

AUDIT COMMITTEE REPORT

Subject: Internal Audit Assignment – Risk Management Part 2	Purpose: For Approval <input checked="" type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input type="checkbox"/>	
Prepared by: Hazel Robertson, VP Finance and Corporate Services	Date: 05 May 2022	
Purpose:		
Linked to Strategic Ambition: Take a leading role in enabling an inclusive, resilient and sustainable Scotland Performance Measures: Delivery models are personalised focusing on individual & business need		
Linked to Strategic Risk Register: 3b - Internal Financial Procedures New Risk Commentary:		
Executive Summary: <p>The attached internal audit report on risk management is part of a two stage process to provide assurance on the development and operation of the risk register.</p> <p>Stage one of the review was completed in April 2022 and provided strong assurance on the review of the new risk structure and its adequacy. There were no recommendations made.</p> <p>The purpose of the part 2 report was to provide assurance that the new risk structure is working in practice. The report was completed in April 2022 and provides strong assurance. There were no recommendations made.</p> <p>An observation was made that the College may wish to provide further guidance to Board members. The Risk Framework will be made more widely accessible and the VP would be happy to provide further awareness sessions to members in how the framework operates.</p>		
Recommendation: Members are asked to note the strong assurance on the operation of the risk structure and register		
Previous Committee Approvals: None		
For publication <input checked="" type="checkbox"/>	For publication with redactions <input type="checkbox"/>	Not for publication <input type="checkbox"/>

Borders College

Internal Audit 2021-22

Risk Management Part 2 April 2022

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.

Overview

Purpose of review

This review was split into 2 parts. The purpose of part 1 was to review the new risk structure in place and assess its adequacy. The purpose of part 2 was to provide assurance that the new risk structure is working in practice.

This is part 2 of the risk management review.

This review forms part of our 2021/22 Internal Audit Annual Plan.

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.

Limitation of scope

There was no limitation of scope.

Background Information

Prior to this review, we reviewed the new Risk Management Framework prior to it being rolled out to Board members and found no issues.

The College began a process of updating their Risk Management Framework as a result of Board members stating that the Risk Register was difficult to understand. It was noted at meetings that the College's VP – Finance & Corporate Services was having to point things out to the Board, rather than Board Members reviewing and querying risks within the Risk Register. The Board's annual Self-Evaluation highlighted this as an area to work on.

The College's VP – Finance & Corporate Services ran 2 sessions in January 2021 with Board Members, to gain their thoughts on the Risk Register and Risk Management Framework.

After this session, the College's VP – Finance & Corporate Services began the process of updating the Risk Management Framework and the Risk Register.

Risk Management Framework

The College's new Risk Management Framework was approved in August 2021 and is next due to be reviewed in July 2024. The Framework outlines the College's principles of risk management, identifies roles and responsibilities, and describes the risk management process.

Risk Management Structure

The College's Regional Board are responsible for setting the culture of risk management at the College. The Regional Board agrees the addition or removal of risks from the risk register and determines the College's risk appetite and tolerance.

The Audit Committee provides the Regional Board with assurance that risks are being actively managed, with the appropriate controls in place and working effectively, and improvement actions are implemented. The Audit Committee will also recommend changes to the Framework to the Regional Board for consideration.

The Senior Leadership Team are responsible for implementing approved policies and procedures relating to risk. They are also responsible for maintaining the College's Risk Register, as well as providing the Board and the Audit Committee with updates on the status of risks, actions that are planned and that have been taken to mitigate risks and performance of the actions.

Risk Register

The new Risk Register begins with a Strategic Risk Management Report, which details the overall risk scores for each of the 8 risk sections. The risk sections are as follows:

- Customer Perspective (External Partners);
- Customer Perspective (Covid-19 Impact);
- Customer Perspective (Learners);
- Financial Perspective (Financial Stability);
- Internal Process Perspective (Information Management);
- Internal Process Perspective (Internal Financial Controls);
- Organisational Capacity Perspective (Staffing); and
- Organisational Capacity Perspective (Inadequate Governance Arrangements).

Each section is given an overall score out of 25, using a 5 x 5 impact and likelihood matrix. The Risk Register also states the risk appetite for each section.

Each of the risk sections has a balanced scorecard related to it, covering:

- Positive Uncertainty – Opportunity;
- Negative Uncertainty – Threat;
- Existing Controls;
- Planned Activity;
- Performance Measures; and
- Tolerance Level.

1 EXECUTIVE SUMMARY

At each Audit Committee meeting that the Risk Register is presented, an update on each of the sections is provided and any progress that has been made from the previous meeting.

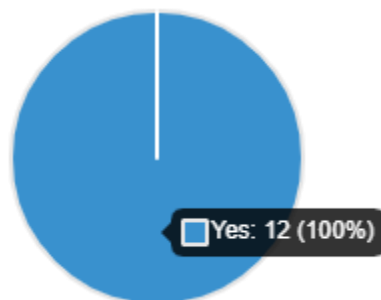
The Risk Register also contains an Impact Assessment, which details scenarios that would be classed as negligible, minor, moderate, major, and extreme.

Questionnaire

We sent a Risk Management questionnaire to Board Members and the SLT. We received 12 responses out of a possible 18 responses. See below a summary of how each of the questions were answered:

1. Do you believe that the Risk Management arrangements at the College are clear and robust?

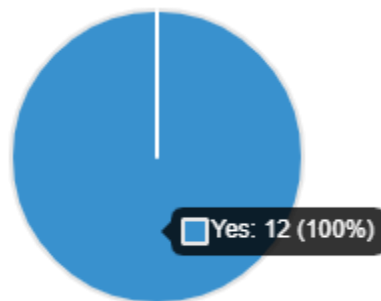
Yes	12
No	0
Don't know	0



1 EXECUTIVE SUMMARY

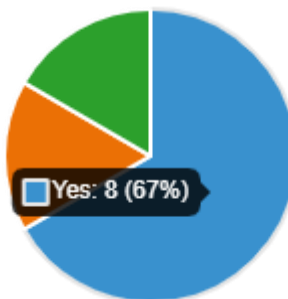
2. Do you believe that the updated Risk Management Framework helps outline the risk management arrangements at the College?

Yes	12
No	0
Don't know	0



3. Have the College provided appropriate training/guidance relating to the new updates to the Risk Management Framework?

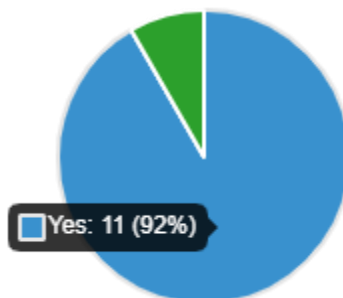
Yes	8
No	2
Don't know	2



1 EXECUTIVE SUMMARY

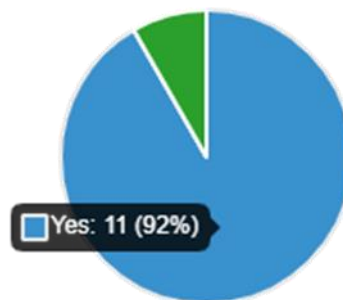
4. Do you believe that the new risk structure in place at the College allows for effective identification of risks?

Yes	11
No	0
Don't know	1



5. Have the changes to the Risk Framework been effectively disclosed to you?

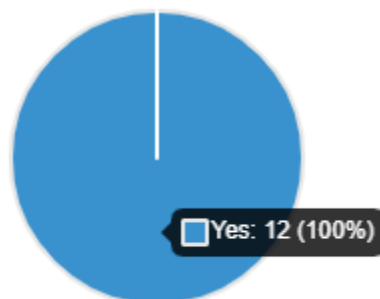
Yes	11
No	0
Don't know	1



1 EXECUTIVE SUMMARY

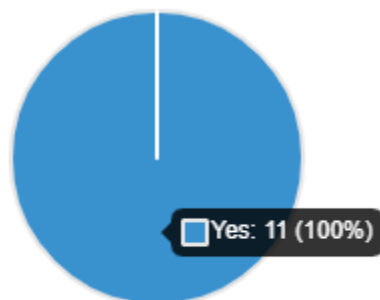
6. Do you understand the Risk Register?

Yes	12
No	0
Don't Know	0



7. Are the risks, controls, and actions clear?

Yes	11
No	0
Don't know	0



One response was blank

1 EXECUTIVE SUMMARY

8. Any comments relating to the answers given to previous questions

1	anonymous	I do find the risk register difficult to navigate. Spreadsheets are always difficult for me as I don't process information presented that way so always need some additional support to understand documents like this. Publication of the risk register to a wider audience might raise awareness of the risk and challenges faced by the college.
2	anonymous	A good and robust format for identification of risks. And management
3	anonymous	The new format of the risk register is still bedding in.
4	anonymous	Risk Management and the Risk Framework are an important part of the Board's overview of the College. It is helpful that the system continues to adapt and develop in response to the changing external environment and the complex landscape that the College operates within.

As can be seen above, 4 of the 12 respondents responded 'No' or 'Don't Know' to Question 2, which relates to guidance and training. Please see Section 3: Observations for further information. We also note that 1 respondent stated they did not know if the new risk management framework had been effectively disclosed to them, and that they didn't know if the new framework is allowing the College to identify risks effectively.

Work Undertaken

As part of our review, the following work was undertaken:

Objective 1 – The College has set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives, and communications).

- We discussed the new Risk Management Framework with the VP – Finance & Corporate Services to ensure they are robust and clearly set out.
- We reviewed the new Risk Management Framework to ensure it encompasses all areas of risk management.
- We reviewed the roles and responsibilities relating to risk management to ensure they are clear, well defined and documented.
- We reviewed the College's new Risk Register to ensure it is fit for purpose.

Objective 2 – The College has adopted a systematic process in identifying, evaluating, and measuring its strategic and operational risks.

- We reviewed how the College review and identify risks to ensure that they are done in line with the Framework.

Objective 3 – The College has adequate reporting in relation to risk management activities.

- We reviewed minutes from the College's Audit Committee to ensure that there are adequate reporting arrangements in place relating to risk management.

Objective 4 – The College is providing appropriate risk management training.

- We reviewed the level of training undertaken by the College relating to risk management.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We are able to provide a strong level of assurance that the College's new Risk Management Framework is working in practice. This is highlighted with a number of good practice points and no recommendations raised. We have, however, raised an observation. Please see **Section 3: Observations** for further details.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Risk Management Part 2	0	0	0	0

As can be seen from the above table there were no recommendations made.

Areas of good practice

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

1.	The Board undertook 2 risk workshops in January 2021, which covered a range of topics relating to risk.
2.	The reporting arrangements in place for risk management are robust. Reporting is reviewed appropriately, and a review of minutes showed that there is considered assessment of risks that face the College, with effective challenge where appropriate.
3.	We were able to confirm from our review of the Risk Register and the Risk Management Framework, that risks are being identified and classified in line with the Framework.
4.	From our overall review of the College's Risk Registers, we can confirm that the key significant strategic risks have been outlined, and mitigating controls and net risk have been identified.
5.	<p>The College have changed the format of their Risk Register and have presented the new Risk Register at the last 2 Audit Committee Meetings. The Risk Register is split into 7 risk sections, each of which are assigned a risk score and compared to the risk appetite. Each section has a balanced scorecard assigned to it, detailing:</p> <ul style="list-style-type: none">➤ Positive Uncertainty (opportunity);➤ Negative uncertainty (threat);➤ Existing Controls;➤ Planned Activity;➤ Performance Measures; and➤ Tolerance Level.

1 EXECUTIVE SUMMARY

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

6.	Over the last year, there has been extensive work undertaken to further develop the College's risk management policy and framework. The revised Risk Management Framework document effectively sets out the objectives of risk management at Borders College.
7.	The Risk Management Framework document has clearly defined roles and responsibilities for those involved in the risk management process.
8.	The College's Annual Financial Statement details the risk management arrangements at the College and the main risks that the College face.
9.	The College has effective descriptors for impact and likelihood which are used in its Risk Management Scoring Methodology. The College use a 5x5 matrix to assign a risk score to each of the risks within the College's Risk Register.

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 Part 2

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	0	2	2
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 OBSERVATIONS

The following is a list of observations from our review

- | | |
|----|---|
| 1. | From our questionnaire responses, we note that, of the 12 respondents to the question 'Have the College provided appropriate training/guidance relating to the new updates to the Risk Management Framework' 2 respondents stated that they did not believe they had received appropriate training and guidance, and another 2 answered that they didn't know. The College may wish to provide further guidance to Board Members. |
|----|---|

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	7 March 2022
Closing meeting	24 March 2022
Draft report issued	1 April 2022
Receipt of management responses	22 April 2022
Final report issued	26 April 2022
Audit Committee	12 May 2022
Number of audit days	1.5

5 KEY PERSONNEL

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

Wylie & Bisset LLP

Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Manager	Scott McCready	Internal Audit Manager	scott.mccready@wyliebisset.com
Auditor	Neil Hamilton	Internal Auditor	neil.hamilton@wyliebisset.com

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.

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Scope of review

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- 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, and staff.
- Discussion with key personnel to establish current arrangements for project management.
- Evaluating these arrangements to confirm their adequacy.
- Review of documentation to confirm that policies and procedures are in place and that current arrangements comply with good practice.
- Sample testing of risks to confirm that procedures are being adhered to.
- Review of training records for Board and Staff members to confirm whether risk management training has been provided.

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.

B ASSIGNMENT PLAN

Borders College
Risk Management Part 2