



UHI SHETLAND

INTERNAL AUDIT REPORT - FINAL

FOLLOW UP OF PRIOR RECOMMENDATIONS

NOVEMBER 2023

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	GEMMA MACGREGOR	VICE PRINCIPAL
FOR INFORMATION	AUDIT COMMITTEE	MEMBERS

REPORT STATUS

LEAD AUDITOR(S):	LAILA MOHAMMAD
DATES WORK PERFORMED:	02 - 04 AUGUST 2023
DRAFT REPORT ISSUED:	15 AUGUST 2023
MANAGEMENT RESPONSES RECEIVED:	21 NOVEMBER 2023
FINAL REPORT ISSUED:	22 NOVEMBER 2023



EXECUTIVE SUMMARY

BACKGROUND

Our follow up work provides the Audit Committee with assurance that internal audit recommendations have been implemented within their expected timescales. SUHI maintains an ‘Audit and Verification Activity’ report which records and updates progress made against all recommendations made from internal audits and other assurance providers. Progress in terms of slippages against planned due dates is reported at regularly to the Audit Committee.

Accordingly, as part of the provision of continual assurance over the design, effectiveness of controls and closure on control gaps, we have undertaken a review to assess the degree of implementation of the recommendations made in in the year in accordance with the Annual Internal Audit Plan.

If recommendations are not implemented on a timely basis, weaknesses identified through internal audits in control, risk management and governance activities will remain in place. Furthermore, a reluctance or inability to implement recommendations reflects poorly on management’s commitment towards maintaining a robust internal control and governance environment. Therefore, confirmation of the implementation status of recommendations is a key determinant of our annual opinion over your governance, risk, and internal control framework.

SCOPE

In scoping this audit assignment, we prepared an internal audit recommendations tracker and selected all those that are ‘due or overdue their implementation date’ (original implementation date has passed) for testing. This resulted in 12 recommendations, as shown below:

METHODOLOGY

We followed up on 12 recommendations that had a registered target completion date of “on or before 31 July 2023”.

Responsible Action Owners for each of the recommendations were interviewed to establish the degree of implementation achieved. Where it was confirmed that the recommendation had been implemented, testing was undertaken to verify the ongoing operation of the recommended controls.

Where Management’s response in the Internal Audit report differed from our original recommendation, we tested the agreed management actions.





YEAR	AUDIT	OUTSTANDING RECOMMENDATIONS TO BE FOLLOWED UP		
		MEDIUM	LOW	TOTAL
2022/23	Staff Recruitment	6	3	9
	Risk Management	-	2	2
	Student Recruitment	-	1	1
TOTAL		6	6	12



EXECUTIVE SUMMARY

STATUS OF RECOMMENDATIONS AT AUGUST 2023

The table below outlines the implementation status of the recommendations followed up:

Audit Area	STATUS AT AUGUST 2023				Total
	 Fully implemented	 Being implemented	 Not implemented	 Could not be tested	
Recommendations from 2021/22					
Staff Recruitment	6	-	3	-	9
Risk Management	2	-	-	-	2
Student Recruitment	-	-	1	-	1
TOTAL	8	-	4	-	12

CONCLUSION

We found that of the 12 recommendations followed up in August 2023:




- 8 (67%) are fully implemented
- 4 (33%) remain not implemented.

The results above highlight that Management have made **reasonable progress** in completing the recommendations. Further work is needed by management to ensure Internal Audit recommendations are completed on time in order to strengthen the overall internal control framework at SUHI, as well as ensure the lack of remediation does not have an impact on SUHI's corporate risks.

STATUS OF RECOMMENDATIONS




RECOMMENDATION STATUS

1. STAFF RECRUITMENT (2022 / 23) - CONSISTENCY OF APPROACH			TYPE
<p>It is important that the recruitment approach is applied consistently and suitably evidenced to ensure SUHI can confirm that they have followed a fair recruitment process.</p> <p>We tested a sample of 6 recruited posts and found the following exceptions where the recruitment process was not followed consistently or where additional evidence could be retained to ensure a more robust audit trail:</p> <ul style="list-style-type: none"> • Interview notes were not fully complete for any of the posts sampled - either the column for scoring was not filled in or the panel signatures and dates were missing. • We found that the SUHI Recruitment and Selection Policy was not suitably clear on what documentation was required to be returned to HR by the Panel e.g. whether a shortlisting pack and interview pack was required from each panel member. For one of the posts sampled, the interview pack on file was not populated, for a further 3 of the posts sampled, interview packs were only retained from one panel member. • For one of the posts sampled, there were only two panel members whilst the Policy states that panel should ideally be comprised of 3 members, the reason for this was not known. 			<p>DESIGN & EFFECTIVENESS</p>  
IMPLICATION			SIGNIFICANCE
There is a risk that if SUHI's recruitment process for a post is challenged they are unable to evidence that they have followed the recruitment process fairly and consistently.			MEDIUM
RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
We recommend HR monitor the completion and return of the documentation to HR.	Brendan Hall Business Development Manager	We accept this finding and will take appropriate action to ensure HR personnel monitor this.	31st May 2023
BDO STATUS AT AUGUST 2023			STATUS
Internal audit has not yet been provided with evidence to support that the return of documentation to HR is being monitored			
MANAGEMENT RESPONSE AT AUGUST 2023			
We now have a new HR and OD Lead in post who oversees the recruitment process. They will ensure that appropriate documentation is returned and retained. Documents have also been converted to online forms that can only be completed in our secure SharePoint area.			





RECOMMENDATION STATUS

2. STAFF RECRUITMENT (2022/23) - BUDGET MONITORING ARRANGEMENTS			TYPE
<p>It is important that there is regular monitoring of the staff recruitment budget to ensure the College remains within budget.</p> <p>During the audit we found that there was a lack of clarity around who the budget owner was for staff recruitment.</p> <p>We also found that the staff recruitment budget had not been imported into the finance system for monitoring by the budget owner, there are inbuilt controls in the finance system which will flag where a Purchase Order is raised which exceeds the budget; these controls will not be in operation as the budget has not been imported. The recruitment budget is included in the Master Budget spreadsheet which is used to inform budget reporting to management and Finance and General Purposes Committee; however, the College advised us that reporting is not on a granular enough level that the staff recruitment budget of £5.1k would be identifiable and therefore we were unable to confirm that there was oversight or monitoring of the recruitment budget.</p>			<p>DESIGN & EFFECTIVENESS</p> 
IMPLICATION			SIGNIFICANCE
There is a risk that there is insufficient monitoring of the staff recruitment budget and therefore, the approach to recruitment may not be cost effective.			LOW
RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
We recommend that the staff recruitment budget is imported into the finance system.	Isobel Johnson Finance Manager	We accept this finding, will investigate and take appropriate action.	31 st July 2023
We also recommend that the budget owner monitors the actual figures against the budget on a regular basis.	Gemma MacGregor Vice Principal	We accept this finding and appropriate action will be taken.	31 st July 2023
BDO STATUS AT AUGUST 2023			STATUS
Internal Audit were provided with a screenshot of the staff recruitment budget, and we found that the budget had not been imported. We have been informed that a budget review process is taking place, however evidence has not been provided to support this, and the budget owner has not been detailed.			▲
MANAGEMENT RESPONSE AT AUGUST 2023			
We have now employed an HR and OD Lead who will be overseeing these budgets once training on our finance system is completed.			






RECOMMENDATION STATUS

4. STUDENT RECRUITMENT (2022 / 23) - FINANCIAL VIABILITY OF COURSES			TYPE
<p>It is important that the courses run by the College are financially viable based on the cost of running the course and the funding received for students undertaking the course.</p> <p>During testing we found that the Construction dashboard for 2021/22, which we were provided as an example of the annual portfolio review, showed that each course was making a loss per FTE. SUHI noted that the College resolved not to make decisions based on financial viability in this period as the finances were skewed by the effects of the merger.</p> <p>SUHI noted that not many of their courses make a contribution on their own and are instead considered as part of a wider section portfolio. SUHI advised that they are currently undertaking a finance exercise to determine the cost and income of specific courses and are revising their application review process in relation to course minimum numbers.</p>			EFFECTIVENESS 
IMPLICATION			
There is a risk that SUHI are currently running loss making courses which will negatively impact the overall finances of the College.			SIGNIFICANCE
			MEDIUM
RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
We recommend that SUHI proceed with the financial analysis exercise to determine the cost and income of courses and, where courses are loss making, SUHI should document the justification for continuing to run the course and agreed actions to address the issues leading to the loss. This should form part of the annual portfolio review going forward.	Deputy Principal (Laura Burden)	We accept the finding and are instigating a formal process through SMG.	31 July 2023
BDO STATUS AT AUGUST 2023			STATUS
A process is to be set and SUHI is instigating a formal process through SMG.			
MANAGEMENT RESPONSE AT AUGUST 2023			
UHI Shetland is undergoing a restructuring process and will review our offer as part of this process. Viability of courses was considered at SMG ahead of the 23/24 course delivery. A process will be formally implemented ahead of decisions being made for 24/25 courses and annually going forwards.			



APPENDIX I - DEFINITIONS

RECOMMENDATION STATUS	MEANING
	Fully Implemented
	Being Implemented
	Not Implemented
	Could not be tested at the time of the audit

RECOMMENDATION SIGNIFICANCE	
HIGH	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
MEDIUM	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
LOW	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.
ADVISORY	A weakness that does not have a risk impact or consequence but has been raised to highlight areas of inefficiencies or potential best practice improvements.



APPENDIX II: TERMS OF REFERENCE

BACKGROUND

Internal audit undertake a follow up review once a year to assess whether recommendations have been implemented as they become due.

We will ask management for an update on all recommendations which are due to be implemented. Where recommendations are noted as fully implemented or partially implemented evidence should be provided by the college to support this.

In our report we will outline recommendations that have been implemented and where recommendations have not been implemented by their due date, we will establish a reason for this and obtain a revised implementation date.

This review is used to help in form our annual internal audit opinion.

PURPOSE OF REVIEW

The purpose of this review is to provide assurance to management and the Audit Committee that previous internal audit recommendations have been implemented effectively and within target timescales

EXCLUSIONS/LIMITATIONS

The scope of the review is limited to the areas documented under the scope and approach. All other areas are considered outside of the scope of this review.

Our work is inherently limited by sample testing and therefore will not provide assurance over all processes within the College. We are reliant on the honest representation by staff and timely provision of information as part of this review.



APPENDIX III: STAFF INTERVIEWED

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

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