C

AUDIT COMMITTEE REPORT

Subject: Draft Internal Audit Plan 2018-19	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Corporate Services	**Date:** 09 May 2018

Purpose: To discuss the planned programme of internal audit work 2018-19.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:

Attached is the current 2 year internal audit plan, with 2018-19 forming the final year of that plan. The plan currently schedules 20 days' audit work. Committee will recall the discussion in May 2017 around the potential risk to the auditor providing reasonable assurance over the College's financial controls leading to an increase to 22 days' work in 2017-18

Recommendation: Committee discuss the proposed assignments for year 2018-19 and agree any amendments.

Previous Committee Approvals: n/a

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

Wylie+Bisset
Chartered Accountants, Business & Tax Advisers

Borders College

Internal Audit Plan

2017 - 2018

October 2017

Table of Content

Section	Page No.
1. Introduction	3
2. Operational Plan	4 – 8
Appendices:	
A. Summary of Internal Audit Input	9 – 12
B. Grading Structure	13
C. Key Performance Indicators	14

1. Introduction

Background

Wylie & Bisset LLP were appointed as Internal Auditors by the Regional Board with effect from 1 August 2012 for a period of five years until 31 July 2017. This was subsequently extended by a further two years to 31 July 2019.

Internal Audit

In accordance with Borders College's ("the College") Financial Memorandum with the Scottish Funding Council ("SFC") the Regional Board is required to secure the provision of an effective internal audit service (IAS). The prime responsibility of the IAS is to provide the Regional Board, the Accounting Officer and other senior management of the College, with an objective assessment of the adequacy and effectiveness of management's internal control systems.

The IAS should objectively examine, evaluate and report on the adequacy of internal control thus contributing to the economic, efficient and effective use of resources and to the reduction of the potential risks faced by the College. Also, the operation and conduct of the IAS must comply with the standards and guidelines set down by the Chartered Institute of Internal Auditors.

Terms of Reference – Internal Audit

The provision of the IAS by Wylie & Bisset LLP is covered by the letter of engagement dated 19 June 2017.

Formal Approval

The full audit needs assessment was presented to the Audit Committee of the College on 6 September 2012. This document covers the plan for 2017-18.

2. Operational Plan

Operational Plan – 2017/18

The following is a summary of our proposed internal audit operational plan for 2017/18.

Audit Area	Indication of Scope	Total Number Of Days
Curriculum Planning – Course Costing	We will undertake a review of the course costing arrangements within the College. Our review will consider the suitability of systems in place, the consistency of methods used, the approval processes in place, and the monitoring and reporting arrangements in place.	2
Marketing	We will undertake a review of the design and effectiveness of the current marketing arrangements in place at the College. We will review the strategic approach to marketing, the decision making process to determine which marketing models should be used, the mechanisms in place to measure the return from marketing and a review of the suitability of the methods used.	2
Budgetary & Financial Controls	We will undertake a review to ensure that the College has appropriate budgetary and financial controls in place and that these have been embedded throughout the College.	3
Fixed Asset Management	We will undertake a review on the systems and procedures in place for fixed assets, compliance with the systems and procedures in place and the overall controls in relation to the physical safeguarding of assets.	2

2. Operational Plan (cont'd)

Operational Plan – 2017/18

Audit Area	Indication of Scope	Total Number Of Days
EMA & SSF	Our audit will follow the requirements of the SFC guidance issued.	4
Credits Audit	Our audit will follow the requirements of the SFC guidance issued.	5
Follow Up Review	Previous internal audit reports.	2

2. Operational Plan (cont'd)

Assignment Plans

A detailed assignment plan will be prepared for each audit undertaken, setting out the scope and objectives of the work, allocating resources and establishing target dates for the completion of the work. Each assignment plan will be agreed and signed off by an appropriate sponsor from the College.

Key Dates

Visit	Audit Areas	No. Of Days	Provisional Date for Visit	Date of Issue of Draft Report	Audit Committee
Visit 1	Credits Audit EMA & SSF	5 4	11 Sept 2017	25 Sept 2017	23 Nov 2017
Visit 2	Marketing	2	22 Nov 2017	8 Dec 2017	8 Feb 2018
Visit 3	Curriculum Planning – Course Costing Budgetary & Financial Controls Fixed Asset Management Follow Up Review	2 3 2 2	19 March 2018	6 April 2018	17 May 2018

Appendix A – Summary of Internal Audit Input

1 August 2017 to 31 July 2019

		Operating Plan (No. Of days)	
System	**Audit Area**	**2017/18**	**2018/19**
Financial Systems	Budgetary & Financial Controls	3	
	Fixed Asset Management	2	
Non Financial Systems	Curriculum Planning – Course Costing	2	
	Student Activity – Enrolments and Withdrawals		3
Value for Money	Marketing	2	
	VFM – External Lettings		2
Financial	Payroll		3
Required	Credits Audit	5	5
	Follow Up Review	2	1
	EMA & SSF	4	4
	Audit Management	2	2
	Total Days	22	20

Appendix B – Summary of Internal Audit Input

1 August 2012 to 31 July 2017

			Operating Plan (No. Of days)				
System	**Audit Area**	**Risk Register Reference**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Financial System	Budgetary & Financial Controls	All financial risks			3		
	Income Collection & Credit Control		3			3	
	Purchasing & Procurement		3				4
	Treasury Management						
	Fixed Assets Management			3			
	Payroll			3			2
Non Financial Systems	Human Resource Management	6, 8			3		
	MIS Department	3, 4				2	
	Student Funding	4	5			5	
	c/fwd		11	6	6	10	6

Appendix B – Summary of Internal Audit Input

1 August 2012 to 31 July 2017

		Operating Plan (No. Of days)				
System	**Audit Area**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
	b/fwd	11	6	6	10	6
Non Financial Systems (cont'd)	Commercial Business Unit	5				5
	Estates Management			4		
	Learning Support					3
IT	IT Systems		4			
	Curriculum Planning					4
Governance	Corporate Governance		3		2	
	Risk Management		2			2
	Strategic Planning and Reporting		2			
	Performance Monitoring and Review				4	
	c/fwd	16	17	10	16	20

Appendix B – Summary of Internal Audit Input

1 August 2012 to 31 July 2017

		Operating Plan (No. Of days)				
System	**Audit Area**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
	b/fwd	16	17	10	16	20
Value for Money/ Departmental Review	2012/13 – Student Accommodation	3	-			
	2013/14 – Marketing		3			
	Space Management			3		
	Staff Utilisation			3		
	PCI Compliance			2		
	SPFM Compliance			2		
	c/fwd	19	20	20	16	20

Appendix B – Summary of Internal Audit Input

1 August 2012 to 31 July 2017

		Operating Plan (No. Of days)				
System	**Audit Area**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
	b/fwd	19	20	20	16	20
Required	WSUMs Audit	5	5	5	5	5
	Follow Up Review	3	2	2	2	2
	EMA & SSF					4
	Audit Management	3	3	3	3	3
	Total Days	30	30	30	26	34

Appendix C – Grading Structure

For each area of review we assign a grading in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, some minor recommendations identified
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately

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

Appendix D – Key Performance Indicators

Analysis of Performance Indicators

Performance Indicator	Target
Internal audit days completed in line with agreed timetable and days allocation	100%
Draft scopes provided no later than 10 working days before the internal audit start date and final scopes no later than 5 days before each start date	100%
Draft reports issued within 10 working days of exit meeting	100%
Management provide responses to draft reports within 15 days of receipt of draft reports	100%
Final reports issued within 5 days of receipt of management responses	100%
Recommendations accepted by management	100%
Quarterly progress reports to be provided for discussion at each audit committee meeting	100%
Draft annual internal audit report to be provided by 31 August each year	100%
Attendance at audit committee meetings by a senior member of staff	100%
Suitably experienced staff used on all assignments	100%