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AUDIT COMMITTEE REPORT

Subject: Internal Audit Plan 2018-19	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Corporate Services	**Date:** 13 August 2018

Purpose: To approve the internal audit work schedule for the year 2018-19.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:

The attached Internal Audit Plan was created following feedback from the Committee, and after my further discussions with the internal auditors.

In May 2017, the Committee agreed to extend the internal audit contract for two years to 31 July 2019. This Plan follows on from the Audit Needs Assessment presented to the Committee in September 2012 and the subsequent assignments undertaken, and contains proposals for assignments in 2018-19.

As in 2017-18, a total of 22 days have been allocated.

Recommendation: Committee is invited to consider the Internal Audit Plan, and approve with any amendments necessary.

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For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐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

2018 - 2019

July 2018

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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 2018-19.

2. Operational Plan

Operational Plan – 2018/19

The following is a summary of our proposed internal audit operational plan for 2018/19.

Audit Area	Indication of Scope	Total Number Of Days
Student Activity – Enrolments and Withdrawals	The purpose of the review is to ensure that the College has appropriate arrangements in place for student enrolment and withdrawals. This review will seek to provide assurance to the Board, via the Audit Committee, that processes are robust and facilitate the efficient and effective management of the College's student records. This review will follow applications through to enrolments, and will examine the support systems in place.	3
IT Systems	The purpose of this assignment is to review the IT Systems in place at the College to ensure there are appropriate controls in place and they are working as expected. In particular, the review will focus on the security of the network and the storage of back up information. We will also review the patching arrangements in place at the College. This review aims to provide assurance to the Audit Committee that the IT security control and software patching arrangements are adequate.	4
Payroll	The purpose of this cover is to assess the design and effectiveness of the key payroll controls, including the processing and authorisation of monthly payroll runs and any masterfile changes, including new starts and leavers, and other amendments. We will examine the reconciliation and reporting controls in place, and the integration of the payroll system with the HR and finance systems.	3

2. Operational Plan (cont'd)

Operational Plan – 2018/19

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.	1

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	10 September 2018	24 September 2018	November 2018
Visit 2	Payroll	3	10 December 2018	21 December 2018	February 2019
Visit 3	IT Systems Student Activity – Enrolments and Withdrawals Follow Up Review	4 3 1	18 March 2018	5 April 2018	May 2019

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	
IT	IT Systems		4
Financial	Payroll		3
Required	Credits Audit	5	5
	Follow Up Review	2	1
	EMA & SSF	4	4
	Audit Management	2	2
	Total Days	22	22

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%