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AUDIT COMMITTEE REPORT

Subject: Internal Audit Assignment – Follow Up Review	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Hazel Robertson, Vice Principal – Finance and Corporate Services	**Date:** 8 May 2019

Purpose: To consider the findings of the internal audit Follow Up Review and approve the management responses and any further actions.

Linked to Strategic Goal 3: Provide a high quality College experience.

Executive Summary:

Attached is the Internal Auditor's report on the Follow Up Review of previous assignments. The report concludes that:

"*the College has endeavoured to implement recommendations as far as possible. In areas where recommendations have not been fully implemented, the College are still considering these in line with ongoing business and development.*

Recommendation: Committee to consider and approve the report and management response, with further actions as 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For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐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 2018/19

Follow Up Review

March 2019

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. 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

Purpose of Review

The purpose of the review was to assess whether the College has appropriately implemented the internal audit recommendations made in 2017/18 and earlier years. Our review considered whether any issues are outstanding beyond the agreed implementation deadline.

Our review considered all outstanding recommendations to provide the Board, via the Audit Committee, with independent assurance that we are satisfied that these recommendations have been fully implemented by the College and can therefore be removed from the audit action plan.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of Review

Our objectives for this review were to ensure:

- The College has appropriately implemented any outstanding internal audit recommendations made in prior years.

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

1 EXECUTIVE SUMMARY

Conclusion

Overall Conclusion: Strong

We can conclude that the College has endeavoured to implement recommendations as far as possible. In areas where recommendations have not been fully implemented, the College are still considering these in line with ongoing business and development.

Summary of Recommendations

Grading of Recommendations	High	Medium	Low	Total
Appendix A –Partially Implemented Recommendations	-	-	1	1
Appendix B – Superseded Recommendations	-	2	1	3
Appendix C – Fully Implemented Recommendations	-	3	7	10

Implementation of Recommendations

Summary of Implementation				
Audit Area	**Total**	**Partially Implemented**	**Superseded**	**Fully Implemented**
Marketing (November 2017)	2	-	-	2
Fixed Asset Management (March 2018)	2	-	-	2
Budgetary & Financial Controls (April 2018)	1	1	-	-
Curriculum Planning – Course Costing (April 2018)	2	-	-	2
Follow Up (April 2018)	7	-	3	4
Total	**14**	**1**	**3**	**10**
Percentage of Total	**100%**	**7%**	**21%**	**72%**

2 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	18 March 2019
Closing meeting	20 March 2019
Draft report issued	3 April 2019
Receipt of management responses	7 May 2019
Final report issued	8 May 2019
Audit Committee	16 May 2019
No of audit days	2

2 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
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Borders College			
Key Contact	Hazel Robertson	Vice Principal - Finance & Corporate Services	hrobertson@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.

Appendix A

Partially Implemented Recommendations

Partially Implemented Recommendations

Financial Procedures Manual, Budgetary & Financial Controls, April 2018

Original Finding
During our review, we found that the Financial Procedures Manual was due to be reviewed in June 2017, however, this has yet to be completed. We note that the College's previous Head of Finance & Procurement had begun to review the document this has yet to be completed. We also note that the procedures within the manual are still relevant although there are areas that require updating such as job titles throughout the document.

Original Recommendation
We recommend that the College review and update the Financial Procedures Manual.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
1	The College has started to draft the updated Financial Procedures Manual and the Vice Principal: Finance & Corporate Services notes that a workshop on purchasing and procurement on this has been set up for May 2019.	Low	We recommend that the College continue to update the Financial Procedures Manual and hold the workshop as planned in May 2019.

Management Response	Responsibility and Implementation Date
A date for the review of the full Procedures Manual has yet to be agreed due to staff turnover. Purchasing and procurement are the priority areas where change is required and I have started that off. The workshop focussed only on these areas, not the whole manual.	*Responsible Officer:* Vice Principal - Finance & Corporate Services *Implementation Date:* Date for completion of full Procedures Manual to be confirmed

Appendix B

Superseded Recommendations

Superseded Recommendations

Web-filtering Protection (IT Systems, May 2014)

Original Finding
The College currently are not filtering internet traffic on the College guest wireless network. This should filter the likes of pornography and offensive websites if being made available by the College, to protect the College's reputation. Also the College do not fully utilise the Barracuda web filtering solution to block the downloading of dangerous file types on the main production network, this would provide better security to eliminate rogue and infected files from being downloaded and run on the College systems.
Original Recommendation
We recommend the College introduce web filtering on any wireless networks being made available. We also recommend the College utilise the blocking of dangerous file types via the Barracuda web filtering solution.
Finding from our 2014/15 Follow up
Our retesting of the guest wireless network found that offensive images could still be accessed. From discussions with the Head of ISLT, we understand that the College are currently utilising the maximum security available on the product used on the guest network. The College has considered the blocking of specific file types however consider that in doing so would impede the teaching of computing courses. The College are satisfied that their web-filtering and anti-malware products would block any infected/dangerous files from being downloaded and run on the College systems.

Finding from our 2015/16 Follow Up
This point is to be investigated further in order to facilitate appropriate filtering for the online services provided to Heriot Watt University who give full academic freedom to their students.
Finding from out 2016/17 Follow Up
The College's Finance and General Purposes Committee has now approved the award of a new ISLT infrastructure to be implemented. A new web-filtering system will be implemented as part of this infrastructure and will applied to all wireless networks.
Recommendation from our 2016/17 Follow Up
We recommend that the web-filtering system is applied to all wireless networks once the new ISLT infrastructure is implemented.
Finding from out 2016/17 Follow Up
The College do not currently filter Borders College students internet access via the Eduroam WIFI network. This is due to historical technical limitations where the College was required to use the same network to provide unfiltered internet access to Heriot Watt University students also on campus. ISLT is currently investigating the technical feasibility of separating the filtering policy for the two groups of students on the Eduroam WIFI.
Recommendation from our 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.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
1	We have raised a similar recommendation within our IT Systems review carried out in March 2019. Therefore, we recommend that the Audit Committee supersede this recommendation.	Medium	We ask the Audit Committee to confirm that it is satisfied with the action taken and that the point can be removed from the action plan.

Superseded Recommendations

Business Impact Analysis (Student Funding Application System, June 2016)

Original Finding
Through discussion with the Student Funding Manager, we identified that there has been no business impact analysis carried out with regard to the Student Funding Online Application System (CAMS). This would determine the consequence of data loss or the system being unavailable for a period of time which would lead to an agreed acceptable downtime and an agreement on how often data should be backed up. During our review the Student Funding Manager queried with the IT department how often the CAMS data is backed up and was informed that this was 1 incremental backup a day. On reflection of this information it was felt that the backup windows should be increased as 1 day was considered unacceptable data loss if there was a need to restore.
Original Recommendation
We recommend that the College carry out a business impact analysis for the CAMS system to ensure there is an agreed backup window and acceptable downtime for the system. We would encourage this analysis to be carried out for all College systems to ensure there is a formal agreement for the prioritisation and backup of services, which would change, depending on the time of the year.
Finding from 2016/17 Follow Up
No work has been carried out since our last review regarding how often the College's key systems should be backed up. The backup window for the CAMS application system is still 1 day which was deemed unacceptable by the Student Funding Manager.
Recommendation from 2016/17 Follow Up
We repeat our original recommendation.
Finding from 2016/17 Follow Up
The College has completed the Business Impact Analysis for student funding but has yet to complete a Business Impact Analysis College wide. The interim ISLT Manager is currently carrying this out for all systems within the College.
Recommendation from 2016/17 Follow Up
We recommend that the College ensure the Business Impact Analysis for the College is completed for all College systems.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
2	The College has completed the Business Impact Analysis for student funding. During our IT Systems review, we have raised a recommendation regarding disaster recovery testing. As part of the implementation of this the College will complete a Business Impact Analysis for all College systems. Therefore, to avoid duplication, we recommend that the Audit Committee supersede this recommendation.	Medium	We ask the Audit Committee to confirm that it is satisfied with the action taken and that the point can be removed from the action plan.

Superseded Recommendations

Endpoint Control Solution (IT Systems - May 2014)

Original Finding
The current situation in the College is that any user can copy data to removable media such as a USB drive and take this off site.
Original Recommendation
We recommend the College investigate the use of an Endpoint control solution to provide control over data leaving the College network via removable media.
Finding from our Follow Up 2014/15
The College is still investigating whether an Endpoint control solution is a suitable solution.
Recommendation from our Follow Up 2014/15
We repeat our original recommendation.
Finding from our 2015/16 Follow Up
The Head of ISLT has advised that a decision has been made by the College that an endpoint control solution will not be purchased.
This recommendation was treated as Superseded in our last review however, the Audit Committee instructed that the recommendation should be implemented.
Finding from our 2016/17 Follow Up
The Head of ISLT has advised that the College are investigating possible solutions to provide more control over sensitive data being leaked from the network.
Recommendation from our 2016/17 Follow Up
We recommend the College continue to investigate possible solutions and following this implement this to ensure controls are in place.
Finding from our 2017/18 Follow Up
The Interim Head of ISLT has investigated the possibility of blocking all removable media from the College systems. A report is due to be presented to the May 2018 Committee where a decision will be made on how to progress.
Recommendation from our 2017/18 Follow Up
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.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
3	We have raised a similar recommendation within our IT Systems review carried out in March 2019. Therefore, we recommend that the Audit Committee supersede this recommendation.	Low	We ask the Audit Committee to confirm that it is satisfied with the action taken and that the point can be removed from the action plan.

Appendix C

Fully Implemented Recommendations

Fully Implemented Recommendations

IT Systems (Payroll, March 2017)

Original Finding
During our review we found that most of the leavers still had access to the College intranet system following their last day of work at the College. From discussions with ISLT we note that this would allow the ex-employee to view the information on the College intranet but they would not be able to alter this information. Currently the HR Department inform the ISLT Department of the employees leaving date following completion of the last payroll run they are on. The HR Department informed us that this was to ensure that the employees still had access to their payslips via the College intranet system. However, following a discussion with the ISLT Department it was stated that staff do not need access to the College's system to access their payslips and this can be done through an external link on the College's website.

Original Recommendation
We recommend that the HR Department notify IT of staff leaving dates before or on the day of a staff member's employment being terminated so the system access can be closed appropriately. If ISLT are notified in advance of the employees last working day, they can program the system to ensure that the employees access is stopped on that day.

Finding from our 2017/18 Follow Up
The College has implemented the process so that when resignations are received by the HR Department they inform ISLT of the staff members leaving date to ensure that their access to the system is blocked on that day. We completed a sample test of 7 leavers and found that for 3 leavers the email to ISLT was sent after the staff members leaving date and therefore access was not disabled until after the staff members leaving date. We also found that for one staff member the email was sent on the staff members leaving date but access was not disabled until 2 days later. We were not able to confirm the date system access was disabled for 3 staff members as their accounts were deleted. The date of deletion was also after the staff members leaving date.

Recommendation from our 2017/18 Follow Up
We recommend that the College ensure the process is followed and that staff members system access is disabled following the completion of their last working day.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
1	Through discussions with the HR Officer, we found that they were fully aware of the process and our sample testing of 3 employees found that the procedure was being followed.	Medium	No further action required.

Fully Implemented Recommendations

Communication with Senior Leadership Team, Marketing, November 2018

Original Finding
During our review, we found that there are no regular meetings held between the Marketing Team and the Senior Leadership Team. During our review, we spoke with the Principal, Heads of Faculties and the Head of the Business Development Unit where during one meeting it was noted that they were not fully aware of the remit of the Marketing Team and all felt that a regular meeting to discuss marketing activity would benefit them and the College.

Original Recommendation
We recommend that the College Marketing Team meet with the College's Senior Leadership Team on a regular basis such as monthly or bimonthly.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
2	The Marketing Manager now regularly attends Assistant Principal & Curriculum Learning Manager meetings and also holds 1 to 1 meetings with the Head of the Business Development Unit.	Medium	No further action required.

Fully Implemented Recommendations

Evaluation and Review of Printed Material for College Courses, Marketing, November 2018

Original Finding
During our review, we held meetings with the Principal, Marketing & Publications Manager, the 3 Head of Faculties and the Head of the Business Development Unit. Following our meeting we found that there were conflicting opinions on the success of the printed marketing material. We found that the College have not carried out any evaluation and review of the success of the printed marketing material. We note that the College paid £1.86 per prospectus for 3,000 prospectuses while one of the two college clients we spoke to are no longer using printed prospectuses as they feel they are longer required and prepare a short course guide with links to their website.

Original Recommendation
We recommend that the Marketing Team carry out an evaluation and review of the success of the College's printed marketing material.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
3	The College completed an evaluation of printed promotional documents including the full time prospectus, Business Development Unit marketing cards and course information booklets. This was approved by the Principal in February 2018. The conclusion stated that the College were confident that the process and reviews made in terms of the success of the information produced is appropriate in terms of their need and their cost to produce. The College were also confident that the changes made to the Business Development Unit information helps portray a more business like image which is effective in terms of cost and success.	Medium	No further action required.

Fully Implemented Recommendations

IT Security Policy (IT Systems – May 2014)

Original Finding
The IT security policy is due to be updated, this should also include sections on third party access and access control and explain in more detail the physical and network security in place to protect the College systems.
Original Recommendation
We recommended the policy is updated to cover the following areas or explain them in more detail; third party access, remote access, access control physical and network security. Alternatively there could be separate policies for each area.
Finding from our 2014/15 Follow Up
The IT Security Policy remains a work in progress. The College has been working on the content of the policies however has still to decide on a suitable structure for the new policy/policies.
Finding from our 2015/16 Follow Up
This policy has not yet been finalised and approved by the Board.
Finding from out 2016/17 Follow Up
Through discussions with the Head of ISLT we were informed that the creation and updating of the current IT Security Policy has been put on hold due to the implementation of a new IT infrastructure being recently approved. The policy will be updated once this implementation is complete.
Recommendation from out 2016/17 Follow Up
We repeat the original recommendation.
Finding from out 2017/18 Follow Up
The College are currently drafting the new IT Security Policy. This is to be updated to include sections on third party access, access control, physical and network security and GDPR. The College has also underwent a Cyber awareness preassessment and the results of this will be incorporated within the IT Security Policy.
Recommendation from out 2017/18 Follow Up
We recommend that the College ensure the new IT Security Policy is completed and implemented.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
4	We can confirm that the Information Security Policy has been updated to include the required information.	Low	No further action required.

Fully Implemented Recommendations

Online Applications (MIS Department, March 2016)

Original Finding
Online applications are only available for full time and some part time courses. BDU, certain part time, school and evening courses cannot be applied for online. For courses with no online application, students go straight to enrolment. Enrolment without pre-application may lead to inefficiency as staff do not have pre-entered information available from the application and must then enter this manually.

Original Recommendation
We recommend that the College consider introducing an online application process for all courses on offer.

Finding from our 2016/17 Follow Up
This recommendation has not been implemented as yet. The College has stated that they are awaiting the announcement of the Scottish Funding Council's funding allocations which is due to be announced in Spring 2017.

Recommendation from our 2016/17 Follow Up
We repeat our original recommendation.

Finding from our 2017/18 Follow Up
The College are currently trialling online applications for schools following this the information will be reviewed. The Head of MIS noted that she submitted a further resource request to apply for funds to develop online applications for all areas within the College which the Vice Principal Finance & Corporate Services for the 2018/19 budget.

Recommendation from our 2017/18 Follow Up
We recommend that the College review the success of the schools trial and look to implemented online applications for all courses on offer.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
5	The College have considered the implementation of online applications for all courses and note that it comprises of 3 significant separate costly projects. The College further reviewed this work and include this within the ISLT prioritisation exercise and look to implement the system where possible.	Low	No further action required.

Fully Implemented Recommendations

Self-Evaluation (Corporate Governance, January 2016)

Original Finding
We note that there is currently no annual self-evaluation carried out by the Chair of the Board or Chairs of the individual sub-committees. This means that the performance of the Board and Committee chairs' is not assessed and as such it is difficult to assess whether the Chairs are effective in their roles.

Original Recommendation
We recommend that the Chair of the Board and Chairs of each sub-committee complete a self-evaluation on an annual basis. The evaluation should normally be led by the Vice Chair of the Board/Committee.

Finding from our 2016/17 Follow Up
This remains a work in progress. A questionnaire has been created by the College and is currently in draft form.

Recommendation from our 2016/17 Follow Up
We recommend that the College implement an annual self review of the Chairs of the Regional Board and Committees once the questionnaire has been approved.

Recommendation from our 2017/18 Follow Up
The Clerk to the Board is currently completing a review through the Sub level Evaluation Report 2016/17 & Enhancement Plan for 2017/18. It is expected that the final version of the report will go to the Regional Board in June 2018 for approval.

Recommendation from our 2017/18 Follow Up
We recommend that following the approval of the Sub Level Evaluation Report 2016/17 & enhancement Plan 2017/18 that there are annual self evaluations of the Board completed.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
6	The Regional Board annually prepare a self evaluation of its effectiveness. This was last completed in June 2018. The next review is due to do begin in April 2019. The Chair of the Regional Board is subject to a performance review annually by the Senior Independent member of the Board. The review of 2018 is currently being undertaken and is expected to be reported to the Regional Board in June 2019.	Low	No further action required.

Fully Implemented Recommendations

BDU non-certificated course costing, Curriculum Planning - Course Costing, April 2018

Original Finding
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.

Original Recommendation
We recommend that the BDU use the standard College course costing template.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
7	The College has implemented a consistent approach regarding the course costing template.	Low	No further action required.

Fully Implemented Recommendations

Approvals Procedures, Curriculum Planning - Course Costing, April 2018

Original Finding

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.

Original Recommendation

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.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
8	The College has updated the Approvals Procedures.	Low	No further action required.

Fully Implemented Recommendations

Small Asset Register Checks, Fixed Asset Management, March 2018

Original Finding
The College last updated its small asset registers in October and November 2017. We note that from discussion with staff, this exercise was also conducted in February 2018 however we were not provided evidence of this.

Original Recommendation
We recommend that the College seeks to update its small asset registers on a regular basis, such as every quarter. The College should ensure that these checks are documented so that evidence of these checks is able to be provided.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
9	The Head of Finance & Procurement & Asset Management Co-ordinator met to discuss the Small Assets Register and all staff were reminded of their responsibility to carry out the checks and that these are undertaken regularly.	Low	No further action required.

Fully Implemented Recommendations

Assets Misidentified on Small Asset Registers, Fixed Asset Management, March 2018

Original Finding
From our physical verification of assets from the Small Asset Registers, we found that some assets had been misidentified and given an incorrect description on the register. We note that the items were still verifiable due to their asset numbers.

Original Recommendation
We recommend that the College ensures that staff updating the Small Asset Registers are suitably knowledgeable of the assets that they are recording so as to correctly identify them.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
10	The Head of Finance & Procurement held meetings with all responsible Senior Leadership Team members to proivde additional guidance and explain the importance of the process.	Low	No further action required.

D 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

D 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 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

Audit Approach

Our approach to the review will be:

- Review outstanding recommendations and gain audit evidence to ensure that these have been addressed by the College.

Potential Key Risks

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

- The College does not address the areas of concern which may significantly affect its ability to continue to operate.