

AUDIT COMMITTEE REPORT

Subject: Internal and External Audit Recommendations Follow-up	Purpose: For Approval <input type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input checked="" type="checkbox"/>
Prepared by: Hazel Robertson, Vice Principal – Finance and Corporate Services	Date: 14 November 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

The table below summarises progress.

Internal and External Audit Recommendations - Progress
12 November 2019

	Internal audit			External audit	TOTAL
	High	Medium	Low		
Closed		3		3	6
On track			3	1	4
Revised deadline	2		1		3
Overdue / concern					0
TOTAL	2	3	4	4	13

Members attention is drawn to the following items:

- The two high risk items relating to the IT systems internal audit continue to progress well. We had to undertake procurement exercises for both which meant a slightly longer timeline for implementation.
- The web filtering solution has been implemented but still has to be fully configured as we have encountered challenges with the set up for Eduroam. The Identity Management upgrade has had a set back due to an unanticipated extra element of activity. Our contractors have identified the need to upgrade our Microsoft Exchange email service before the work can

commence on the Identity Management upgrade. This could not have been foreseen – in previous installations in other organisations it has been possible to do this as one exercise, however Microsoft have removed their support for this process and thus we would have placed the upgrade at risk should we have proceeded without undertaking this extra work ourselves. The revised completion date is now February. This has a knock-on impact on our plans to formally launch Office 365 and we will use this extra time to enhance our arrangements for Office 365. Whilst this delay is disappointing, we are taking a pragmatic approach, thus mitigating risk. I am confident that we will use the extra time to enhance our overall digital delivery programme.

- The commencement of work on the Financial Procedures Manual has been delayed due to the recognition that a substantive review was required of the Financial Regulations, which set the context for the Finance Manual. The Financial Regulations have been reviewed by the Finance and General Purposes Committee and are on the November agenda for final approval. Both senior managers within the Finance team have identified priority areas for review of procedures and this work will commence in earnest in the last quarter of this calendar year. The priority areas are procurement and purchasing, and fixed assets.
- We did not manage to fully document our annual accounts timetable however work has progressed very well and I am very pleased with the progress made. I have no concerns to highlight to the Committee.

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:

N/A

For publication ☐

For publication with redactions
☒

Not for publication ☐

Internal and External Audit Recommendations - Progress

12 November 2019

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Borders College Internal Audit Monitoring Action Plan

12 November 2019

AUDIT YEAR	REPORT	RECOMMENDATION	GRADE	RESPONSIBLE PERSON	DUE DATE AGREED WITH AUDIT	STATUS	OUTSTANDING ACTIONS NOVEMBER 2019	OUTSTANDING ACTIONS AUGUST 2019	REVISED DATE
2019	Payroll	We recommend that the college considers the possibility of implementng a digital timesheet processing system	Medium	Head of HR and Development	31/08/2019	B	Programme and timetable has now been agreed. Recommend closing this action	A paper has been prepared for SLT regarding the processing issues arising from this proposed system development. It is recommended that software improvements are required and should be explored before proposing an implementation plan. Electronic travel expenses processing will be introduced now. SLT have agreed this approach.	31/10/2019
2019	IT systems	We recommend that the College puts stronger controls in place and looks at locking down all forms of removable, and cloud-based storage that is not required to be accessed. Controls could be put in place by utilising Group Policy to lock down removable media and web filtering software to block access to cloud storage systems.	High	Head of ISLT	31/08/2019	A	Identity Management Upgrade has become more complex. On initiation of the project our contractor identified that a previously available work around for the upgrade of Exchange 2010 had been discontinued by Microsoft. This has added additional work to the ISLT team who now need to upgrade our current system to Exchange 2016 which is a six week long job. This has required rescheduling of the Identity Management upgrade to February 2019. We had previously wanted to do this during a period of holidays to minimise risk of disruption however we have been assured by our contractor that the risk of disruption is minimal.	Reiterated to staff the need to contact ISLT to obtain an encrypted drive. ISLT is working to implement a new Identity Management System along with integration to Office 365 for staff email and file storage. Once complete (delayed due to procurement and now planned for October) we can promote Office 365's One Drive functionality reducing the requirement for removable drives. This will not eliminate the risk and SLT have supported a hard line on this. We will consider the option of locking all USB ports on user devices.	30/11/2019
		We also recommend that the College look to monitor Office 365 for sensitive data across the Office 365 suite utilising the built-in technology that comes with Office 365.							
		We also recommend that the College investigate looking at software to monitor for Sensitive/ Personal/ confidential information for example Zonefox.				B	We have discussed this but have considered that the costs of implementation outweigh the benefits and the risks to be mitigated.	We will discuss options for this with our Data Protection Officer.	
2019	IT systems	We recommend that the College implement a system that can protect all networks from accessing inappropriate websites and can protect against known bad websites and malware.	High	Head of ISLT	31/08/2019	A	Web filtering installation is complete. The implementation took slightly longer than anticipated due to additional work in relation to separation of BC Eduroam. The system is not yet fully configured. It will be complete by end November	Our current web filtering solution provides this functionality however only for the wired and staff wireless network (this was testing during our recent Cyber Essentials Plus accreditation). This will also be a requirement for any new solution we implement. We are currently waiting on submissions from a tender exercise to identify the preferred solution for our full network. This is planned for installation (Subject to funding) in October	30/11/2019
2019	IT systems	We recommend hat patching strategies are put in place to ensure that applications and operating systems are updated in a timely fashion when fixes are released.	Medium	Head of ISLT	30/06/2019	B	Patching strategy is now in place. Recommend closing this item	All our servers are fully updated in relation to security patches and bug fixes and have achieved Cyber Essentials Plus Accreditation (in August). We are currently developing an automated patching solution to ensure we make remain compliant for Cyber Essentials Plus.	30/09/2019
2019	IT systems	We recommend that the College implement a disaster recovery testing process and all testing is documented. Any issues found that would affect the IT DR Plan should feedback into the IT DR Plan.	Medium	Head of ISLT	31/10/2019	B	Completed	Formal disaster recovery documentation and testing schedule to be implemented by end of September	
2019	IT systems	We recommend that the College update the IT Disaster Recovery Plan and test to make sure that the IT Systems can be brought online in the event of a disaster	Low	Head of ISLT	30/09/2019	G	Completion of this has interdependencies with other aspects of the ISLT action plan such as identity management. We therefore took a conscious decision to shift deadline to coincide with Identity Management upgrade.	Formal disaster recovery documentation and testing schedule to be implemented by end of September	28/02/2020
				VP Finance and Corporate Services	31/10/2019	G		This work will be undertaken through the Wider Leadership Team by at the latest end November	30/11/2019
2018	BUDGETARY CONTROL	Financial Procedures Manual - We recommend that the College continue to update the Financial Procedures Manual and hold the workshop at planned in May 2019	Low	VP Finance and Corporate Services	31/07/2018	A	The Financial Regulations were provided to the Finance and General Purposes Committee in October and a range of changes were made by a sub group. These will go back to the Committee for approval in November 2019. The review of procedures can commence thereafter. The Financial Controller has resigned and alternative management arrangements will be put in place by early December.	The workshop was held as planned. A proposal for changed processes in procurement and purchasing will be presented to the Finance and GP committee in October. Operational changes in purchasing have been implemented. The Financial Regulations have been reviewed and required significant change, which will be presented to the F&GP Committee for approval in October. The review of the manual could not commence until this has completed and will be taken forward by the new senior finance team. Progress will be reported to the F&GP committee as part of the regular Business Review paper.	31/03/2020

Borders College External Audit Monitoring Action Plan

12 November 2019

AUDIT YEAR	TOPIC	RECOMMENDATION	GRADE	RESPONSIBLE PERSON	DUE DATE AGREED WITH AUDIT	STATUS	OUTSTANDING ACTIONS NOVEMBER 2019	OUTSTANDING ACTIONS JULY 2019	REVISED DATE
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	Financial Controller / Finance Business Partner	30/06/2019	G	Whilst a timetable was in place it did not fully cover all aspects of the annual report and financial statements. This was largely due to the newness of the financial controller. However the majority of preparatory work was completed prior to the auditors being on site, a significant improvement on last year. A detailed timetable for future years will be prepared taking account of experience this year	A mock set of accounts has been prepared and identified some issues for discussion with the auditors. We have filled both of our two senior posts. In the interim the FBP is compiling the timetable. An interim visit took place as planned in August. We have received details of information required from us but we await confirmation of the audit dates for October.	30/11/2019
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 Resources	31/07/2019	B	Part of this asset has been approved for sale at a value of £85k. We have been advised of two interested parties relating to the remained of the site. Our advisors have indicated that the remaining part of the site should be considered to have a commercial value of £500k. The current book value is £585k therefore the gross costs are comparable. There will be some costs for selling although it is anticipated that the purchaser(s) will be liable for any costs of meeting planning conditions and / or demolition of existing buildings. This has been noted as a post balance sheet event. Recommend closing	We have engaged a consultant to prepare a new design brief and provide us with a basis for valuation in the 2019 accounts. We continue to market the property and have received one offer for part of the site.	31/07/2019
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	Finance Business Partner	31/05/2019	B	The FFR and financial planning paper has gone through various iterations with changes clearly reported. The Business Review paper has a new format which a front page which highlights changes. A significant amount of scenarios were planning, discussed with the Chairs Committee, and, where relevant, were included in the Financial Plan. Recommend closing this action	Scenario planning has been presented to the Chairs Committee in August. The FFR guidance requires submission by 30 September. The National FD group is sharing information to improve the consistency of approach across the sector. Close this item.	30/06/2019
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	B	This has been raised informally with the Global Director of IS who recalls Pete Smith discussing this with her and at the Campus Management Committee. She recalls this being acceptable although no evidence has been obtained. Recommend closing this item.	The HWU have confirmed that the current arrangements are acceptable. Close this item.	31/05/2019