18/04/08 **SUS(EX)m14~2**

Fit for Purpose Audit

The fit for purpose audit was completed on the 18th - 19th February by consultants AHL Ltd on behalf of **sport**scotland.

Jacqui was heavily involved over the two days to prepare papers needed in order to complete the process and to answer any questions. The audit gave a rigorous overview of the corporate governance, financial controls and monitoring arrangements of SUS.

During their visit the auditors also met with Jim, Stew and Mike to discuss SUS operating procedures.

Overall the auditors were satisfied that considerable work has been conducted in the formative years to establish a sound corporate governance basis for SUS, set up offices and recruit strong team members to the key executive roles. They felt that SUS is entering the second phase of its development where it should seek to formalise and document processes and procedures and set about creating a robust internal control mechanism in order to ensure the organisation continues to be fit for purpose for the future. This is particularly important when considered in the context of the small team which is currently in place. Sudden loss of one of the staff members could prove detrimental to the work of the organisation and impact on delivery.

Their draft report is appended below. SUS is asked for any observations on factual accuracy or practicality of the recommendations made. As well as offering assistance in completing the appendix to the report which summarises the recommendations made, the management response and a timetable for implementation.

SUS Executive is invited to:

Item
• Comment on the attached report

Sportscotland

Management Audit

A review of Scottish University Sport

The purpose of this report is to provide an assurance to the Accounting Officer of **sportscotland** and to provide information to the Governing Body concerned. It is not for publication. Third parties should place no reliance on its findings.

Strictly Confidential

Status: Draft Ver01d **Date: March 2008**

AHL Limited

Index

Page

Section

Introduction 3

Conclusion 4

Significant Matters Arising 4

Detailed Audit Findings

- Corporate Structure 4
- Corporate Objectives 5
- Risk Management 5
- Ethics 6
- Financial Control 7
- Information Systems 10
- Policies and Procedures 10
- Communication 10
- Human Resources 11
- Grant Management Systems 11
- External Auditors 11
- Other Business Issues 11

Summary of Recommendations 13

INTRODUCTION

1 Scottish University Sport (SUS) whilst not a national governing body was created in 2005 out of an amalgamation of the former Scottish Universities Physical Education Association (SUPEA) and the Scottish University Sports Federation (SUSF). The organisation was formed with the intention to 'foster and promote sport and physical activity in the higher education (HE) sector in Scotland. It's aims and objects are outlined in the constitutional document as follows:

- To be the consultative body for the HE sector and to develop advocacy and support for the local delivery and development of sport and physical activity.
- To develop the HE sector's contribution to broad educational and social objectives and embedding physical activity programmes as an integral part of university life.
- To develop reliable, efficient and effective competition structures for student sport from novice to elite.
- To develop partnerships for increased effectiveness of lobbying and promoting the HE sector.
- To support the delivery of the national development plan and its contribution to national strategies, including Sport 21.
- To add value to the existing work of the HE sector in developing models of best practice for professional staff and volunteers in support of this development.
- To develop appropriate and fully inclusive membership structures and categories for everyone involved in HE sport and physical activity.
- To develop open partnerships with the FE sector.

The objective of this audit was to assess the ability of SUS to manage and account for public funds. Our audit approach is Corporate Governance based with specific consideration given to the following areas:

1.1 Corporate Structure;

1.2 Corporate Objectives

1.3 Risk Management;

1.4 Ethics;

1.5 Financial Control;

1.6 Information systems;

1.7 Policies and Procedures;

1.8 Communication;

1.9 Human Resources;

1.10 Grant Management Systems;

1.11 External Auditors

1.12 Monitoring; and

1.13 Current business issues

CONCLUSION

2 On the basis of the audit work undertaken, limited assurance can be provided on the effectiveness of SUS's corporate governance framework. Whilst not a Scottish governing body of sport, SUS plays a pivotal role in the organisation and participation of higher education sector sport in Scotland. Since the amalgamation of SUSF and SUPEA to form SUS, considerable work has been conducted in the formative years to establish a sound corporate governance basis, set up offices and recruit strong team members to the key executive roles.

3 In our opinion the organisation is entering the second phase of its development where it should seek to formalise and document processes and procedures and set about creating a robust internal control mechanism in order to ensure the organisation continues to be fit for purpose for the future. This is particularly important when considered in the context of the small team which is currently in place. Sudden loss of one of the staff members could prove detrimental to the work of the organisation and impact on delivery.

4 We would like to take this opportunity to thank the Executive Council and staff of SUS for their contribution to this review.

SIGNIFICANT MATTERS ARISING

5 The following significant matters arose from the audit:

- SUS is hosted by the University of Edinburgh. Whilst there is an informal agreement letter in place and there is no fee charged for the services provided, in our opinion a more formal agreement should be drawn up which outlines the obligations of each party.
- Executive Council inductions should be broadened to include the responsibilities and obligations of serving officers are well as the role and remit of SUS.
- A schedule of training and continuous development should be developed for officers serving on the Executive Council.
- Terms of reference should be developed for the Executive Council and sub-committees.
- Conflict of interest does not appear as a standing agenda item for Council meetings and there is no code of conduct policy in place.
- SUS should develop a risk management policy and risk register with which to monitor business risks which the organisation faces.
- Finance and office procedures should be developed and documented to facilitate continuity in processes and succession of post should the current officers cease to work for SUS.
- At present the same officer is responsible for sales ledger, purchase ledger and cash and bank. Though opportunities for segregation of duties are limited SUS should consider making use of the part time office assistant to facilitate segregation further when this officer has acquired the appropriate skills.
- Although already highlighted by the internal audit function, consideration should be give to the introduction of an accounting package to increase transparency and facilitate greater analysis of the management accounts.

- Expenditure of executive staff against Barclay cards was not authorised and signed off by a senior officer as evidence of review, neither are invoices or expenses subject to authorisation prior to payment.
- SUS should appraise themselves of and document the disaster recover and business continuity arrangements of the University of Edinburgh.

DETAILED AUDIT FINDINGS

6 Corporate Structure

6.1 Legal Status

6.2 SUS is a members' organisation with the membership made of up of 16 out of the 20 HE institutions in Scotland. As noted above the organisation is an amalgamation of two former organisations which drew together the previously separate strands of university student athletic unions and departmental forums. In discussion with the Chair it was noted that in setting up SUS, those responsible were keen to ensure that the appropriate governance structures and the basis of the organisation were suitable and stable going forward prior to considering the appropriateness of the legal structure of the organisation going forward.

6.3 The British University Sports Association (BUSA) which fulfils a similar remit to SUS in England is currently undergoing the process of amalgamating with an ancillary organisation; just as the forerunners of SUS did in 2005. Mindful of these changes, SUS have decided that it would be useful to review governance structures of the organisation due to the potential impact the new English organisation could have upon its work and the remit. In view of this, the Executive Board intends to engage the expertise of the consultant who they have previously worked with and who is at present involved in the re-working of the English model in order to conduct a review of SUS governance arrangements and ensure there is synergy between the respective models. We endorse this approach.

6.4 Under current arrangements, SUS is hosted by the University of Edinburgh – the tender process for which was led by the Executive Council member from Herriott Watt University with the support of a designated panel. The current Chairman of SUS who is a head of faculty at the University of Edinburgh abstained from this procedure to avoid conflict of interest.

6.5 The facilities made available by the University of Edinburgh under the hosting agreement are provided *gratis* with the exception of costs associated with the telephone network and MIS support which are paid for by the Centre for Sport and Exercise within which the offices are situated and recharged to SUS. Whilst there is a letter on file from the Assistant Director outlining the services to be provided, it was unclear as to whether there is a formal agreement between the parties which outlines the obligations of each. In our opinion, it is important to have formal agreement in place to mitigate any potential and unanticipated shift in the relationship dynamic which presently exists which could jeopardise the position of SUS.

Recommendation

6.6 The hosting arrangement between SUS and the University of Edinburgh should be formalised in order to mitigate any potential shift in the relationship dynamic which presently exists which could jeopardise the position of SUS.

6.7 **The Structure of the Board**

6.8 Given the nature and ethos of SUS business, the Council is made up of representatives from the student body, departments and full membership. Therefore the Board is comprised of: a Chairman which is independent of all other committees, Chair +1 drawn from the SUS Competitions Committee (one of which must be an Athletics Union (AU) President; Chair +1 Physical Activity Committee; Chair +1 Professional Development Committee, Directors and Assistant Directors (x2); AU presidents (x2); SUS Sports Manager; SUS Executive Officer; a representative from **sport**scotland and an observer from the HE sector. Whilst the SUS executive officers, representative from **sport**scotland and HE sector adviser attend Council meetings they do not have any voting rights.

6.9 There are three sub-committees of the Executive Council and there is a reporting line from these forums into the Council via the production of regular reports and verbal updates provided by the Chairs and AU Presidents who also sit on the Council. Selection to the Council is through a process of nomination on the basis of skill and ability (and election where positions are contested) by the full membership of SUS. The ability to co-opt officers to the Board where necessary was identified during the course of the review as well as tenures of office.

6.10 Although the purpose of the Council and the main sub-committees is outlined in the Constitution, there are no terms of reference in place for these governance structures

Recommendation

6.11 Terms of reference should be developed for the Council and sub-committees.

6.12 The constitutional document does not outline a quorum figure for decision making within the Council or the sub-committees (though we were informed decision making is consensual). Quorum figures were noted for the proceedings in general meetings.

Recommendation

6.13 Constitutional documents should be updated with quorum figures for the Council and sub-committees.

6.14 Induction is provided to volunteers including officers serving on the Council. Volunteers are required to indicate their commitment to SUS by the completion and signing of a volunteer contract. Induction related documents and workshops provide valuable information to volunteers on operational issues which may impact them during their period of service. We believe that particularly for those with governance responsibilities, induction should be extended to provide information on responsibilities arising out this type of service. This is of particular importance when considered that representation on the Council and sub-committees is also comprised

of students who may not have had a great deal of exposure to the mechanisms of governance.

6.15 There is currently no facility for the training and development of Council members. For the reasons outlined above we would suggest that this is an important consideration given the mixed nature of representation on the Council and the sub-committees. Training could address simple matters such as construction of budgets and interpretation of management accounts which are again issues which students may not necessarily have been exposed to in academic life. It was unclear whether a skills audit of Council representation had been conducted. This could be used to inform the process of training delivery.

Recommendation

6.16 Induction, particularly for those with responsibility within the governance structures should be extended to include the specific responsibilities of officers who serve on decision making forums. Training should be provided to Council and sub-committee representation contingent on the outcomes of a skills audit to ensure that training is focussed and targeted.

6.17 **Board Minutes**

6.18 We reviewed the minutes from Board meetings. We noted that conflicts of interest are not formally considered as a standing item. We would recommend that these are included.

Recommendation

6.19 Conflicts of interest should be included as a standing item on meeting agendas and a code of conduct document developed to run along side this.

7 Corporate Objectives

7.1 Planning

7.2 A business plan for the current period was found in place which was approved by the Council prior to submission to **sport**scotland. SUS are reaching the end of a three year cycle of funding cycle which saw sufficient sportscotland funding provided to cover the salaries of the executive staff members. Going forward changes are planned to this model of funding in terms of the necessity to provide a longer term strategic plan and the move from the funding of posts to project based funding. The SUS financial year is aligned to the academic year and therefore runs from August to July. Plans for the forthcoming year are in the process of development.

8 Risk Management

8.1 SUS does not have a risk management policy and does not maintain a risk register. We are of the opinion they would benefit from the introduction of a simple system which could be used to identify and manage key business risks in order to assist in identification and exploitation of new development opportunities. The core staffing structure of the team is small and therefore there is risk associated with a lack of continuity is key staffing roles which could be explored further through risk management. The implementation of an effective risk management system would also

enable SUS to prioritise resources, financial and non financial, in the pursuit of their objectives.

Recommendation

8.2 SUS should introduce a simple risk register to identify, assess and manage key risks to their objectives. The process for managing risks should be documented in a risk management policy.

9 Ethics

9.1 Child Protection

9.2 Whilst there is a child protection policy in place, there is no specific child protection officer within SUS and under current arrangements the Executive Officer fulfils this role. Given the remit of SUS which is to organise activities specifically within the higher education sector, given the age group of young people attending higher education institutions child protection is not a critical as issue as it is for organisations dealing with younger age groups. The main area of applicability as regards this is that in Scotland young people are permitted to attend university from the age of 17 years in which case they fall under child protection legislation. The policy has been approved by Children 1st and SUS have signed up to the Accord.

9.3 The policy is available on the website and once a risk register has been introduced child protection issues should be included.

9.4 Equity

9.5 An equity policy has recently been introduced and SUS has yet to achieve the Foundation level accreditation. It is anticipated that now the policy is in place a strategy will fall out of this. Whilst annual audits are conducted this at present does not include any formal monitoring of their membership in terms of race and disability.

Recommendation

9.6 A strategy to achieve the foundation level of the equity standards should be developed and approved by the Council.

9.7 Anti Doping Policy

9.8 As not an NGB, SUS do not have an anti-doping policy in place but a statement is available on their website. As the organisation is involved in some 35 sports, for the avoidance of doubt SUS tends to refer to the anti-doping regulations of the respective sports' NGB's in handling anti-doping matters. Given this and the compact staffing structure there is no officer identified to take the lead on these matters.

10 Financial Control

10.1 Financial Position

10.2 At 31 December 2008 SUS had reserves in the region of £50,000. These are monies vested in SUS at the amalgamation of SUSF and SUPEA. These monies are held in a treasury account and whilst the capital balance remains untouched any interest accrued is siphoned off into the main current account. The finance report presented to

the Council in February 2008 indicated that alongside the treasury reserve the account held a total of £48,758.67 excluding the £35,000 from **sport**scotland for salaries.

10.3 **Finance System**

10.4 SUS do not currently utilise an accounting package for the recording of financial transactions. A series of linked spreadsheets have been set up which records transactional information and contains formulas which extrapolate this raw data into management accounts. SUS work annually with the Director of Sports Development at University of Aberdeen who hails from an accounting background to finalise the accounts for the year and produce a management letter. In the last management letter, this officer recommended that whilst the use of excel spreadsheets to manage the current level of transactions is 'manageable…as SUS continues to grow and develop, it may be that a small accounting package (such as SAGE) may be useful in recording transactions'. We understand this is something which consideration is been given to and would further add that the use of such as package would provide a higher level of financial transparency and allow greater analysis of transactions for identification of trends and anomalies.

Recommendation

10.5 SUS should invest in the use of an accounting package such as SAGE.

10.6 **Segregation of Duties**

10.7 In common with many smaller organisations, there is limited scope for segregation of duties at SUS. Under current arrangements there are only two full time salaried members of staff and the Executive Officer is responsible for all finance related matters. We are aware that a student from the university has recently joined SUS to provide administrative support eight hours per week. Whilst it would be necessary to provide the appropriate training we would suggest that greater segregation of duties could be achieved by delegating some of the input responsibilities to this officer going forward.

Recommendation

10.8 Consideration should be given to delegating processing responsibilities to the administrative assistant following the provision of appropriate training to increase opportunity for segregation of duties.

10.9 Whilst all payments are must be dually signed by the Chairman and a member of executive staff we observed from the performance of transaction testing that there is currently no provision for the authorisation of invoices or expenses for payment and there is no review and sign off conducted on executive staff spend against credit cards.

Recommendations

10.10 Invoices and expenses should be authorised for payment and a senior officer, perhaps the Chair which is a faculty Head at University of Edinburgh and line manages the

executive staff of SUS should take responsibility for the review and authorisation of expenditure on company credit cards.

10.11 During the course of reviewing expenditure on company cards we observed that in some cases only the PDQ receipt was attached as opposed to a detailed VAT receipt; therefore it was difficult to legitimate expenditure as there was no detailed breakdown as to how it was incurred. In order to increase transparency, staff should be encouraged to support expenditure with VAT receipts. This will also facilitate the process of review and authorisation of expenditure against cards.

Recommendation

10.12 Expenditure upon credit cards should wherever possible be supported by VAT receipts. This will also facilitate the process of review and authorisation of expenditure against cards.

10.13 **Financial Procedures Manual**

10.14 SUS does not currently have any documented financial procedures. Given the compact staffing structure of the organisation and the fact that financial responsibility is restricted to one officer it seems unlikely that should this officer become unavailable at short notice that another person would be able to fulfil this role and understand the processes in place. In our opinion financial procedures should be developed to act as an *aide memoir* for officers such as the part time administrative assistant but also in order to ensure continuity in post should the responsible officer be unable to discharge these duties for whatever reason.

Recommendations

10.15 Financial procedures should be documented.

10.16 **Bank Reconciliations**

10.17 Evidence was found to support the monthly performance of bank reconciliations – this has been introduced within the last year following recommendations made by the internal audit function. Given the limited opportunity for segregation of duties we observed that these are not reviewed by a senior officer, however the summary is provided to the Council as part of regularly produced management accounts and these are reviewed as part of the annual audit process.

10.18 **Budget Setting and Control**

10.19 Budgets are set by and approved by the Board in consultation with budget holders and in line with the strategic plan.

10.20 **Management Accounting Process**

10.21 Management accounts are regularly produced and from discussion with Council members we understand that the level of information received is appropriate.

10.22 **Asset Management**

10.23 Due to the hosting arrangement SUS does not hold any assets. All computers, desks and facilities are the property of the University of Edinburgh and are therefore held on their fixed assets register.

11 Information Systems

11.1 IT systems are provided to SUS through the University of Edinburgh as part of the hosting arrangements. Access controls are in place based on unique user names and passwords.

11.2 Whilst SUS do not have their own IT strategy in place it was observed that there could be greater awareness of the data back-up, security, disaster recovery and business continuity arrangements of the University within which their own arrangements are embodied. This information once collated should be documented within SUS again to ensure continuity should the current executive staff members be absent for any reason.

Recommendation

11.3 SUS should ascertain and document the data back-up, security, disaster recovery and business continuity arrangements of the University within their own arrangements are embodied.

12 Policies and Procedures

12.1 The policies which SUS have in place independently or as a consequence of the hosting arrangement are detailed in this report.

13 Communication

13.1 There is currently no communications strategy in place, though the responsible officer has indicated this is work in progress and will be developed in time for the summer as part of the marketing strategy. There are various methods SUS uses to communicate including the website, regular events and a web based newsletter is due to come on stream shortly. Given the communication strategy is work in progress we make no further recommendation as regards this.

14 Human Resources

14.1 Policies and Procedures

14.2 Given the hosting relationship between SUS and the University of Edinburgh, the executive staff members are effectively employed by the University of Edinburgh and the salary costs plus on-costs are recharged to SUS and paid for by the funding provided by **sport**scotland. As University of Edinburgh staff members, the SUS officers are therefore bound by this institution's employment policies, procedures, terms and conditions. HR policies are accessible via the university's intranet.

14.3 A sub-committee of the Council has been formed – The HR Oversight Committee which looks exclusively at SUS employment issues. This consists of the officers from the Council including the Chair who has line management responsibility for the executive staff. All have significant management experience in their own right and include a representative from HR.

14.4 Contracts and Job Descriptions

14.5 Given the hosting arrangement we did not have access to full personnel file containing contracts, however the Chairman who is employed by the University of Edinburgh and has line management responsibility for the executive staff was able to provide

copies of locally held personnel files which contained sufficient information to enable us to conduct testing in this area. Whilst the original contracts were not seen there was evidence on file to substantiate the existence of contracts of employment. Current job descriptions were found on file having recently being reviewed by the HR Oversight Committee.

14.6 **Performance Management System**

14.7 Formal staff appraisals are carried out on an annual basis however the Chairman has monthly one to ones. Staff objectives are set at the appraisal and training needs are identified and discussed. We reviewed the personnel records of staff to confirm that they have received appraisals in accordance with the policy.

15 Grant Management Systems

15.1 SUS has received a grant from **sportscotland**. Whilst there is not a cost centre for this income it is evident that funding has been provided to meet the costs of the salary expenses of the executive staff and is therefore ring-fenced.

16 External Auditors

16.1 As not a company limited by guarantee, SUS do not currently subject their accounts to external audit but have historically had their year end accounts reviewed by an accountant.

17 Other Business Issues

17.1 **Pensions**

17.2 Pensions are provided through the University of Edinburgh.

17.3 **Data Protection Act**

17.4 SUS is covered as a data handler by the University of Edinburgh by virtue of the hosting agreement.

17.5 **Events Management**

17.6 Events held by SUS are largely in relation to conferences. Last a previous conference resulted in a deficit in the region of £2,000 however this was due to attendance figures being higher than anticipated during the planning stage it was though would attend. Last year's conference conversely resulted in a surplus of £20,000.

17.7 **Insurance**

17.8 Insurance cover is provided through Perkins Slade. Buildings and contents insurance is provided by the University of Edinburgh by virtue of the hosting arrangement.

Summary of recommendations and implementation plan

Para ref	Recommendation	Priority	Management (NGB) response	Responsible Officer	Agreed date of implementation
	Corporate Structure				
6.6	The hosting arrangement between SUS and the University of Edinburgh should be formalised in order to mitigate any potential shift in the relationship dynamic which presently exists which could jeopardise the position of SUS.	1			
6.11	Terms of reference should be developed for the Council and sub-committees.	2			
6.13	Constitutional documents should be updated with quorum figures for the Council and sub-committees.	2			
6.16	Induction, particularly for those with responsibility within the governance structures should be extended to include the specific responsibilities of officers who serve on decision making forums. Training should be provided to Council and sub-committee representation contingent on the outcomes of a skills audit to ensure that training is focussed and targeted	2			
6.19	Conflicts of interest should be included as a standing item on meeting agendas and a code of conduct document developed to run	2			

Para ref	Recommendation	Priority	Management (NGB) response	Responsible Officer	Agreed date of implementation
	along side this.				
	Risk Management				
8.2	SUS should introduce a simple risk register to identify, assess and manage key risks to their objectives. The process for managing risks should be documented in a risk management policy.	1			
	Ethics				
9.6	A strategy to achieve the foundation level of the equity standards should be developed and approved by the Council	1			
	Financial Management				
10.5	SUS should invest in the use of an accounting package such as SAGE.	1			
10.8	Consideration should be given to delegating processing responsibilities to the administrative assistant following the provision of appropriate training to increase opportunity for segregation of duties.	1			
10.10	Invoices and expenses should be authorised for payment and a senior officer, perhaps the Chair which is a faculty Head at University of Edinburgh and line manages the executive staff of SUS should take responsibility for	1			

Para ref	Recommendation	Priority	Management (NGB) response	Responsible Officer	Agreed date of implementation
	the review and authorisation of expenditure on company credit cards.				
10.12	Expenditure upon credit cards should wherever possible be supported by VAT receipts. This will also facilitate the process of review and authorisation of expenditure against cards.	1			
10.15	Financial procedures should be documented.	1			
	IT				
11.3	SUS should ascertain and document the data back-up, security, disaster recovery and business continuity arrangements of the University within their own arrangements are embodied.	2			