

AUDIT and RISK COMMITTEE

Internal Audit Planning Document

Ref. 32-22

DATE:	29 April 2022
TITLE OF REPORT:	Internal Audit Final Plan
AUTHOR AND CONTACT DETAILS	David Archibald David.Archibald@hlca.co.uk
PURPOSE:	To inform the Committee of the planned work in relation to the internal audit for the year to 31 st July 2022 including the work to be undertaken on the mandatory activity and student funding audits which will take place after the year end.
KEY RECOMMENDATIONS/ DECISIONS:	Committee to review the document and note the programme that will be followed in the year, and the planned activity
RISK	<ul style="list-style-type: none"> • That the College does not meet governance requirements • That the College staff are not following agreed policies and procedures.
RELEVANT STRATEGIC AIMS:	<ul style="list-style-type: none"> • Highest quality education and support. • Sustainable behaviours.
SUMMARY OF REPORT:	The proposed audit plan was discussed at a meeting of the Audit and Risk Committee and the attached document has the agreed plan contained therein.

South Lanarkshire College

Strategic Plan 2021 to 2024 and Internal Audit Annual Plan 2021/22

Internal Audit Report No: 2022/01

Draft issued: 22 March 2022

2nd draft issued: 23 March 2022

Final issued: 29 April 2022



Contents

		Page
Section 1	Introduction	1 - 2
Section 2	Strategic Plan 2021 to 2024	3 - 5
Section 3	Outline Scope and Objectives	6 - 12
	<ul style="list-style-type: none">• Health and Safety• Risk Management• Cyber Security• Credits Audit• Bursary, Childcare and Hardship Funds Audit• Education Maintenance Allowance• Follow-Up Reviews	<ul style="list-style-type: none">6789101112



1. Introduction

- 1.1 The purpose of this document is to present for consideration by management and the Audit and Risk Committee the final annual operating plan for the year ended 31 July 2022. The plan is based on the proposed allocation of audit days for 2021/22 as set out in the Internal Audit Strategic Plan 2021 to 2024. The preparation of the Strategic Plan involved dialogue with senior management and the Chair of the Audit and Risk Committee.
- 1.2 A copy of the Internal Audit Strategic Plan is included at Section 2 of this report.
- 1.3 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment to be undertaken during 2021/22, together with the proposed audit approach. These have been arrived at following discussion with a range of senior managers across the College to prepare the initial draft. The outline scopes will be refined and finalised after discussion with responsible managers in each audit area prior to each audit.
- 1.4 Separate reports will be issued for each assignment with recommendations graded to reflect the significance of the issues raised. In addition, audit findings will be assessed and graded on an overall basis to denote the level of assurance for the area reviewed and therefore the priority that should be given to each report.
- 1.5 There is an expectation by external auditors that some element of review is included in the internal audit programme each year in relation to core financial systems; budgetary processes and controls. Accordingly, we have had dialogue with your external auditors, Mazars, and the output from these discussions has been taken into consideration in formulating the Strategic Plan.
- 1.6 Value for Money (VFM) is an integral part of all audits and has been mentioned at key points within this ANA. Specific VFM reviews will be carried out in areas agreed with management and the Audit and Risk Committee although VFM is considered as an integral part of any audit work that we are undertaking.
- 1.7 We will draw on the experience within our team to provide input on the use of a wide range of business improvement tools, including the use of lean systems and methodologies, where this is appropriate and relevant to the specific audit assignment.
- 1.8 For discussion purposes, at Section 2 we have included proposed coverage for the three years commencing 2021/22 which has been determined from the ANA process. This considers previous internal audit coverage and other sources of assurance available to the College.
- 1.9 At Section 3 we have included high-level outline scopes for each of the proposed areas to be covered in the 2021/22 internal audit programme.
- 1.10 Separate reports will be issued for each assignment. Recommendations are graded in each report to reflect the significance of the issues raised.
- 1.11 We can confirm that our audit service complies with Public Sector Internal Audit Standards (PSIAS).



Internal Audit Annual Plan 2021/22

- 1.12 In line with the Key Performance Indicators set out in the College's Invitation to tender (ITT) for the internal audit contract, we will deliver each internal audit assignment within the following timescales:
- A draft report will be submitted to the relevant lead executive officer (and copied to the Head of Finance) for consideration and comment within 2 weeks of the receipt of the last piece of information required to conclude our audit fieldwork.
 - A final report will be submitted to the relevant lead executive officer (and copied to the Head of Finance) within 6 weeks of the receipt of the last piece of information required to conclude our audit fieldwork.
- 1.13 In order to allow us to comply with the timescales for reporting set out in paragraph 1.12 we will require a management response within 3 weeks of receipt of the draft report.



2. Strategic Plan 2021 to 2024

The Strategic Plan covers the financial years 2021/22 to 2023/24. Audit days have been allocated to the categories identified from our review of key risk areas to produce a rolling programme of work. Frequency of visits, the number of days allocated, and the position in the audit cycle has been determined with reference to the combined risk factors identified in the ANA, and previous internal and external audit coverage. The balance of days across 2021/22 and 2022/23 has been altered due to the delay in progressing the ANA exercise. Therefore, there will be 35 audit days delivered in 2021/22 and 45 days in 2022/23.

Audit Methodology

For routine internal audit reviews the audit work involves:

- Identification of the expected controls.
- Review of systems to identify actual controls.
- Consideration of established Best Practice in the area.
- Testing of controls to ensure they are operating effectively.
- Consideration of VFM issues where appropriate on all audit assignments and conducting specific VFM reviews as agreed with College management and the Audit and Risk Committee.
- Consideration of the relevance of business improvement tools, including lean systems and methodologies, to individual audit assignments.
- Discussion of findings and our likely recommendations with the relevant managers and staff involved with the systems. Recommendations will be graded to help management prioritise their importance.
- Issue of a draft report to confirm factual accuracy and obtain official management responses for inclusion in the final report.
- Issue of a final report that summarises audit objectives, work carried out, the implications of the findings for internal control, and an action plan with areas for improvement. The action plan will allocate responsibility for the implementation and give a timeframe for completion.
- Follow-up of action plans in future years.

For business process reviews the approach taken is slightly different. These reviews involve focus groups, rather than one to one interviews, and involve the use of a variety of business tools and techniques to identify opportunities for improvement. These issues are then prioritised in a meeting with senior management to agree on timelines for consideration. These reports are not graded because their focus is on business improvement, rather than the identification of control weaknesses which is the case for our routine internal audit reviews.



Strategic Plan 2021 to 2024 (Continued)

Proposed Allocation of Audit Days

			Planned	Planned	Planned
	Category	Priority	21/22	22/23	23/24
			Days	Days	Days
Reputation					
<i>Publicity and Communications</i>	Gov	M/H		5	
<i>Health and Safety / Wellbeing</i>	Gov	H	5		
Student Experience					
<i>Curriculum</i>	Perf	M			
<i>Quality</i>	Perf	M		6	
<i>Student support</i>	Perf	M			5
<i>Student recruitment and retention</i>	Fin/Perf	M			
<i>Student welfare – Duty of Care</i>	Perf	M			
<i>Students Association</i>	Gov	L			
Staffing Issues					
<i>Staff recruitment and retention</i>	Perf	L/M		5	
<i>Staff development</i>	Perf	M			
<i>Payroll</i>	Fin	M/H			6
<i>Teaching staff utilisation</i>	Perf / Fin	M			
Estates and Facilities					
<i>Building maintenance</i>	Fin/Perf	M			
<i>Estates strategy / capital projects</i>	Fin/Perf	M			
<i>Space management / room utilisation BPR</i>	Perf	M			6
<i>Asset / fleet management</i>	Perf	M			
Financial Issues					
<i>Budgetary control</i>	Fin	M/H		5	
<i>Student invoicing and debt management</i>	Fin	M			
<i>General ledger</i>	Fin	L			
<i>Procurement and creditors / purchasing</i>	Fin	M/H			5
<i>Debtors / Income</i>	Fin	M			
<i>Cash & Bank / Treasury management</i>	Fin	M			
<i>Fraud Prevention, Detection and Response</i>	Fin	M			
<i>Financial sustainability</i>	Fin	M			



Internal Audit Annual Plan 2021/22

Proposed Allocation of Audit Days

	Category	Priority	Planned 21/22 Days	Planned 22/23 Days	Planned 23/24 Days
Commercial Issues					
Business Development	Fin/Perf	M			
External Activities	Gov/Fin/Perf	M			
Organisational Issues					
Risk Management	Perf	H	5		
Business Continuity	Perf	M			
Corporate Governance	Gov	M		6	
Corporate Planning	Perf	M			
Performance reporting / KPIs	Perf	M			
Partnership Working	Gov/Perf	M			
Equalities	Gov	L			
Environmental Sustainability	Gov/Perf	M			
Information and IT					
Cyber security	Perf	M/H	5		
Data protection / records management	Gov	H			
FOI	Gov	M			
ICT and Digital Transformation Strategy implementation	Perf	M/H			
Licencing	Perf	L			
Other Audit Activities					
Credits Audit	Required		6	6	6
Bursary, Childcare and Hardship Funds Audit	Required		5	5	5
EMA Audit	Required		2	2	2
Management and Planning)			3	3	3
External audit / SFC)					
Attendance at A&R Committee)					
Follow-up reviews			2	2	2
Audit Needs Assessment			2		
Total			<u>35</u> =====	<u>45</u> =====	<u>40</u> =====

Category: Gov – Governance; Perf – Performance; Fin – Financial

BPR = Business process review



3. Outline Scope and Objectives

Audit Assignment:	Health and Safety
Priority:	High
Fieldwork Timing	w/c 13 June 2022
Audit and Risk Committee Meeting:	5 September 2022
Days:	5

Scope

This audit will review the arrangements in place within the College to deal with Health and Safety (H&S) issues.

Objectives

The main objective of this audit will be to review the College’s overall arrangements for dealing with H&S issues and to consider whether these are adequate.

We will seek to obtain reasonable assurance that the College has:

- a H&S policy and documented procedures which are communicated to all staff;
- a H&S training programme for staff and students which includes induction training, refresher training and training for new equipment or legislation;
- regular monitoring of H&S systems to ensure that they are functioning effectively including H&S audits, carried out either internally or by external agencies such as the Health and Safety Executive;
- an incident and accident recording system with follow-up and implementation of new controls where required; and
- regular reporting of H&S to senior management and to the Board.

Our audit approach will be:

From discussion with the Head of Facilities & Health and Safety and other relevant managers and staff, and review of procedural documentation, we will identify the internal controls in place and compare these with expected controls. A walkthrough of key systems will then be undertaken to confirm our understanding, and this will be followed up with compliance testing where considered necessary. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.



Internal Audit Annual Plan 2021/22

Audit Assignment:	Risk Management
Priority:	High
Fieldwork Timing	w/c 27 June 2022
Audit and Risk Committee Meeting:	5 September 2022
Days:	5

Scope

The scope of this aspect of the audit will be to consider whether there are corporate procedures in place to adequately assess risk and minimise the possibility of unexpected and unplanned situations developing, which are in line with good practice.

Objectives

The objective of this aspect of our audit will be to obtain reasonable assurance that:

- there is a process in place to provide reasonable assurance to the Board and to the Principal in relation to the declaration on risk required for the financial statements;
- the process in place applies good practice in risk management; and
- key risks have been identified and are being appropriately controlled, mitigated, reported and discussed at appropriate levels of management and the Board.

Our audit approach will be:

We will obtain and review a copy of the College’s risk management policies, procedures and Risk Register and discuss the risk management arrangements in place with the Head of Finance and other key senior managers and staff.

The College’s risk management arrangements will then be benchmarked against relevant good practice guidance.

We will consider whether all relevant key risks relating to the strategic objectives of the College have been identified and included on the Risk Register and confirm whether these are monitored and adequately reported on.



Audit Assignment:	Cyber Security
Priority:	High
Fieldwork Timing	w/c 20 June 2022
Audit and Risk Committee Meeting:	5 September 2022
Days:	5

Scope

This audit will include a review of the College’s current position with regard to information and cyber security in order to advise on areas that should be addressed in line with the latest guidance produced by the National Cyber Security Centre (NCSC), the UK Government’s national technical authority for information assurance.

Objectives

Our review will seek to obtain reasonable assurance that:

- the internal controls in place which ensure that the security of the IT network, the configuration of key elements of IT infrastructure which protect access to data, plus the policy and procedures giving guidance as to how security should be managed by both the IT department and users is in line with the NCSC 10 Steps to Cyber Security guidance.

Our audit approach will be:

Our approach was based upon the guidance and best practice provided by NCSC; discussion with the Head of Information Systems & Services and members of the IT Team, review of relevant documentation; and observation. This covered the following areas:

- Risk management;
- Engagement and training;
- Asset management;
- Architecture and configuration;
- Vulnerability management;
- Identity and access management;
- Data security;
- Logging and monitoring;
- Incident management; and
- Supply chain security.

We will specifically consider the way in which risks associated with cyber security, and the associated impact on delivery of College business, are being managed.



Internal Audit Annual Plan 2021/22

Audit Assignment:	Credits Audit
Priority:	Required annual audit
Fieldwork Timing	w/c 5 September 2022
Audit and Risk Committee Meeting:	7 November 2022
Days:	6

Scope

Credits Audit Guidance, issued by SFC, requests that colleges obtain from their auditor assurances as to the reasonableness of procedures used in the compilation of the Credits related element of the student activity data for the academic year (FES return).

Objectives

To obtain reasonable assurance that:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- the FES return on student activity data contains no material misstatements.

Our audit approach will be:

Through discussion with College staff, and review of relevant documents, we will record the systems and procedures used by the College in compiling the returns to SFC and assess and test their adequacy. We will carry out further detailed testing, as necessary, to enable us to conclude whether the systems and procedures are working satisfactorily as described to us.

Detailed analytical review will be carried out obtaining explanations for significant variations from previous year’s activity.

Our testing will be designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to the SFC Credits Audit Guidance and the key areas of risk identified in Annex D of the guidance.

We will also review the final error report from the FES on-line checks.



Internal Audit Annual Plan 2021/22

Audit Assignment:	Bursary, Childcare and Hardship Funds Audit
Priority:	Required annual audit
Fieldwork Timing	w/c 29 August 2022
Audit and Risk Committee Meeting:	7 November 2022
Days:	5

Scope

We will carry out an audit on the College's student support funds for the year ended 31 July 2022 and provide an audit certificate.

Objectives

The audit objectives will be to obtain reasonable assurance that:

- the College complies with the terms, conditions and guidance notes issued by the SFC and SAAS;
- payments to students are genuine claims for hardship, childcare or bursary, and have been processed and awarded in accordance with College procedures; and
- the information disclosed in each of the returns for the year ended 31 July 2022 is in agreement with underlying records.

Our audit approach will include:

- Reviewing new guidance from the SFC and SAAS and identifying internal procedures through discussion with College staff, and review of relevant documents;
- Agreeing income to letters of award;
- Reconciling expenditure through the financial ledger to returns, investigating reconciling items;
- Reviewing for large or unusual items, obtaining explanations where necessary; and
- Carrying out detailed audit testing, on a sample basis, on expenditure from the funds.

Audit guidance issued by SFC will be utilised. This includes 'Areas of risk and audit considerations' for bursaries; and the Further Education Hardship and Childcare Funds.



Internal Audit Annual Plan 2021/22

Audit Assignment:	Education Maintenance Allowance (EMA)
Priority:	Required annual audit
Fieldwork Timing	w/c 29 August 2022
Audit and Risk Committee Meeting:	7 November 2022
Days:	2

Scope

Guidance on the audit requirements for Education Maintenance Allowances (EMAs), issued by SFC, includes the requirement to have a separate audit of EMAs on an academic year (August to July) basis.

Objectives

To obtain reasonable assurance that:

- the information set out in the EMA returns is in agreement with the underlying records;
- the College used the funds in accordance with SFC's conditions and the principles of the EMA programme; and
- the systems and controls for the administration and disbursement of the funds are adequate.

Our audit approach will be:

Through discussion with Student Funding staff, and review of relevant documents, we will record the systems and procedures used by the College in compiling the EMA returns and assess and test their adequacy. We will carry out further detailed testing, as necessary, to enable us to conclude that the systems and procedures are working satisfactorily as described to us.



Internal Audit Annual Plan 2021/22

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Fieldwork Timing	w/c 26 September 2022
Audit and Risk Committee Meeting:	7 November 2022
Days:	2

Scope

This review will cover reports from the 2020/21 internal audit programme and reports from earlier years where previous follow-up identified recommendations outstanding.

Objectives

To establish the status of implementation of recommendations made in previous internal audit reports.

Our audit approach will be:

- for the recommendations made in previous reports ascertain by enquiry or sample testing, as appropriate, whether they have been completed or what stage they have reached in terms of completion and whether the due date needs to be revised; and
- prepare a summary of the current status of the recommendations for the Audit and Risk Committee.



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