into 5 areas:

- Leadership & Strategy;
- Quality of Student Experience;
- Accountability;
- Effectiveness; and
- Relationships & Collaboration.

We reviewed the Code of Good Governance for Scotland's Colleges and ensured that the College has evidence of good practice that adheres to the Code. Our review found that the College are complying with the Code.

Work Undertaken

Our work for this review included the following:

- Discussions with the Vice Principal (Finance & Corporate Services) to establish the current arrangements for corporate governance.
- Evaluating these arrangements to confirm their adequacy by testing those arrangements are in line with good practice and the Code of Good Governance for Scotland's Colleges.
- Reviewing the Remits of the Board and Standing Committees Terms of Reference to ensure these are clear and do not overlap.
- Reviewing the reports provided to the Board and Standing Committees to ensure they are clear, concise and user friendly.
- Reviewing the attendance of Board and Standing Committee meetings to ensure it was actively monitored and there were no issues with attendance.
- Reviewing the induction process in place for new Board members.
- Reviewing and testing of the Code of Good Governance for Scotland's Colleges to ensure the College is complying.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide a strong level of assurance that the governance arrangements in place at the College are adequate for the College. We can also provide a strong level of assurance that the College are complying with the Code of Good Governance for Scottish Colleges.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Corporate Governance	0	0	0	0

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.	Our testing throughout this audit found that the College is complying with the Code of Good Governance for Scotland Colleges.
2.	All Board members are subject to an annual review completed by the Chair of the Regional Board. While the Regional Chair is also subject to an annual review by the Senior Independent Member. This reviews the Board members performance and highlights any training needs they may have. The Regional Board will also be subject to an external Board evaluation in 2020 in line with the Code of Good Governance.
3.	The timing of the Regional Board and Committee meetings is approved in advance of the new academic year. The College also prepare a programme of work for the Regional Board and Committees. This is then reviewed and monitored throughout the year by the Secretary of the Board, the Chairs, the Principal and the Senior Management Team.
4.	<p>The College has a robust Corporate Plan, covering the period 2016 to 2020, sets five strategic goals:</p> <ul style="list-style-type: none">➤ Respond to the needs of our region;➤ Deliver successful outcomes for all learners;➤ Provide a high-quality College experience;➤ Grow our business; and➤ Build sustainability.
5.	The College maintain a detailed register of interest document which is also available on their website. This is updated annually or when required throughout the year. This is in line with the Code of Good Governance.
6.	The College maintains an attendance register for Board and Committee meetings. The Secretary of the Board is responsible for maintaining and updating details of the members present and their percentage attendance at meetings throughout the year. Board member attendance is also reported within the annual financial statements.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

7.	The College encourage a strong student association. The President and Vice President of the student association are members of the Regional Board. The President is also a member of the Curriculum & Quality Committee while the Vice President is also a member of the Audit Committee.
8.	The College strongly believe in equality, diversity and inclusion and this is considered throughout the College. The College has set up an Equality & Diversity Committee consisting of members of staff and members of the student association.
9.	<p>The College has robust governance policies in place that are in line with the Code of Good Governance such as:</p> <ul style="list-style-type: none">➤ Bribery Policy;➤ Anti-Fraud and Corruption;➤ Bullying and Harassment Policy;➤ Complaint Policy;➤ Contractor Policy;➤ Curricular development Policy;➤ Freedom of information Policy;➤ Health and Safety Policy;➤ Risk Management Policy;➤ Safeguard policy; and➤ Whistleblowing Policy.
10.	The information provided to the Board and Committees is clear, concise and user-friendly to aid the committees in fulfilling their duties.
11.	The current structure of the Board supports the decision making of the College and fulfils the role as a Strategic Body. The College Board has delegated powers to Committees which have specific terms of reference and act with delegated authority from the Board.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

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|-----|--|
| 12. | All new Board members receive an induction covering their new role and their responsibility. The induction process is provided by the Secretary to the Board and its purpose is to provide further information on the College, to review key documentation and arrange College Development Network Training. |
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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.

Corporate Governance

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

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 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	9 December 2019
Closing meeting	10 December 2019
Draft report issued	20 December 2019
Receipt of management responses	6 January 2020
Final report issued	13 January 2020
Audit Committee	6 February 2020
Number of audit days	3

4 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP

Partner	Ross McLauchlan	Partner	ross.mclauchlan@wyliebisset.com
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Borders College

Key Contact	Hazel Robertson	Vice Principal (Finance and Corporate Services)	hrobertson@borderscollege.ac.uk
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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 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.

Purpose of review

The purpose of the review is to ensure that the College has appropriate governance arrangements in place and that these have been embedded throughout the whole College. This will be a review to ensure the College's Corporate Governance arrangements are appropriate and represent good practice, with particular focus being placed on College's structure, training and induction arrangements.

This assignment was agreed as part of the 2019/20 Internal Audit Plan.

Scope of review

Our objectives for this review are to ensure:

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- The Regional Board and committees have effectively assessed their performance and the balance of skills required within the Board and committees.
- The College are complying with the Code of Governance for Scottish Colleges.

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 will be:

- Discussions with the Vice Principal (Finance & Corporate Services), and any other relevant individuals, to establish the current governance arrangements in place at the College.
- Evaluation of these arrangements to assess their adequacy and whether they comply with Code of Good Governance for Scotland's Colleges and best practice.
- Evaluation of the induction and training given to Board members.

Potential key risks

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

- The governance arrangements in place at the College are not adequate or fit for purpose.
- Regional Board and committee terms of reference may be unclear or overlapping.
- Regional Board and committees may not have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.
- Members may not be provided with sufficient, high quality management information in their areas of responsibility.
- There is not a robust induction programme in place for new Board members.

- The Regional Board and committees may not have effectively assessed their performance and the balance of skills required within the Board and committees.
- The College are not complying with the Code of Governance for Scottish Colleges.