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AUDIT COMMITTEE REPORT

Subject: Internal Audit Assignment - Credits Audit 2017-18	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Hazel Robertson, Vice Principal – Finance and Corporate Services	**Date:** 13 November 2018

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.

One low priority recommendation was made as a result of the audit, which was actioned during the audit fieldwork.

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For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐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

2017/18

October 2018

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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 2017-18 Credits Guidance notes issued by the Scottish Funding Council on 10 May 2017 and the Audit Guidance for Colleges issued on 2 August 2018.

The audit certificate, along with the college certificate, was submitted to the Scottish Funding Council (SFC) by 5 October 2018. This report was submitted to the SFC by 5 October 2018.

Scope of Review

The audit procedures have been designed to ensure the College has adhered to the 2017/18 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 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 2016/17 and the specific issues for 2017/18 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	-	-	1	**1**

Prior Year Recommendations	High	Medium	Low	Total
Fully Implemented ***(Appendix D)***	-	-	3	**3**

1 EXECUTIVE SUMMARY

Conclusion

The audit certificate in respect of the 2017/18 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 5 October 2018.

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 25,560 Credits against its target of 25,387 Credits. The College therefore delivered its Credits target for 2017/18 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 2017.

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

As can be seen from the above table, the College has a lower 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. ***Our testing concluded that credits have been claimed in the correct period.***

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 all 9 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. ***During our testing we found that the College had not updated course superclass in line with SFC guidance, we note that this was updated during our fieldwork.***

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. 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.***

3 RISK AREAS & AUDIT TESTS

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.***

Price Group 5 (DPG 18)

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

There was no students on open/distance learning courses within the year.

Collaborative Provision

We reviewed the collaborative provision agreement in place at the College to ensure it met SFC requirements. ***No issues were identified.***

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 2016/17 and 2017/18

Average Credits	2017/18	2016/17
Credits (excluding ELS)	25,560	25,114
Student Head Count	2,987	2,866
Ave. Credits per student	8.56	8.76

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	2017/18 Credits	2017/18 % of Total	2016/17 Credits	2016/17 % of Total	Number Variance	Variance Credits
1	1,263	5%	1,124	4%	139	12%
2	10,181	40%	11,112	44%	(931)	-8%
3	9,081	35%	7,492	30%	1,589	21%
4	3,201	13%	3,354	14%	(153)	-5%
5	1,834	7%	2,032	8%	(198)	-10%
TOTAL	**25,560**		**25,114**			

The most significant fluctuations in Price Group categories, in percentage terms, relate to Price Group 2 and 3.

- The decrease in Price Group 2 was due to a drop in the number of enrolments in this area and the move of one course to Price Group 3.

- The increase in Price Group 3 was due to an increase in enrolment numbers and the move of one full time course from Price Group 2 to Price Group 3 with the change in Superclass against the course.

Fee Waiver Claim	2017/18 (£)	2016/17 (£)
Full time non advanced	756,000	778,176
Income Support	1,056	21,057
Low income with no benefits	-	21
Cost borne by College	21,818	14,443
Incapacity Benefit	-	-
Severe disablement allowance	-	-
Housing Benefit	777	1,030
Student on a DPG 18 programme	79,953	89,511
Carers Allowance	-	-
Disability Living Allowance	28	268
Pension Credit	-	56
Working Tax Credit	4,105	2,835
Old FT Criteria	-	4,963
School Pupils	98,700	63,472
Attendance allowance	-	-
Income based jobseekers allowance	-	282
Employment and support allowance	584	1,241
Contributory employment and support allowance (ESA)	141	821
Personal Independence Payment	797	28
Universal Credit	56	28
Total	964,015	978,232
Total (excl. Cost borne by College and over claims)	**942,197**	**943,789**

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 decrease in “Student on DPG 18 Programme” is due to the Decrease in Skills Accreditation delivery.
- The increase in “School Pupil” is due to an increase in the school programme and credits delivered.

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	10 September 2018
Closing meeting	13 September 2018
Draft report issued	3 October 2018
Receipt of management responses	3 October 2018
Final report issued	5 October 2018
Audit Committee	22 November 2018
Submission to Scottish Funding Council	5 October 2018
No of audit days	4

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	Liam Donnachie	Internal Audit Assistant	liam.donnachie@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 10 May 2017 and which has been confirmed as being free from material misstatement by the College's Principal in her Certificate dated 2nd October 2018.

We conducted our audit in accordance with guidance contained in the 2017/18 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	5 October 2018
Name of Audit Firm	Wylie & Bisset LLP
Contact Name	Ross McLauchlan
Contact telephone number	0141 566 7000
Date FES returned	5 October 2018

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
Incorrect superclass codes	-	Unadjusted

C CURRENT YEAR RECOMMENDATIONS

Superclass Review			
Ref	**Finding**	**Grade**	**Recommendation**
1	All courses are class into price groups via their superclass. This is based on guidance by the SFC. For 2017/18, the SFC provided colleges with an update to superclass groups where various superclasses were amended. During our sample testing of 10 courses we found that 2 courses had not been updated. We then increased our sample by 3 courses based on superclass changes and found that all 3 had not been updated. We do note that the price group of each course was correct and that the Head of MIS amended the superclass of each course prior to the submission of the FES return. There is the risk that courses are not categorised in their correct superclass which could affect the value of the credits claimed.	Low	We recommend that the College ensure that all courses are correctly classified.
Management Response			**Responsibility and Implementation Date**
This was corrected during the fieldwork period of the Audit.			*Responsible Officer:* Nancy Whiteley *Implementation Date:* 11th September, 2018

D PRIOR YEAR RECOMMENDATIONS

FULLY IMPLEMENTED

Error in Spanning Course

Original Finding
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.

Original Recommendation
We recommended that staff ensure that the correct number of credits are claimed for each spanning course.

Original Management Response
Agreed. We have now put a further check process in place to ensure that we check for these credits going forward.

Ref	Finding from our 2017/18 Audit Work	Grade	Recommendation
1	From our 2017/18 Credits audit work we can confirm that from our sample of spanning courses all credits were claimed correctly.	Low	No further action required.

D PRIOR YEAR RECOMMENDATIONS

FULLY IMPLEMENTED

Required date
Original Finding 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. **Original Recommendation** We recommend that the College ensure that the required dates are calculated and entered correctly. **Original Management Response** 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.

Ref	Finding from our 2017/18 Audit Work	Grade	Recommendation
1	From our 2017/18 audit work we can confirm that during our sample testing of required dates, no issues were found.	Low	No further action required.

D PRIOR YEAR RECOMMENDATIONS

FULLY IMPLEMENTED

Error in Work Based Learning

Original Finding
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.

Original Recommendation
We recommend that the College ensure that the students Mode of Attendance is correctly recorded.

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 2017/18 Audit Work	Grade	Recommendation
1	We can confirm that during our testing no issues were found with students Mode of Attendance.	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