

Scotland Excel

To: Executive Sub-committee

On: 18 June 2021

**Report by:
Chief Auditor**

Internal Audit Engagement – Financial Sustainability Arrangements

1. Summary

- 1.1 In line with the Public Sector Internal Audit Standards, Internal Audit must communicate the results of each engagement to the Board.
- 1.2 The Chief Auditor will report summaries of completed audit engagements to the Executive Sub Committee on the conclusion of each engagement for formal consideration by members in line with the best practice referred to above.
- 1.3 This report provides detail of the audit engagement completed in May 2021 with the overall assurance rating and the number of recommendations in each risk category. The detailed committee summary for the report is also attached.

2. Recommendations

- 2.1 Members are invited to consider and note the summary for the Internal Audit engagement of financial sustainability arrangements.
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Appendix 1

Scotland Excel

Internal Audit Service

Summary of Internal Audit Reports issued

Category	Engagement	Assurance Rating	Recommendation Ratings			
			Critical	Important	Good Practice	Service Improvement
Assurance	Financial Sustainability Arrangements	Substantial	0	0	0	0

Assurance Level	
Substantial Assurance	<ul style="list-style-type: none"> There is a sound system of internal control designed to achieve the objectives of the area being reviewed. The control processes tested are being consistently applied.
Reasonable Assurance	<ul style="list-style-type: none"> The internal control processes are generally satisfactory with some areas of weakness being identified that could put some objectives of the area being reviewed at risk There is evidence that the level of non-compliance with some of the control processes may put some of the objectives of the area being reviewed at risk.
Limited Assurance	<ul style="list-style-type: none"> Weaknesses in the system of internal controls are such as to put the objectives of the area being reviewed at risk. The level of non-compliance puts the objectives of the area being reviewed at risk.
No Assurance	<ul style="list-style-type: none"> Control processes are generally weak with significant risk to the achievement of the objectives of the area being reviewed. Significant non-compliance with control processes leaves the processes/systems open to error or abuse.

Recommendation Rating	
Service Improvement	Implementation will improve the efficiency / housekeeping of the area under review.
Good Practice	Implementation will contribute to the general effectiveness of control.
Important	Implementation will raise the level of assurance provided by the control system to acceptable levels.
Critical	Addresses a significant risk, impacting on the objectives of the area under review.

Internal Audit Report

Scotland Excel

Financial Sustainability (A0009/2021/001)

Date: May 2021

COMMITTEE SUMMARY

Audit Objectives

The objectives of the audit were to: -

1. Examine the source and accuracy of the financial information presented to the Board in respect of each of the 5 income streams identified in the Funding Model and to ensure that appropriate action is taken to address any issues arising where associated targets are not being achieved.
2. Ascertain the level of awareness throughout the business of individual officers' roles and responsibilities relating to the overarching financial strategy and associated consequences of not achieving targets.
3. Identify any perceived challenges/vulnerabilities that officers judge to be barriers to meeting financial targets and how these may be addressed.
4. Evaluate the effectiveness of each of the income streams outlined in the Funding Model in the current climate and consider any areas of improvement within these funding streams.

Audit Scope

1. Interviewed relevant officers to obtain information and documentation relevant to the Funding Model.
2. Prepared and carried out a programme of tests to enable the audit objectives to be met.

Key Audit Assurances

1. The financial information presented to the Board in respect of each of the 5 income streams identified in the Funding Model was found to be accurate and based on sound information.
2. Officers throughout the organisation were found to have a satisfactory level of awareness of their roles and responsibilities relating to the overarching financial strategy and associated consequences of not achieving targets.
3. Officers are proactive in addressing perceived challenges/vulnerabilities judged to be barriers to meeting financial targets.
4. Although the effectiveness of the income streams outlined in the Funding Model were challenged this year due to COVID19, the organisation was proactive in attempting to address this as well as exploring other funding sources to supplement the current income streams.

Key Risks

Scotland Excel are closely monitoring and reporting on the effects of COVID19 on income streams and as an organisation are being proactive in addressing issues as they arise. However, the pandemic is an unparalleled risk bringing significant challenges and uncertainty on several levels to businesses and remains a key risk to all organisations.

Overall Audit Opinion

Internal Audit Report

Scotland Excel

Financial Sustainability (A0009/2021/001)

Date: May 2021

The audit identified that satisfactory processes are in place over the areas reviewed in relation to the financial sustainability of Scotland Excel. As a result, there were no audit findings identified during this review and the auditor has made a provision of substantial assurance for the areas tested.