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AUDIT COMMITTEE REPORT

Subject: Internal Audit Assignment – Curriculum Planning – Course Costing	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Corporate Services	**Date:** 09 May 2018

Purpose: To consider the findings of the internal audit assignment on the College's arrangements for Course Costing and approve the management responses and any further actions.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:
Attached is the Internal Auditor's report on the review of the College's Course Costing arrangements. The report concludes that: -

"*We can provide strong assurance over the course costing arrangements in place at the College. However, we have raised two low grade recommendations for improvement.*"

There are two low-level recommendations as a result of this audit and the management responses to these are included in the report.

Five areas of good practice are also identified in the report.

Recommendation: Committee consider and approve the findings of the report.

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For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐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 2017-18

Curriculum Planning – Course Costing
April 2018

Overall Conclusion
Strong

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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. Every sound system 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

Overview

Purpose of Review

The purpose of this assignment was to review the course costing arrangements within the College. We also reviewed the suitability of systems in place, the consistency of methods used, the approval processes in place, and the monitoring and reporting arrangements in place.

This assignment is part of the agreed 2017/18 Annual Internal Audit Plan for the College.

Scope of Review

Our objectives for this review were to ensure:

- The course costing arrangements in place at the College are robust.
- The methods used for course costing are consistent throughout the Faculties and Business Development Unit.
- There are appropriate approval processes in place for new and existing courses.
- There is appropriate monitoring and reporting of course costs to Senior Management and the Regional Board.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and, where appropriate sample testing.

Limitation of Scope

There was no limitation of scope.

1 EXECUTIVE SUMMARY

Background

All new courses require the approval of the Senior Leadership Team. As part of the approval procedures the application for a new course includes a section on Financial Viability. This section requires a course to be fully costed and viable. For a course to be financially viable it must either break even or provide a contribution to College overheads.

There is no annual course costing exercise carried out by the College. Instead the student numbers used in the initial costing to make the course viable are used as the student number target within the Curriculum Plan. The Curriculum Plan is developed by the Vice Principal -Curriculum and the Heads of Faculties. The Curriculum Plan and targets are monitored on an ongoing basis by the Vice Principal – Curriculum and Heads of Faculties and reported on a regular basis to the Senior Leadership Team. If a course looks like it may not meet the targets, the College will then look to merge classes or reduce teaching hours were possible to bring the cost down. These decisions are made by the Vice Principal Curriculum and the Heads of Faculties.

As the College do not complete an annual costing exercise, the previous Head of Finance & Procurement started an exercise to re-cost College courses. This is to inform the College on future planning e.g. what are the implications of cutting a hairdressing group to create an additional engineering group. On discussion with the Vice Principal – Finance & Corporate Services we agree that this would not be possible to undertake annually as the time invested in the exercise is high and the College have sufficient controls in place through the annual budgeting process to monitor costs and student activity.

Work Undertaken

Our work for this review included the following:

- Discussions with Senior Management around the course costing arrangements in place at the College.
- A review of the Approvals Procedures in place at the College to ensure they are robust.
- Testing of all courses approved by the Senior Leadership Team for 2017/18 to ensure the Approvals Procedures were consistently followed.
- A review of the monitoring and reporting arrangements in place with regards to course costing.

1 EXECUTIVE SUMMARY

Conclusion

Overall Conclusion

Overall Conclusion: Strong
We can provide strong assurance over the course costing arrangements in place at the College. However, we have raised two low grade recommendations for improvement.

Summary of Recommendations

Grading of recommendations				
	High	Medium	Low	Total
Curriculum Planning – Course Costing	0	0	2	2

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of Good Practice

The following is a list of areas where the College is operating effectively and following good practice.	
1.	The College has a documented Approvals Procedures in place that include the financial viability of a new course. An application must be submitted to the Senior Leadership Team which includes completion of a detailed Course Costing Form that is updated annually to include the revised costs for teaching staff salaries and income from credits.
2.	We completed testing of all approved courses submitted to the Senior Leadership Team for approval since August 2017 from all Faculties and the Business Development. We can confirm that the course costing was completed consistently and in line with College procedures.
3.	There are appropriate approval processes in place for new and existing courses. The Curriculum Plan is completed by the Vice Principal – Curriculum and the Head of Faculties and approved by the Senior Leadership Team.
4.	Student numbers and the Curriculum Plan are reviewed and updated on a regular basis to show the latest projections on applications, admissions and enrolments. Regular reports are provided to the Executive Team, Senior Leadership Team and the Finance & General Purposes Committee. The Business Development Unit also provide regular reports to the Vice Principal – Finance & Corporate Services and the Finance & General Purposes Committee.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.	
5.	The Heads of Faculties meet quarterly with the Head of Finance & Procurement to review their budget which includes a review of course costs against budget. Any variances are investigated and analysed at these meetings. This allows for any issues in individual courses to be highlighted.

2 DETAILED RECOMMENDATIONS

BDU non-certificated course costing			
Ref.	Finding and Risk	Grade	Recommendation
1.	The College has a bespoke Course Costing Form which is used throughout the faculties and the Business Development Unit (BDU) for certificated courses. This details the income, expenditure and contribution the course makes to the College. During our review, we were informed by the Head of BDU that non-certificated courses have their own template for contractual work that is used occasionally by managers within the BDU for costing courses. We do note that the BDU form lists the income, expenditure and surplus. There is the risk of inconsistencies in the costing forms used by the BDU.	**Low**	We recommend that the BDU use the standard College course costing template.
Management response			Responsibility and implementation date
Agreed. Consistent approach will be applied wherever possible; however, it should be noted that, where it is a contract that is being delivered for a client rather than a single course the nature of some delivery means that the level of contribution may be inconsistent, In such cases management take a view as to the viability or otherwise.			*Responsible Officer:* Vice Principal – Finance and Corporate Services *Implementation Date:* complete

2 DETAILED RECOMMENDATIONS

Approvals Procedures			
Ref.	Finding and Risk	Grade	Recommendation
2.	The College has Approvals Procedures in place that must be followed for all new and replacement courses. For the course to be approved it must be approved by the Senior Leadership Team. During our review, we found that the Approvals Procedures refer to the Curriculum & Quality Team. We note that the process has been updated since the last review of the Approvals Procedures. We also note that Approvals Procedures state that all new courses should be financially viable, but they do not provide information on this. We were informed by the Vice Principal – Curriculum and the Vice Principal – Finance & Corporate Services that a course will be considered financially viable if it provides a contribution to the College. There is the risk that the there is no detailed clarification on what makes a course financially viable.	**Low**	We recommend that the College update the Approvals Procedures to state that courses are presented to and approved by the Senior Leadership Team and to include what makes a course financially viable.
Management response			Responsibility and implementation date
Agreed. Procedure will be updated.			*Responsible Officer:* Director of Business Improvement and Performance *Implementation Date:* 31 July 2018

3 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit Committee meeting.

Audit stage	Date
Fieldwork start	19 March 2018
Closing meeting	20 April 2018**
Draft report issued	2 May 2018
Receipt of management responses	8 May 2018
Final report issued	9 May 2018
Audit Committee	16 May 2018
Number of audit days	2

**The audit fieldwork was delayed due to the sickness of the Audit Senior and rearranged for the first available date.

4 KEY PERSONNEL

We detail below our staff who will undertake the review together with the College staff we shall require to speak 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

Borders College			
Key Contact	Pete Smith	Vice Principal - Finance & Corporate Services	psmit@borderscollege.ac.uk
Key Contact	Heather Anderson	Vice Principal - Curriculum	hande@borderscollege.ac.uk
Key Contact	Deirdre McKendry	Head of Business Development	dmcke@borderscollege.ac.uk
Key Contact	Pravin Chandy	Head of Finance & Procurement	pchan@borderscollege.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.

APPENDICES

A GRADING STRUCTURE

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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.

A GRADING STRUCTURE

For each recommendation we assign a grading either as High, Medium or Low priority depending on 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 College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

B ASSIGNMENT PLAN

Purpose of Review

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Scope of Review

Our objectives for this review are to ensure:

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- There is appropriate monitoring and reporting of course costs to Senior Management and the Regional Board.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of Scope

There is no limitation of scope.

Audit Approach

Our approach to the review will be:

- Discussions with Senior Management the course costing arrangements in place at the College.
- A review of the relevant Policies and Procedures in relation to course costing.
- Sample testing to ensure the course costing methods are consistent throughout the Faculties and Business Development Unit.
- A review of the course costing approval process at the College.
- A review of the course costing reporting arrangements in place at the College.

Potential Key Risks

The potential key risks associated with the area under review are:

- The course costing arrangements in place at the College are not robust.
- The methods used for course costing are not consistent throughout the Faculties and Business Development Unit.
- There are no approval processes in place for new and existing courses.
- There is no monitoring and reporting of course costs to Senior Management and the Regional Board.