

---

## AUDIT ACTIONS

---

### Purpose

1. This paper provides a summary and progress update on the internal, external audits recommendations and agreed management actions from internal reviews and self-assessments.

### Recommendations

2. The Committee is invited to discuss the updates and approve the proposed changes.

### Financial implications

3. There are no direct financial implications of this paper or recommendations, but delays to implementing recommended actions may result in indirect costs.

### Risk assessment

4. A failure to address gaps or control weaknesses could result in an increased risk exposure. Individual risk assessments have been captured in relation to proposed changes and are considered to be within the current Board Risk Appetite.

### Impact assessments

5. There are no direct Equality or Diversity, Island Communities or Carbon Reduction implications of this paper.

### Publication

6. This paper will be published on the Council website in edited format as it includes information which – if disclosed – would inhibit the effective conduct of public affairs in accordance with S30 of the Freedom of Information (Scotland) Act 2002.

### Further information

7. Contact: Lesley Aitkenhead, Interim Assistant Director Risk, Governance and Compliance (email: [laitkenhead@sfc.ac.uk](mailto:laitkenhead@sfc.ac.uk))

## Background

8. The Committee has responsibility for oversight of management actions that are raised from different sources, including Internal Audit Reviews, External Audits Reviews, Internal Reviews.
9. The Committee agreed, at the September meeting, that it would be helpful to consolidate all management actions into an overall tracker as this would help to identify any themes or trends and enable a more effective discussion on issues or delays.

## Revised approach

10. Management have worked with Internal Audit to agree a revised process and format for reporting updates on open actions in a consolidated report. It is recommended that actions are reported by **Risk Category**, to align with proposed changes to the Strategic Risk Register, and by **Priority** (A, B, & C), using the Internal Audit definitions.
11. The management action tracker is included in Appendix I with the following key points:
  - Internal Audit and External Audit will continue to seek progress updates from action owners directly, to ensure there is appropriate, and independent challenge of actions, including evidence of closure.
  - The revised tracker will include an update on all management actions, including any actions agreed as part of a self-assessment or review of internal controls.
  - Management will collate the information for review, prior to the Committee, to ensure progress updates are complete and accurate.

## Management review – open actions

12. Management have reviewed all existing open actions and proposed revised target dates, that are more realistic considering current priorities, dependencies, and risks.
13. All revised targets dates have been risk assessed and considered to be within the Board Risk Appetite.

## Recommendations

14. The Committee is invited to:
  - Approve the revised process, format, and target dates for management actions.

## Appendix 1 – Consolidated Management Action Tracker

### Executive Summary

{1x table}

## Recommend to close – for approval

Ref	Source	Topic	Recommendation	Impact	Owner	Directorate	Target Date	Revised Date	Current Status	Previous Update	Current Update
4	Internal Audit Review	Climate Change & Sustainability	It is recommended that the remit of the Environmental Champions (EC) Group is reviewed with a view to formalising its role in supporting SFC's wider net zero ambitions	C	Hazel Dalgard/ Lynne Raeside	Finance	Jan-22	Sep-22	Recommend to Close	The Environmental & Sustainability Champions Group has formalised its remit of delivering the carbon management plan and staff engagement. This is the carbon reporting strand of SFC's net zero work. This supports the emerging Net Zero & Sustainability Framework encompassing SFC's net zero route map, due to be published in Autumn 2022.	This action is complete, following agreement of the emerging Net Zero & Sustainability Framework agreed at Board in Sep 22.
5	Internal Audit Review	Climate Change & Sustainability	Audit recommends that the SFC Communications Plan is updated as soon as possible in order to ensure that it aligns with SFC's climate activity detailed within the Net Zero Challenge document.	C	Lynne Raeside/ Rufus Logan	Finance	Jan-22	Dec-22	Recommend to Close	Climate emergency / net zero has been identified as a key theme for the refreshed Communications Strategy which will be finalised following approval of the final Strategic Plan at the Sept Board.	SFC has completed a communications boost on net zero over the Autumn including climate week and are moving to Autumn publication of the Net Zero & Sustainability Framework approved by SMT and the Board.
8	Internal Audit Review	Key Financial Controls	It is recommended by audit that the process for new supplier additions and amendments to existing supplier details should be formally documented. This should include: • The use of a formal request which clearly states the rationale for the new supplier being created and the minimum due diligence checks to be performed; and • For existing suppliers, a nominated supplier contact should be identified to ensure independent confirmation of any requested changes.	B	Gordon Laidlaw	Finance	Apr-22	Dec-22	Recommend to Close	Audit was advised that no progress has been made on this action. Work will recommence once the immediate workload of the Annual Report and Accounts and associated external audit is complete.	Completed and implemented from Aug 22.
9	Internal Audit Review	Distribution of Grant Funding 21/22	Audit recommends that SFC's engagement framework for colleges and higher education institutions, should be updated. As part of this work, formal criteria should be defined for each of the levels of engagement required by SFC.	C	James Dunphy	ALO	Jun-22	Jan-23	Recommend to Close	A refreshed approach to SFC's engagement framework is currently under review as part of the implementation of the SFC Review of Coherent Provision.	An interim approach is being implemented for the period 2022-23, while work continues on the longer term approach. The new interim institutional engagement strategy has been agreed by SMT and is in place. The longer-term approach will be developed through the assurance and accountability framework work and will likely evolve the interim approach as needed.
22	Best Value	Best Value	That there is an explicit and systematic approach to integrating continuous improvement into everyday working practices and involving all staff in developing the organisations approach to Best Value.	C	Tiffany Ritchie	Finance	Jun-23		Recommend to Close	Best Value is included the Operating Plan for 22-27, and an update is included in the agenda for the Audit & Compliance Committee in June 2023.	

Source: Extract from SFC Audit Action Tracker, which includes additional information, including Management Response.

## Revised target dates – for approval

### Business Resilience & Environmental Risks

Ref	Source	Topic	Recommendation	Impact	Owner	Directorate	Target Date	Revised Date	Current Status	Previous Update	Current Update
3	Internal Audit Review	Business Continuity	We recommend that management introduce a risk-based programme of testing for Business Continuity Plans (BCPs). The results of testing should be regularly reported to senior management and a Council governance group.	B	Steve McDonald	PIA	Dec-19	TBC - subject to current audit	Delayed	Revised date was approved at the Audit and Compliance Committee June 2022.  This recommendation has been previously raised to the Committee's attention. No progress has been made. SFC will discuss its business continuity testing strategy with Internal Audit as part of the proposed read time audit work in Autumn 2022.	Testing of Business Continuity Plans within SFC is risk-based, with a current focus on IT Resilience as the highest area of risk. As part of the current Internal Audit (EY) review of IT Resilience (Q3FY) a new Disaster Recovery (DR) plan is being put in place that will reflect the changes implemented as part of digital migration. The plans will include the recommendations of the previous audit, including live testing, scenarios and will simulate a real business event. Regular reporting on DR/BC testing will be presented to the Senior Management Committee and ACC Committee, once the revised DR test plan is in place.  Additional work is ongoing with regard to the wider Business Continuity Planning, including amendments required to align with new Hybrid Working Policy. This work will be undertaken during 2023, with regular updates provided to the Committee & Board.
6	Internal Audit Review	Climate Change & Sustainability	It is recommended that the Sustainable Development Guidance for Estate Management document (2008) published on the SFC website is reviewed against current net zero ambitions and priorities and updated where appropriate.	C	Rufus Logan/ Ursula Lodge	Finance	Jan-22	Dec-22	Delayed	The Colleges Estate Strategy is currently being developed, which will require new policies to be adopted and agreed.	There is a high level of confidence that this action will be closed by end of Dec 22, following agreement of the Net Zero Challenge document agreed at Board in Sep 22 and the delay will not result in an increase to the current risk profile.
7	Internal Audit Review	Climate Change & Sustainability	It is recommended that the SFC Procurement Strategy and Travel and Subsistence Policy are reviewed and updated as soon as possible to ensure that they align with SFC's Net Zero Challenge document.	C	Tiffany Ritchie	Finance	Feb-22	Jun-23	Delayed	This recommendation has been delayed due to the workload of the Annual Report and Accounts and associated external audit. This will require new policies to be adopted and agreed in line with statutory guidance on travel and procurement emissions for public bodies.	Good progress has been made and there is a high level of confidence that this action will be closed by end of June 23, covering both the Procurement Strategy and T&S Policy. An update to the net zero amendments to the Travel Policy have been made and will be brought together in with an amended Procurement Policy. The delay will not result in a material increase in the current risk profile.

### Strategic

Ref	Source	Topic	Recommendation	Impact	Owner	Directorate	Target Date	Revised Date	Current Status	Previous Update	Current Update
1	Internal Audit Review	Distribution of Grant Funding	As part of the finance system upgrade, it is recommended that automated preventative controls are introduced wherever possible, particularly for Director of Finance approval.	C	Gordon Laidlaw/ Tiffany Ritchie	Finance	Jun-22	Mar-23	Delayed	The SUN v6.3 finance system upgrade went "live" as planned in April 2022. The "add-on" for automated approvals has been deferred to allow time to embed the upgrade. SFC aims to procure and implement the "add-on" in the next 6 months.	There is a high level of confidence that this action will be closed by end of Mar 23, and the 'add-on' will generate additional benefit, and reduce levels of manual intervention. The delay is not expected to result in a material increase in the current risk profile.
33	External Audit Annual Report	Performance	SFC should ensure it sets clear performance targets and measures in its new strategic plan and annual operating plan.	B	Richard Maconachie	SLG	Oct-22	Dec-22	Delayed	Work has commenced on developing an Operating Plan and Reporting, but has been impacted by competing priorities.	A draft Operating Plan has been prepared at a summarised level, capturing all the key deliverables that are expected to be completed in 2022-2023. An update will be provided to the Audit & Compliance Committee in December 2022. Additional work is ongoing to prepare a more detailed plan that will enable more insightful reporting against key milestones and deliverables.

## People & Culture

Ref	Source	Topic	Recommendation	Impact	Owner	Directorate	Target Date	Revised Date	Current Status	Previous Update	Current Update
10	Internal Audit Review	People and Culture	It is recommended that management review the staff Code of Conduct to ensure it contains all expected information.	B	Helen Gibson	HR	Aug-22	Jan-23	Delayed	A new Deputy Director, People & Transformation, has been appointed. A review of work plans and priorities is underway. Work is underway on benchmarking the Code of Conduct and finding an appropriate solution for SFC.	We will refresh the Code of Conduct in negotiation with Unite: we are aiming to complete this by 31/12/2022. We will then keep it under review as we work through the SFC Transformation Programme and revise/refresh it as appropriate.
11	Internal Audit Review	People and Culture	It is recommended that management update the whistleblowing policy to remove references to the vacant post of Chief Operating Officer and consider enhancement of the existing policy by creating an anonymous phone or email reporting line and making these options for reporting clear to staff.	B	Helen Gibson	HR	Aug-22	Jan-23	Delayed	A review of work plans and priorities is underway.	The procedure for making a Public Interest Disclosure is part of the Financial Procedures Manual. HR and Finance are considering the most appropriate procedure to reflect the current management structure and HR is exploring the benefits of adopting a revised process that provides staff with an option to report issues anonymously.
12	Internal Audit Review	People and Culture	It is recommended that the recruitment policy be updated to reflect the role of HR as expert advisor and reviewer, rather than preparer of key documents and information.	C	Ian McCracken	HR	Sep-22	Jan-23	Delayed	SFC are using current recruitment campaigns as an opportunity to test a range of new approaches. Learnings are being used as a basis to review and refresh the recruitment approach. By the end of September it is anticipated that the refresh of the policy will go through the Policies & Procedures Working Group. This has union representation.	We are aiming to complete the redraft of the recruitment and selection procedure by 31/12/22, taking account of learning from both the summer and autumn recruitment campaigns, and to finalise this in consultation with Unite by 31/01/23.

## Operational

Ref	Source	Topic	Recommendation	Impact	Owner	Directorate	Target Date	Revised Date	Current Status	Previous Update	Current Update
2	Internal Audit Review	Key Financial Controls	Audit recommends that the SFC Travel & Subsistence Policy is reviewed in line with agreed timescales.	C	Gordon Laidlaw/ Tiffany Ritchie	Finance	Jun-22	Mar-23	Delayed	Action was de-prioritised due to COVID-19 emergency needs. SFC will align the Travel and Subsistence Policy with a Hybrid Working Policy and the latest statutory carbon management guidance on travel. HR workshops have commenced to develop the hybrid working policy.	There is a high level of confidence that this action will be closed by end of Mar 23, covering both the Procurement Strategy and T&S Policy, and work has started using an external agency and workshops on Hybrid Working. The delay will not result in a material increase in the current risk profile.
34	Internal Audit Annual Report	Operational	Audit recommends that the SFC Finance Procedures documentation should be updated to specify: <ul style="list-style-type: none"> <li>The allowable goods/ services which can be purchased using the GPC card; and</li> <li>Approval for payment renewals for goods/services to be obtained prior to the date of payment</li> </ul>	C	Tiffany Ritchie	Finance	Sep-22	Feb-23	Delayed	Revised date was approved at the Audit and Compliance Committee June 2022. Audit was advised that no progress has been made on this action. Work will recommence on this action once the immediate workload of the Annual Report and Accounts and associated external audit is complete.	Action is on track from completion by the revised dates. Original date impacted by the work on Annual Report and Accounts. Delayed is not considered to impact risk profile.

## On track (date order) – for information

Ref	Source	Risk Type	Topic	Recommendation	Impact	Owner	Directorate	Target Date	Revised Date	Current Status	Previous Update	Current Update
25	Best Value	Strategic	Best Value	That the organisation is contributing to sustainable development by actively considering the social, economic and environmental impacts of activities and decisions both in the short and longer term	C	R&I	R&I	Nov-22		On Track	Good progress has been made on the implementation of the Net Zero & Sustainability Framework for Action, which will be published in November 2022. The document is ready for CE clearance and pre-publication Comms team graphic design.	Net Zero Framework in Action document complete and on track for publication by 21 November 22.
26	Best Value Environment		Best Value	Living within environmental limits; respecting the limits of the planet's environment, resources and biodiversity - to improve our environment and ensure that the natural resources needed for life are unimpaired and remain so for future generations.	C	R&I	R&I	Nov-22		On Track	Strengthen our annual statutory carbon reporting and carbon management plan in line with Scottish Government Guidance. Increase internal leadership and coordination of our climate emergency response including staff training and engagement opportunities.	We are on track with SMT/CE clearances to be sought in November for the carbon report and carbon management plan respectively
13	Internal Audit Review	People & Culture	Health & Safety	SFC's Health and Safety Policy should be reviewed and updated annually in line with its stated review frequency.	B	H&S Committee	HR	Dec-22		On Track		Action remains on track.
15	Internal Audit Review	People & Culture	Health & Safety	During 2021/22, the Health and Safety Committee only met once. Audit recommends that the Committee should meet four times per year in line with its stated scheduled frequency	C	H&S Committee	HR	Dec-22		On Track		Action remains on track.
19	Internal Audit Review	People & Culture	Health & Safety	An annual health and safety workplan should be prepared to detail the key activities and priorities for the year. This should be approved by the Health and Safety Committee. Progress against key priorities should be monitored. Such a plan can also help to inform the content of the Annual Health and Safety Report.	C	H&S Committee	HR	Dec-22		On Track		Action remains on track.
20	Internal Audit Review	People & Culture	Health & Safety	A Health and Safety communications strategy should form part of the annual health and safety workplan. A tracker of Health and Safety communications issued during the year should be maintained	C	H&S Committee	HR	Dec-22		On Track		Action remains on track.
21	Best Value	Strategic	Best Value	That executive and non-executive leadership are involved in setting clear direction and organisational strategy (sensitive to the context in which the organisation is working) and that there is a mechanism for internal scrutiny (by both executive and non-executive leadership) of performance and service outcomes.	C	ALO	ALO	Dec-22		On Track	Work is progressing on the Review of Coherent Provision and Sustainability, including the implementation of new approaches to institutional engagement and performance monitoring.	A refreshed approach to SFC'S engagement framework is currently under review as part of the implementation of the SFC Review of Coherent Provision. An interim approach is being implemented and expected to be in effect from January 2023.
27	Best Value	People & Culture	Best Value	SFC ensures all members of staff are informed of the organisational commitment to, and objectives for equality outcomes and that the contribution by the organisation to the achievement of equality outcomes is reflected throughout the corporate processes.	C	HR	ALO	Mar-23		On Track	An Interactive Teams Channel has been developed to support colleagues on equality outcomes.  Further work is planned to have new forms and guidance to support EIA progress.	Action remains on track.

{1x table}