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AUDIT COMMITTEE REPORT

Subject: Internal Audit Annual Report 2017-18	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Corporate Services	**Date:** 13 August 2018

Purpose: To present for approval the annual report of the College Internal Audit service.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:

The College's internal audit service is required to produce an annual report to the College on the activities of the service. The College Audit Committee should consider the report prior to submitting its own report to the Regional Board. .

Wylie & Bisset, the College's internal auditors, carried out all of the work set out in their operational plan for 2017-18 and a copy of their annual report is attached. The auditors report that: -

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion Borders College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money.

Our fieldwork was carried out between September 2017 and May 2018 and we have not undertaken any further internal audit assignments at the time of this report."

Recommendation: Committee are invited to consider and approve the annual internal audit 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For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐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

Annual Report

June 2018

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1 INTRODUCTION

The provision of Internal Audit Services is covered by the Financial Memorandum issued by the Scottish Funding Council ("SFC").

The Financial Memorandum sets out that the internal auditors are required to produce an Annual Report on the internal audit activities addressed to the Regional Board and the Principal.

The Financial Memorandum also sets out that the Annual Report should be considered by the Audit Committee prior to the Audit Committee producing its annual report to the Regional Board.

This Annual Report has been drawn up in accordance with the Financial Memorandum.

A copy of this report requires to be submitted to the Scottish Funding Council not later than 31 December following the financial year end to which it relates.

Opinion

Overall Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion Borders College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money.

Our fieldwork was carried out between September 2017 and May 2018 and we have not undertaken any further internal audit assignments at the time of this report.

The overall findings and conclusion of each report are highlighted in Section 3. As can be seen from the summary in Section 3 all areas included in the Operational Plan for 2017/18 are complete.

In forming our opinion above, we have carried out the following work:

- a review and appraisal of financial and other controls operated by the College;
- a review of the established policies and procedures adopted by the College;
- an assessment of whether or not the internal controls are reliable as a basis for producing the financial accounts;
- a review of accounting and other information provided to management for decision making;
- compliance and substantive audit testing where appropriate;
- a review of the College's procedures in place to promote and secure value for money.

The analysis of performance indicators for the internal audit work carried out in the year is included at section 5.

Basis of Opinion

As the Head of Internal Audit at Borders College we are required to provide the Regional Board and the Principal with an opinion on the adequacy and effectiveness of the College's risk management, control and governance processes. In giving our opinion it should be noted that assurance can never be absolute. The most that we can provide to the Regional Board is reasonable assurance that there are no major weaknesses in the College's risk management, control and governance processes. In assessing the level of assurance given, we have taken into account:

- All audits undertaken during the year ended 31 July 2018;
- Any follow-up action taken in respect of audits from previous periods;
- Any significant recommendations not accepted by management and the consequent risks;
- The effects of any significant changes in the College's objectives or systems;
- Matters arising from previous reports to the Regional Board;
- Any limitations which may have been placed on the scope of internal audit;
- The extent to which resource constraints may impinge on the head of Internal Audit's ability to meet the full audit needs of the College;
- What proportion of the College's audit need has been covered to date;
- The outcomes of our quality assurance processes.

Summary of Work Undertaken

The following table summarises the audit work undertaken in 2017/18. The grading structure used in our reports can be found in Appendix A.

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
Marketing	2	2	Complete	Strong	-	2	2
Fixed Asset Management	2	2	Complete	Strong	-	-	2
Budgetary & Financial Control	3	3	Complete	Strong	-	-	1
Curriculum Planning – Course Costing	2	2	Complete	Strong	-	-	2
EMA Audit	2	2	Complete	N/A	-	-	-
SSF Audit	2	2	Complete	N/A	-	-	-
Credits Audit	5	5	Complete	N/A	-	-	3
Follow Up Review	2	2	Complete	Strong	-	3	4
Audit Management	2	2	Complete	N/A	N/A	N/A	N/A
Total	**22**	**22**			**-**	**5**	**14**

The figures quoted for the Follow Up Review relate to partially completed recommendations.

4 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 previous financial year.

Area	High	Medium	Low	Total
Marketing				
Average number of recommendations in similar audits	-	1	2	3
Recommendations at Borders College	-	2	-	2
Fixed Asset Management				
Average number of recommendations in similar audits	-	1	1	2
Recommendations at Borders College	-	-	2	2
Budgetary & Financial Control				
Average number of recommendations in similar audits	-	1	1	2
Recommendations at Borders College	-	-	1	1
EMA Audit				
Average number of recommendations in similar audits	-	-	1	1
Recommendations at Borders College	-	-	-	-
SSF Audit				
Average number of recommendations in similar audits	-	1	1	2
Recommendations at Borders College	-	-	-	-

4 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 previous financial year.

Area	High	Medium	Low	Total
SSF Audit				
Average number of recommendations in similar audits	-	-	-	-
Recommendations at Borders College	-	-	-	-
Credits Audit				
Average number of recommendations in similar audits	-	1	2	3
Recommendations at Borders College	-	-	3	3
Summary				
Average number of recommendations in similar audits	**-**	**5**	**8**	**13**
Recommendations at Borders College	**-**	**2**	**6**	**8**

As highlighted above, Borders College has an overall lower number of recommendations in comparison with the colleges it has been benchmarked against. Benchmarking data was not available for the Curriculum Planning – Course Costing audit as this was bespoke to Borders College.

Analysis of Performance Indicators

Performance Indicator	Target	Actual
Internal audit days completed in line with agreed timetable and days allocation	100%	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%	100%
Draft reports issued within 10 working days of exit meeting	100%	100%
Management provide responses to draft reports within 15 days of receipt of draft reports	100%	100%
Final reports issued within 5 days of receipt of management responses	100%	100%
Recommendations accepted by management	100%	100%
Draft annual internal audit report to be provided by 31 August each year	100%	100%
Attendance at audit committee meetings by a senior member of staff	100%	100%
Suitably experienced staff used on all assignments	100%	100%

APPENDIX A 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