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AUDIT COMMITTEE REPORT

Subject: Internal Audit Annual Report 2019-20	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: H Robertson Vice Principal – Finance & Corporate Services	**Date:** 16 September 2020

Purpose: To present for approval the annual report of the College Internal Audit service.

Linked to Strategic Goal: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland

Executive Summary:

The College's internal audit service is required to produce an annual report to the College on the activities of the service. The College Audit Committee should consider the report prior to submitting its own report to the Regional Board.

Wylie & Bisset, the College's internal auditors, carried out all of the work set out in their operational plan for 2019-20 and a copy of their annual report is attached. The auditors report that:-

> "We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.
>
> In our opinion Borders College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money.
>
> Our fieldwork was carried out between September 2019 and March 2020 and we have not undertaken any further internal audit assignments at the time of this report".

Recommendation:
Committee are invited to consider and approve the annual internal audit report.

Previous Committee Approvals:
n/a

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

Wylie+Bisset
Chartered Accountants, Business & Tax Advisers

BORDERS COLLEGE

Borders College

Internal Audit 2019/20

Annual Report

May 2020

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1. Introduction

The prime responsibility of the IAS is to provide the College's Board, via the Audit Committee, the Principal and other Senior Management of the College, with an objective assessment of the adequacy and effectiveness of management's internal control systems.

We conduct our activity within the overarching framework of the Institute of Internal Auditors, Definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing, together with the UK Public Sector Internal Audit Standards, first introduced in April 2013.

In line with these Standards, we have developed a robust quality assurance process to ensure that each of our activities and reports are of a high and consistent standard. Quality assurance activity includes interim reviews during the internal audit process and an extensive final review before reports are issued to clients and other stakeholders. We actively seek to improve the services we deliver through a programme of CPD, training, networking and engagement with internal peers, as well as by piloting new ways of working.

We had an extensive external assessment undertaken against these standards in October 2019. The assessment was undertaken by the Chartered Institute of Internal Auditors who concluded:

"We are pleased to report that the Wylie and Bisset LLP Internal Audit Department (IAD) fully meet all of the Standards, apart from a single Standard which the team partially conform with. The IAD conforms with the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. We found no aspects of non-conformance. This is an excellent result and represents a further improvement on the results of our 2017 exercise."

This Annual Report should be considered by the Audit Committee prior to the Committee submitting it's annual report to the Board.

A copy of this report requires to be submitted to the Scottish Funding Council not later than 31 December following the financial year end to which it relates.

2. Executive Summary

Overall Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion Borders College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money.

Our fieldwork was carried out between September 2019 and March 2020 and we have not undertaken any further internal audit assignments at the time of this report.

The overall findings and conclusion of each report are highlighted in Section 3. As can be seen from the summary in Section 3 all areas included in the Operational Plan for 2019/20 have been completed.

In forming our opinion, we have carried out the following work:

- A review and appraisal of financial and other controls operated by the College;
- A review of the established policies and procedures adopted by the College;
- An assessment of whether or not the internal controls are reliable as a basis for producing the financial accounts;
- A review of accounting and other information provided to management for decision making;
- Compliance and substantive audit testing where appropriate;
- A review of the College's procedures in place to promote and secure value for money.

The analysis of performance indicators for the internal audit work carried out in the year is included at section 5.

2. Executive Summary

Basis of Opinion

As the Head of Internal Audit at Borders College we are required to provide the Board with an opinion on the adequacy and effectiveness of the College's risk management, control and governance processes.

In giving our opinion it should be noted that assurance can never be absolute. The most that we can provide to the Board is reasonable assurance that there are no major weaknesses in the College's risk management, control and governance processes.

In assessing the level of assurance given, we have taken into account:

- All audits undertaken during the year ended 31 July 2020;
- Any follow-up action taken in respect of audits from previous periods;
- Any significant recommendations not accepted by management and the consequent risks;
- The effects of any significant changes in the College's objectives or systems;
- Matters arising from previous reports to the Board;
- Any limitations which may have been placed on the scope of internal audit;
- The extent to which resource constraints may impinge on the Head of Internal Audit's ability to meet the full audit needs of the College;
- What proportion of the College's audit need has been covered to date;
- The outcomes of our quality assurance processes.

3. Audit Findings

Summary of Work Undertaken

The following table summarises the audit work undertaken in 2019/20. The grading structure used in our reports can be found in Appendix A.

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
Credits	5	5	Complete	N/A	-	-	-
Educational Maintenance Allowance	2	2	Complete	N/A	-	-	-
Student Support Funds	2	2	Complete	N/A	-	-	-
Corporate Governance	3	3	Complete	Strong	-	-	-
Commercial Income	3	3	Complete	Strong	-	-	1
Income Collection & Credit Control	3	3	Complete	Strong	-	1	3
Information Governance	3	3	Complete	Strong	-	1	3
Follow Up Review	1	1	Complete	Substantial	1	1	2
Audit Management	2	2	N/A	N/A	N/A	N/A	N/A
Total	**24**	**24**			**1**	**3**	**9**

4. 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 previous financial year.

Area	High	Medium	Low	Total
Credits				
Average number of recommendations in similar audits	-	-	2	2
Recommendations at Borders College	-	-	-	-
Educational Maintenance Allowance				
Average number of recommendations in similar audits	-	-	1	1
Recommendations at Borders College	-	-	-	-
Student Support Funds				
Average number of recommendations in similar audits	-	1	-	1
Recommendations at Borders College	-	-	-	-
Summary				
Average number of recommendations in similar audits c/f	**-**	**1**	**3**	**4**
Recommendations at Borders College c/f	**-**	**-**	**-**	**-**

4. Benchmarking Cont'd

Area	High	Medium	Low	Total
Average number of recommendations in similar audits b/f	**-**	**1**	**3**	**4**
Recommendations at Borders College b/f	**-**	**-**	**-**	**-**
Corporate Governance				
Average number of recommendations in similar audits	-	-	1	1
Recommendations at Borders College	-	-	-	-
Income Collection & Credit Control				
Average number of recommendations in similar audits	-	1	2	3
Recommendations at Borders College	-	1	3	4
Information Governance				
Average number of recommendations in similar audits	-	2	1	3
Recommendations at Borders College	-	1	3	4
Summary				
Average number of recommendations in similar audits	**-**	**4**	**7**	**11**
Recommendations at Borders College	**-**	**2**	**6**	**8**

As highlighted above, Borders College has an overall lower number of recommendations in comparison with the Colleges it has been benchmarked against.

5. Key Performance Indicators

Analysis of Performance Indicators

Performance Indicator	Target	Actual
Internal audit days completed in line with agreed timetable and days allocation	100%	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%	100%
Draft reports issued within 10 working days of exit meeting or date of receipt of last piece of information	100%	100%
Management provide responses to draft reports within 15 days of receipt of draft reports	100%	75%*
Final reports issued within 5 days of receipt of management responses	100%	100%
Recommendations accepted by management	100%	100%
Draft annual internal audit report to be provided by 31 July each year	100%	100%
Attendance at Audit Committee meetings by a senior member of staff	100%	100%
Suitably experienced staff used on all assignments	100%	100%

*Management responses were not received within 15 days for the Income Collection & Credit Control and Information Governance reports. We do note that the reports were issued during the beginning of the Covid-19 lockdown.

Appendix A - 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 Board 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