H

AUDIT COMMITTEE REPORT

Subject: Internal and External Audit Recommendations Follow-up	**Purpose:** **For Approval** ☐ **For Discussion** ☐ **For Information** ☒
Prepared by: Hazel Robertson, Vice Principal – Finance and Corporate Services	**Date:** 08 May 2019

Purpose:

To provide the Committee with an update on progress with outstanding recommendations raised by Internal and External Audit.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:

This report includes follow up of both Internal and External Audit recommendations. A BRAG rating system sets out the status of each:

BLUE Action complete – close
RED Action delayed – priority to complete
AMBER Revised date for completion and on track with revised date
GREEN On track for completion

Members attention is drawn to the following items:

- We have prepared a mock set of annual accounts as at end March 2019 which provides us with assurance about how the supporting schedules are prepared. The process has been automated as far as possible with supporting information being extracted directly from Sun accounts.
- A full revaluation of the estates is to be undertaken to support the 2019 accounts process.
- Discussion regarding the Campus Management bank account and sinking fund have been held up due to unavailability of key staff from HWU. The provision has been adequate to date to cover all costs incurred however there is no provision for inflation. This is scheduled for discussion at a 1-1 with the HWU responsible Director in May and then again at the CMC in September.
- Items outstanding from the 2016 IT Security Review have been superseded by the recent IT audit, to be considered at the May Audit Committee. Our preparations in relation to Cyber Security are going as planned, with formal submission of the questionnaire, which begins the process of accreditation, due to take place by 9 May 2019.
- Journal entry authorisation has been delegated to the Finance Manager, in the continued absence (and now vacancy) of the Head of Finance. A full review of the finance manual has still to be conducted, and work has started on reviewing purchasing and procurement as the highest priority area.

The full list is attached. Items marked as closed will be removed from the next update.		
Recommendation: Members are invited to note the update provided and request any further assurances as to progress.		
Previous Committee Approvals:		
For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

Borders College Internal Audit Monitoring Action Plan

AUDIT YEAR	REPORT	RECOMMENDATION	GRADE	RESPONSIBLE PERSON	DUE DATE AGREED WITH AUDIT	STATUS	OUTSTANDING ACTIONS MAY 2019	REVISED DATE
2018	BUDGETARY CONTROL	**Financial Procedures Manual -** We recommend that the College review and update the Financial Procedures Manual.	Low	Head of Finance & Procurement	31/07/2018	A	Time constraints due to lack of availability of Head of Finance have prevented this from being progressed. A review of purchasing and procurement has commenced as the highest priority area. A date for full review of the manual has yet to be agreed.	tba
2017	MIS	**Online Applications** - Follow up 2017-18 - We recommend that the College review the success of the schools trial and look to implement online applications for all courses on offer.	Low	Head of MIS & Head of ISLT	31/07/2018	B	This action has been closed in the 2019 Follow Up Audit review. It forms part of the overall ISLT action plan and prioritisation process.	
2017	ISLT	**Business Impact Analysis -** 2017/18 Follow up - We recommend that the College ensure the Business Impact Analysis for the College is completed for all College systems.	Medium	Head of ISLT	30/06/2018	B	The original recommendation made in the June 2016 Student Funding Application System audit has been completed. However, this action remaind open in the 2019 Follow Up Audit because the need for Businesss Impact Assessment was extended to all IT systems. This is closely linked with the 2019 IT audit and the need to implement tests of Disaster Recovery. This will be rolled up into the IT audit action points	
2016	IT SYSTEMS	**Web-filtering Protection** - 2017/18 Follow up - We recommend that the College continue the investigation on the technical feasibility of separating the filtering policy and look to ensure appropriate web filtering is installed.	Regraded to Low from Medium on 8/2/18	Head of ISLT	31/07/2018	B	The Audit Committee have been asked to confirm that they are satisfied with the action taken so that this action point can be closed.	
2016	IT SYSTEMS	**IT Security Policy** - Follow-up review 2017/18 - We recommend that the College ensure the new IT Security Policy is completed and implemented.	Medium	Head of ISLT	31/07/2018	B	The policy has been updated. No further action required.	
2016	IT SYSTEMS	**Endpoint Control Solution** - Follow up 2017/18 - We recommend that following a review of the report provided by the Interim Head of ISLT a decision is made to ensure there are appropriate controls in place over data leaving the College network via removable media.	Low	Head of ISLT	31/07/2018	B	This forms part of our Cyber Security preparations, The recommendation has been rolled up into the 2019 IT Audit report.	

Borders College External Audit Monitoring Action Plan

AUDIT YEAR	TOPIC	RECOMMENDATION	GRADE	RESPONSIBLE PERSON	DUE DATE AGREED WITH AUDIT	STATUS	EVIDENCE	OUTSTANDING ACTIONS JANUARY 2019	OUTSTANDING ACTIONS MAY 2019	REVISED DATE
2017	Campus Lifecycle Trust Fund	No issues have been identified with the approach taken to date for administering the bank account. However, the College should consider updating the contracted terms or getting formal confirmation that the approach being taken is accepted by all parties.	2	Vice Principal Finance and Corporate Resources	31/12/2017	A		Verbal agreement has been reached however this requires to be documented. This will be picked up at the next Campus Management Committee. Revised date requested.	Discussion delayed due to unavaibility of key personnel from HWU at the last Campus Management Committee. A 1-1 meeting is due in May and will pick up this issue then.	31/05/2019
2017	Estimation basis for the Netherdale provision	While the adequacy of the provision has been subject to internal review, we consider the College should ensure reassessment by an independent Quantity Survey periodically throughout the life of the agreement.	3	Vice Principal Finance and Corporate Resources	31/07/2019	G		This action is not yet due. The College has engaged consultants to undertaken this review. Date will be achieved.	The initial review of the sinking fund and the lifecylce costings took place at the CMC in March. It was noted that the provision had been adequate for the costs incurred to date. However there is no provision for inflation, presenting a risk to both parties. This will be further discussed at the Sept CMC meeting.	30/09/2019
2018	Journal entries	While our audit review in respect of the 2017/18 financial year did not identify any indications of incorrect or fraudulent journal postings, we recommend that the College reviews approval processes to ensure all manual journals are appropriately reviewed and authorised. Additionally, the College should ensure processes are consistent with the Financial procedures manual.	3	Head of Finance and Procurement	31/01/2019	B		Jan 2019. Review of procedure manual has been delayed to February due to absence of Head of Finance and Procurement. Benchmarking with other Colleges will be undertaken to streamline our processes, maximise delegation whilst maintaining adequate controls. Revised date requested.	The manual has not yet been substantively reviewed. Due to the continuing absence of the Head of Finance, authorisation processes for journal entries has been delegated to the Finance Manager with VP approval by exception. A date for full review of the finance manaual has yet to be agreed. Recommend closing this as we have addressed the issue in relation to journal entries.	
2018	Year end preparedness	The College should ensure that a timetable is in place for year-end close down of the ledger and preparation of the financial statements. This should ensure that all audit and committee deadlines are met. This should also aid in sufficient time being allocated to ensure all key disclosures are in line with best practice.	3	Head of Finance and Procurement	30/06/2019	G		This is not yet due and will depend on the agreed timetable with external audit.	This is not yet due. We have undertaken a mock year end process as at end March 2019. This has enabled us to ensure that all schedules to support the accounts can be compiled based on downloads direct from the Sun accounting system, where possible. We have requested an interim visit from external audit, to ensure that we discuss any issues arising from this exercise, well in advance of the final audit visit.	31/07/2019
2018	Impairment review	While additional audit work was performed and did not identify any issues which would indicate that the College's land and buildings are valued incorrectly, the College should ensure that a review is conducted in the interim years between valuations. This review should be documented with clear consideration of the factors likely to impact the property and land value.	3	Vice Principal Finance and Corporate Services	31/07/2019	G		This is not yet due.	Full revaluation is to be conducted for the 2019 accounts. We are in the process of appointing professional advisors.	31/07/2019
2018	Asset held for sale	We obtained confirmation from external sources regarding the property value. However, in future, the property should ensure that a documented review of the property and associated value is performed. The College does not have any direct financial risk associated with the property as any sales proceeds would be passed to the Scottish Funding Council, however, the College does have a responsibility to ensure that the site is actively sold and steps are taken to ensure this is processed in the near future.	2	Vice Principal Finance and Corporate Services	31/07/2019	G		We are in active discussion with our agent, SBC and SFC regarding potential demolition of the site and creating a new design brief. This will inform a view about valuation for the 2019 accounts.	We are in active discussion with our agent, SBC and SFC regarding potential demolition of the site and creating a new design brief. This will inform a view about valuation for the 2019 accounts.	31/07/2019
2018	Payroll reconciliations	While audit performed the reconciliation with no material differences observed, the College should ensure that payroll reconciliations are performed on a monthly basis and in a timely manner to ensure differences can be promptly addressed and investigated.	3	Head of Finance and Procurement	Immediate	B		This has been delayed due to the absence of the Head of Finance and Procruement. A temporary management accountant has been engaged who will take this issue forward. Revised date	This has been introduced by the interim accountant and no issues have been identified. Internal Audit have also verified that payroll reconciliations are in place. Recommend closing	
2018	Financial Forecasting Return	Future FFRs should show the movement between previous iterations of the FFR and include management's justification for changing figures. Management should also prepare greater scenario planning and include optimistic, likely and pessimistic assumptions for review by the Board.	3	Vice Principal Finance and Corporate Services	31/05/2019	G		Budget tracking was introduced in December 2019 and reported to the SLT. Scenario planning for 19/20 is not yet due	Budget tracking was introduced in December 2018 and reported to the SLT. Scenario planning for 19/20 is not yet due. SLT and F&GP have approved our approach to financial forecasting, planning, and budget setting. FFR guidance has not yet been released by SFC so this deadline will need pushed out at least a month.	30/06/2019