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AUDIT COMMITTEE REPORT

Subject: FES (Credits) Audit 2016-17	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Resources	**Date:** 14 November 2017

Purpose: To present the findings of the audit of the FES return.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:

The attached report details the work carried out by the College's internal audit service in testing the procedures adopted by the College in completing its FES return. This return quantifies the student activity for the year. The auditor has confirmed that the College has complied with all relevant guidance in completing the return and that the return is free from material misstatement.

There were three low priority recommendations made as a result of the audit, and these have been actioned.

Recommendation: Committee consider the findings of the report and approve the auditor's findings.

Previous Committee Approvals: n/a

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

Wylie+Bisset
Chartered Accountants, Business & Tax Advisers

Borders College

Credits Audit

2016/17

September 2017

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Borders College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

1 EXECUTIVE SUMMARY

Introduction

A review of the College's student data returns has been carried out in accordance with the 2016-17 Credits Guidance notes issued by the Scottish Funding Council on 26 August 2016 and the Audit Guidance for Colleges issued on 20 July 2017.

The audit certificate, along with the college certificate, was submitted to the Scottish Funding Council (SFC) by 29 September 2017. This report was submitted to the SFC by 29 September 2017.

Scope of Review

The audit procedures have been designed to ensure the College has adhered to the "2016/17 Student Activity Data for Colleges: Credits Guidance" . The audit took 5 days to complete comprising fieldwork carried out by the Internal Audit Senior and a review by the Senior Manager and the Partner. All staff involved in the audit had relevant Credits experience.

Our audit sample was selected using analytical techniques and covered a minimum of 5% of the total Credits count with a minimum of 10 courses being tested. Additional sample checks were also carried out on ECDL Credits, Flexible and Open/Distance Learning Credits, Credits Spanning Academic Years, ELS Credits and Work based Learning Credits.

The audit process of reviewing the returns being submitted was carried out using the following processes:

- a review of the systems operated by the College for the return;
- appropriate walk-through testing and compliance checks for the relevant areas;
- analytical review techniques to ensure testing was undertaken in the most appropriate areas;
- reviewing the risk areas, issues raised in 2015/16 and the specific issues for 2016/17 highlighted in the audit guidance;
- sample checking the data included in the return;
- specifically tailored Credits audit programmes.

Summary of Recommendations

Current Year Recommendations	High	Medium	Low	Total
Appendix C	-	-	3	**3**

Prior Year Recommendations	High	Medium	Low	Total
Fully Implemented ***(Appendix D)***	-	-	1	**1**

1 EXECUTIVE SUMMARY

Conclusion

The audit certificate in respect of the 2016/17 returns is included within Appendix A, is unqualified and is in the format set out in the audit guidance. The audit certificate was submitted to SFC on the 29 September 2017.

Overall Conclusion:
The College has reasonable procedures and controls over the collection of data for the Credits return and assurance can be taken that the Credits count for the College is not materially mis-stated. The systems used by the College are satisfactory in most areas. The recommendations arising as a result of our review are included within Appendix C. Borders College delivered 25,114 Credits against its target of 25,095 Credits. The College therefore delivered its Credits target for 2016/17 meaning that there should be no clawback of funds.

2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the year ending 31 July 2016.

Benchmarking	High	Medium	Low	Total
Average no. recommendations in similar audits	-	1	2	3
Recommendations at Borders College	-	-	3	3

As can be seen from the above table, the College has a similar number of recommendations in comparison to the colleges it has been benchmarked against.

3 RISK AREAS & AUDIT TESTS

Non Fundable Activity

We reviewed the College's FES data to confirm that any activity classified as fundable was in line with SFC guidance. We reviewed the College's non-fundable activity to ensure that no Credits had been claimed for this. ***This identified no issues.***

Spanning Programmes

We reviewed the College's spanning courses to ensure Credits were being claimed in the correct period. ***Through our testing we found that the College were not claiming 12 credits on one spanning course that were eligible, this was amended before the credits return was submitted and no other issues were found.***

Non-Fundable and Fundable Students

We reviewed all students classified as non-fundable by the College to confirm accuracy and completeness. Testing was also performed to ensure that Credits values had only been allocated to those students classified as fundable. ***Our testing identified no issues.***

Full Time and Other than Full Time Classification

A sample of 10 courses were selected at random from the four modes of attendance (6 from further education full time and 4 from further education other than full time). Testing was undertaken to ensure these were correctly classified. ***We can conclude that all courses tested were correctly classified as full-time or other than full-time.***

Higher Education and Further Education Classification

The sample of 10 courses above was also tested to ensure that they had been correctly classified as further education. ***Our test results indicate that courses had been correctly classified.***

Infill Students

The College has a separate class code ending with an 'X' to illustrate an infill course.

We tested a sample of 10 students treated as infilling into courses to ensure that they had been correctly classified and that Credits had been calculated correctly. ***Our testing found that the College had only claimed Credits for the subjects undertaken by these students, therefore we can conclude that the College is correctly allocating Credits to its infill students.***

ECDL Provision

We reviewed a random sample of 10 students studying ECDL courses to ensure that Credits had been allocated in line with SFC guidance. The College has a standard procedure for calculating Credits for ECDL units. We note that the College carry out their own checks to ensure they have not incorrectly claimed on ECDL students. ***No issues were identified during our testing.***

Price Group Numbers (Formally Dominant Programme Group (DPG))

A sample of 10 courses were selected at random and tested to ensure that the correct superclass codes and the most appropriate dominant programme group had been allocated to these courses. ***We were satisfied with the College's DPG classification.***

See section 4 for details of our analytical review undertaken in respect of Credits per Price Group.

Attendance Criteria

For the 10 courses above, we performed testing to ensure that the College had correctly calculated and recorded the required date. ***Our testing found that one of the required dates entered was incorrect, however we can confirm that this did not affect the number of credits claimed. We extended our sample by 3 courses and found no other issues***. We then selected a sample of two students from each of the initial 10 courses sampled and ensured that the College had obtained a valid enrolment form and that where Credits had been claimed, the student had attended past the required date. We also performed testing on a sample of 15 withdrawals to ensure that these had been processed in accordance with SFC guidance. ***No issues were identified during our testing.***

Credits Count

For our sample of 10 courses we recalculated the individual Credits for each of these courses to confirm the correct value had been allocated by the College. We reviewed the attendance of the students on these courses to ensure that Credits were only claimed for those students who had attended beyond the required date and who were fundable students. ***No issues were identified through our testing.***

Maximum Credits Claim

All students with more than one enrolment were identified and investigated to ensure Credits were not over claimed. ***No issues were identified through our testing.***

Extended Learning Support (ELS) and Price Group 5 (DPG 18)

We reviewed a sample of 10 students for whom the College had claimed qualified for ELS funding. Tests were undertaken to ensure that Personal Learning Support Plans (PLSPs) were maintained for all ELS students and that ELS Credits had not been claimed for students enrolled on Price Group 5 (DPG 18) courses. ***We can confirm that a PLSP was in place for all of the students within our sample. There were no ELS Credits claimed for students enrolled on Price Group 5 (DPG 18) courses.***

We selected a random sample of 10 students undertaking a course classified as Price Group 5 (DPG 18) by the College. Tests were undertaken to ensure that a valid PLSP was maintained for each of these students. ***We can confirm that a PLSP was in place for all of the students within our sample.***

Fee Waiver

A sample of 10 fee waived students were selected and their eligibility assessed. This was done by tracing to an enrolment form and where appropriate a fee waiver form and relevant eligibility documentation. We also assessed whether the students had been allocated to the most appropriate fee wavier category. ***No issues were identified in our sample testing.***

We also performed analytical review on the College's fee waiver claim, see section 4 for further details.

Open/Distance Learning

A random sample of 10 students from open/distance learning courses were selected and traced to an enrolment form to ensure the students had a Scottish post code and that the College were correctly claiming Credits. We also traced to evidence of achievement/progression and payment of fees due. ***Our testing confirmed this to be satisfactory.***

Collaborative Provision

We confirmed with the College that no Collaborative Provision was undertaken in 2016/17.

Credits per Price Group Analytical Review

We reviewed the Credits per Price Group and compared these with the previous year's Credits per Price Groups figures, investigating any significant fluctuations with the College. We can confirm that there were no major variances in Credits claimed See page 12 for details of our Price Group analytical review.

We have also compared the average Credits per student head count for 2015/16 and 2016/17

Average Credits	2016/17	2015/16
Credits (excluding ELS)	25,114	25,188
Student Head Count	2,866	2,611
Ave. Credits per student	8.76	9.6

Fee Waiver Analytical Review

We also reviewed the fee waiver figures per category of fee waiver and compared these with the previous year's figures, again investigating any significant fluctuations with the College. See page 13 for details of our Fee Waiver analytical review.

4 ANALYTICAL REVIEW

Price Group	2016/17		2015/16			
	Credits	% of Total	Credits	% of Total	Number Variance	Variance Credits
1	1,124	4%	623	2%	501	80%
2	11,112	44%	11,936	47%	(824)	-7%
3	7,492	30%	7,564	30%	(72)	-1%
4	3,354	14%	3,409	14%	(55)	-2%
5	2,032	8%	1,656	7%	376	23%
TOTAL	**25,114**		**25,188**			

The most significant fluctuations in Price Group categories, in percentage terms, relate to Price Group 1 and 5.

- The increase in Price Group 1 was due to an increase in the number of courses on offer by 53 which resulted in an increased number of students of 225.

- The increase in Price Group 5 was due to a new DPG 18 course – Project Search, which is worth 25 credits per student.

Fee Waiver Claim	2016/17 (£)	2015/16 (£)
Full time non advanced	778,176	872,928
Income Support	21,057	2,395
Low income with no benefits	21	-
Cost borne by College	14,443	10,592
Incapacity Benefit	-	-
Severe disablement allowance	-	-
Housing Benefit	1,030	510
Student on a DPG 18 programme	89,511	80,525
Carers Allowance	-	56
Disability Living Allowance	268	750
Pension Credit	56	113
Working Tax Credit	2,835	4,249
Old FT Criteria	4,963	-
School Pupils	63,472	73,075
Attendance allowance	-	110
Income based jobseekers allowance	282	2,391
Employment and support allowance	1,241	2,077
Contributory employment and support allowance (ESA)	821	183
Personal Independence Payment	28	-
Universal Credit	28	-
Total	978,232	1,049,954
Total (excl. Cost borne by College and over claims)	**943,789**	**1,039,362**

4 ANALYTICAL REVIEW

The most significant fluctuations in fee waiver categories relate to “Full-Time Non-Advanced”, “Costs Bourne by College” “Student on a DPG 18 programme”, and “School Pupil”.

- The decrease in “Full-Time Non-Advanced” is due to a change in programme areas to deliver more HE courses and less FE courses.
- The increase in “Costs Bourne by College” is due to an increase in the delivery of 2 credit ESOL programmes.
- The increase in “Student on DPG 18 Programme” is due to the addition of the new Project Search course.
- The decrease in “School Pupil” is due to 180 less credits being delivered in 2016/17 than in 2015/16.

5 AUDIT ARRANGEMENTS

The table below details the dates of our fieldwork and the reporting of the audit area under review.

Audit Stage	Date
Fieldwork start	11 September 2017
Closing meeting	14 September 2017
Draft report issued	26 September 2017
Receipt of management responses	27 September 2017
Final report issued	3 October 2017
Audit Committee	23 November 2017
Submission to Scottish Funding Council	29 September 2017
No of audit days	5

5 AUDIT ARRANGEMENTS

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Ross McLauchlan	Partner	ross.mclauchlan@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Auditor	Jordan Kerr	Internal Audit Assistant	jordan.kerr@wyliebisset.com

Borders College			
Key Contact	Nancy Whiteley	Head of MIS	nwhit@borders.ac.uk

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

A AUDIT CERTIFICATE

Auditors' Report to the members of the Board of Management of Borders College

We have audited the FES return which has been prepared by Borders College under the 'Credits Guidance' issued 26 August 2016 and which has been confirmed as being free from material mis-statement by the College's Principal in her Certificate dated 14th September 2017.

We conducted our audit in accordance with guidance contained in the 2016/17 audit guidance for colleges. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of data. It also included examination, on a test basis, of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material mis-statement.

In our opinion:

- 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
- on the basis of our testing we can provide reasonable assurance that the FES return contains no material mis-statement.

Signature	Wylie & Bisset
Date	29 September 2017
Name of Audit Firm	Wylie & Bisset LLP
Contact Name	Ross McLauchlan
Contact telephone number	0141 566 7000
Date FES returned	29 September 2017

B SUMMARY OF ERRORS

The table below highlights the number of Credit errors that the auditors found during the course of the audit and whether these errors were subsequently corrected in the FES return.

Summary of Error	Number of Raw Credits	Adjusted/Unadjusted in FES Return
Spanning in credits not being claimed originally for one course	12	Adjusted

C CURRENT YEAR RECOMMENDATIONS

Error in Spanning Course			
Ref	**Finding**	**Grade**	**Recommendation**
1	There are courses run by the College that run over two academic years. The College can only claim the credits in the year the course ends, these are called spanning in courses. During our testing of spanning in courses we found that one course was eligible to claim 12 credits which were not being claimed. This was adjusted by the Head of MIS during our visit. No other errors were found for the spanning courses. There is the risk that the College is not claiming credits correctly for spanning courses.	Low	We recommended that staff ensure that the correct number of credits are claimed for each spanning course.

Management Response	Responsibility and Implementation Date
Agreed. We have now put a further check process in place to ensure that we check for these credits going forward.	*Responsible Officer:* Head of MIS *Implementation Date:* 14-09-2017

C CURRENT YEAR RECOMMENDATIONS

Required date			
Ref	**Finding**	**Grade**	**Recommendation**
2	In order to claim credits for courses, students must attend beyond the 25% required date set by the Scottish Funding Council. During our testing of required dates to ensure credits were only claimed where appropriate, we found that 1 of the 10 courses selected had a required date which was incorrectly entered. We reviewed all the students within the course to ensure credits were claimed as appropriate and no issues were noted. We also extended our sample of 10 courses by 3 and no other issues were found. There is the risk that the College could claim credits for students who have not attended beyond the correct required date.	Low	We recommend that the College ensure that the required dates are calculated and entered correctly.

Management Response	Responsibility and Implementation Date
Agreed. We have a check in place for this but we have now expanded the frequency of running this to ensure we pick up any errors timeously in future.	*Responsible Officer:* Head of MIS *Implementation Date:* 14-09-2017

C CURRENT YEAR RECOMMENDATIONS

Error in Work Based Learning			
Ref	**Finding**	**Grade**	**Recommendation**
3	The Mode of Attendance recorded for a student classifies the type of the student. Mode of Attendance 11 classifies a student as a Work Based Learning student. During our testing, we found that one students Mode of Attendance was wrongly recorded as 11 Work Based Learning and not 16 Flexible Learning. We note that this was amended prior to the submission of the FES return. There is the risk that the students are not categorised correctly on the FES.	Low	We recommend that the College ensure that the students Mode of Attendance is correctly recorded.
Management Response			**Responsibility and Implementation Date**
Agreed. This error occurred due to work being undertaken to resolve FES Online warning/errors and a Mode of Attendance was changed to see what difference it made but then was erroneously not changed back prior to Audit. This was then corrected during Audit. We will run further checks to ensure this cannot happen in future.			*Responsible Officer:* Head of MIS *Implementation Date:* 14-09-2017

D PRIOR YEAR RECOMMENDATIONS

FULLY IMPLEMENTED

Signing of Price Group5 PLSPs

Original Finding
From our sample of ten Price Group 5 students we found that two of the Personal Learning Support Plans were not signed by the student. As a result we extended our sample by three students and found that the two unsigned PLSPs were isolated incidents. We recognise that the students had completed information on the plan but it was not signed off.

Original Recommendation
We recommended that staff are reminded that Personal Learning Support Plans must be signed off by the student.

Original Management Response
Agreed. Staff were reminded of the need to have Personal Learning Plans signed at the time of Audit. This will also be checked during the session.

Ref	Finding from our 2016/17 Audit Work	Grade	Recommendation
1	From our 2016/17 Credits audit work we can confirm that all ELS PSLPs from our sample of 10 have been formally accepted by the students.	Low	No further action required.

E GRADING STRUCTURE

For each recommendation we make we assign a grading either as High, Medium or Low priority depending upon the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit Committee and addressed by senior management of the organisation as a matter of urgency
Medium	Significant issue or weakness which should be addressed by the organisation as soon as possible
Low	Minor issue or weakness reported where management may wish to consider our recommendation