

AUDIT COMMITTEE REPORT

Subject: Monitoring Internal & External Audit Follow-Up Report	Purpose: For Approval <input type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input checked="" type="checkbox"/>	
Prepared by: Hazel Robertson, VP Finance and Corporate Services	Date: 05 May 2022	
Purpose: To receive monitoring information on the status of implementation of audit action points.		
Linked to Strategic Ambition: Take a leading role in enabling an inclusive, resilient and sustainable Scotland Performance Measures: Recognise nationally as a progressive organisation		
Linked to Strategic Risk Register: 3b - Internal Financial Procedures New Risk Commentary:		
Executive Summary: <p>The attached report provides assurance as to the status of outstanding action points from internal audit and external audit. A continued focussed approach is demonstrated.</p> <p>Work on documenting and reviewing financial procedures is well advanced and I anticipate reviewing the Financial Regulations as part of this process, providing a more streamlined and accessible advice to guidance for managers. The test of the IT DR process is taking place during week commencing 8 May.</p> <p>After taking advice from the Finance Directors Network and Audit Scotland I have commissioned a valuation of the estates as part of this years accounts process. This will address the questions around valuation and impairment.</p> <p>Asset verification activities have been completed.</p>		
Recommendation: Members review and seek clarification of any aspect.		
Previous Committee Approvals: N/A		
For publication <input checked="" type="checkbox"/>	For publication with redactions <input type="checkbox"/>	Not for publication <input type="checkbox"/>

Review of Audit Action Plan - May 2022

The format of this report reflects the discussion at the last committee in relation to reporting on low risks and changes to timescales.

Requirements of a reporting process

The report is to provide assurance to the Committee that agreed actions are being implemented effectively and timeously.

The internal follow up action and monitoring approach should have regard to the priority rating applied by the auditors. Both internal and external audit will verify progress as part of their annual plans.

The Audit Committee should promptly pursue recommendations arising from audit reports and monitor their implementation.

Internal Audit system

Our internal auditors priority rating system is as follows.

Overall report conclusion:

Level	Description
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations
Substantial	Controls largely satisfactory, although some weaknesses identified, recommendations for improvement made
Weak	Controls unsatisfactory and major system 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

Action points prioritisation

High	Major weaknesses 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

Key points from Internal Audit action list

Significant Updates	Revised date and reason
IT Disaster Recovery testing. We are in a strong position on this as all servers have been migrated to the Cloud, significantly enhancing capacity and functionality around backups and DR. We have implemented O365 backups.	The test has been rescheduled for May due to a technical configuration issue with Datavita
Finance procedure manual. No material deficiencies in process have been identified through internal audit work. Many	No change. We are well progressed in this matter but

processes may not be able to change due to system deficiencies. We are prioritising an integrated replacement finance solution through the Digital Transformation Programme.	due to the very comprehensive nature of the the review we will not now complete the work until July 2022. The work will be well advanced for the audit review.
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External audit system

The external audit rating system is shown below:

Risk Rating
Significant deficiency
Other deficiency
Other observation

The monitoring report for external audit is attached.

Significant Updates	Revised date and reason
The asset verification work has been completed and evidenced.	Close this action
Asset valuation and impairment review – we have agreed to undertake a full valuation exercise.	Due for completion for this years accounts

Conclusion

The disaster recovery test is being carried out in May during term time so should provide assurance of our ability to recover from a complete loss of systems and data.

We are in a good position to anticipate significant progress on all the issues raised by external audit by the time of the 2022 audit, with a particular focus on the matters raised as significant deficiencies.

APPENDIX A

Internal Audit recommendations progress report

Borders College Internal Audit Monitoring Action Plan						05 May 2022		
AUDIT YEAR	REPORT	ORIGINAL RECOMMENDATION	GRADE	RESPONSIBLE PERSON	DUE DATE AGREED WITH AUDIT	STATUS	POSITION AS AT MAY 2022	REVISED DATE
2021	Value for Money	We recommend that the College develop a procedure document to outline the processes and procedures that should be adhered to when developing the Budget Control Spreadsheet.	Low	VP F&CS	31/03/2022	G	Procedure review will complete by July 2022	n/a
2019	IT SYSTEMS	We recommend that the College undertake testing of the IT Disaster Recovery Plan once staff members have returned to the College.	Low	Head of ISLT		A	Disaster recovery test could not take place at Easter 2022 due to configuration issue. Being undertaken early in May 2022.	31/05/2022
2018	Budgetary Control	Financial Procedures Manual - We recommend that following the upgrade to the finance system the College continue to review and update the finance procedures manual	Low	Finance Business Partner	31/07/2018	A	Procedure review will complete by July 2022	31/07/2022

APPENDIX B External audit recommendations progress report

Borders College External Audit Monitoring Action Plan

05 May 2022

REF	TOPIC	RECOMMENDATION	GRADE	RESPONSIBLE PERSON	DUE DATE AGREED WITH AUDIT	UPDATE at MAY 2022	STATUS
1	Revaluation reserve records	Asset registers should be updated to record and maintain the revaluation reserve balance against each individual asset where appropriate.	Other deficiency	Finance Business Partner	31/03/2022	This information is contained within the asset register. Will discuss further with audit to ensure records are adequate.	A
2	Asset Management controls	Management should perform a full review of the asset register to ensure that; Asset descriptions are specific and include location, quantity and make/model All assets listed on the register are still in use and can be physically verified Information is consistent with other registers held across the College Reconciliations and verification exercises should be performed at least annually to provide assurance over accuracy. Disposal controls and the established process should be reiterated to all staff and management should follow up on any disposals that cannot be mapped to the asset register.	Significant deficiency	Finance Business Partner	31/03/2022	Full review has been conducted and verification exercise undertaken, photographic proof obtained and improved tracking introduced.	B
3	Journal review	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.	Other deficiency	Finance Business Partner	31/03/2022	Journals process reviewed and strengthened. This is documented in the finance procedures manual.	B
4	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 also aid in sufficient time being allocated to ensure all disclosures are in line with best practice.	Other deficiency	Finance Business Partner	31/07/2022	This is in place. With two new staff last year there was not a full understanding of what was required. This is very clear now for the coming year end and no issues are expected.	B
5	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	Significant deficiency	Assistant Principal Finance	31/07/2022	After taking advice from the Finance Directors Group and Audit Scotland we have determined that we will undertake a full valuation in this year, as this is the only way we can demonstrate the fair value of assets to meet audit requirements.	A