

AUDIT COMMITTEE REPORT

Subject: Internal Audit Assignment – Follow-up Review	Purpose: For Approval <input checked="" type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input type="checkbox"/>	
Prepared by: Hazel Robertson, VP Finance and Corporate Services	Date: 05 May 2022	
Purpose: To present the findings of the Follow-up Review from April 2021.		
Linked to Strategic Ambition: Create high quality learning and training opportunities which are relevant, enabling and flexible Performance Measures: Delivery models are personalised focusing on individual & business need		
Linked to Strategic Risk Register: 3b - Internal Financial Procedures New Risk Commentary:		
Executive Summary: Attached report is provided by internal audit as part of the audit plan for 2022. For consideration by committee.		
Recommendation: Committee to consider and approve the report and management responses, with further actions as necessary.		
Previous Committee Approvals: N/A		
For publication <input checked="" type="checkbox"/>	For publication with redactions <input type="checkbox"/>	Not for publication <input type="checkbox"/>

Borders College

Internal Audit 2021/22

Follow Up Review

April 2022

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.

Purpose of Review

The purpose of the review was to assess whether the College has appropriately implemented the internal audit recommendations made in 2020/21 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 2021/22 Annual Internal Audit Plan for the College.

Scope of Review

Our objective for this review was 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.

Conclusion

Overall Conclusion: Strong

We can provide a strong level of assurance that the College has endeavoured to implement recommendations raised in prior years. This is highlighted as 6 of the 11 recommendations raised has been fully implemented and a further 1 have been partially implemented. At the time of our review 3 low grade recommendations are not yet due, and 1 low grade recommendation has been superseded.

Summary of Recommendations

Grading of Recommendations	High	Medium	Low	Total
Appendix A – Partially Implemented Recommendations	-	1	-	1
Appendix B – Superseded Recommendations	-	-	1	1
Appendix C – Not Yet Due Recommendations	-	-	3	3
Appendix D – Fully Implemented Recommendations	-	-	6	6
Total	-	1	10	11

Implementation of Recommendations

Summary of Implementation					
Audit Area	Total	Partially Implemented	Superseded	Not Yet Due	Fully Implemented
Purchasing & Procurement (January 2021)	2	-	-	-	2
Value For Money (June 2021)	1	-	-	1	-
VFM – Community/Leisure Courses (July 2021)	2	1	-	-	1
Follow Up Review 2020/21 (April 2021)	6	-	1	2	3
Total	11	1	1	3	6
Percentage of Total	100%	9%	9%	27%	55%

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	7 March 2022
Closing meeting	24 March 2022
Draft report issued	1 April 2022
Receipt of management responses	3 May 2022
Final report issued	4 May 2022
Audit Committee	12 May 2022
No of audit days	1

2 AUDIT ARRANGEMENTS

We detail below our staff who undertook the review together with the College staff who were key contacts during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
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Borders College			
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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

Course Coding, VFM – Community/Leisure Courses, July 2021

Original Finding

When considering and developing a Community/Leisure course, the College should ensure that all costs are considered such as staff costs for The Department of Enterprise and Business Innovation. The College should also consider if a specific profit margin should be met before the course is provided.

During our review, we found that there is no set profit margin to be met for Community/Leisure courses (ie 10/20%) and that one course was provided with a costed profit of £4.11. However, we do note that some Community/Leisure courses are provided for the first time expecting a small return with the expectation that they can lead to future courses with increased returns.

We also found that when costing courses, support staff costs for individuals are not included in the costing of individual courses. The College could consider this to be 10% of the costed income from the course. We do note that all support staff costs are considered within The Department of Enterprise and Business Innovation's budget as these are listed under one cost centre and not split between the various course types offered ie Community/Leisure.

There is the risk that the Community/Leisure courses are not providing value for money.

Original Recommendation

We recommend that the College review the course costing process for Community/Leisure courses taking into considering potential profit margins for courses and support staff costs for individual courses.

We also recommend that the College consider reviewing the use of one cost centre for The Department of Enterprise and Business Innovation and consider splitting the cost centres into the types of courses offered.

See next page

Partially Implemented Recommendations

Course Coding, VFM – Community/Leisure Courses, July 2021

Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
1	The College have changed their costing model to ensure that there is an increase in their profit margin. However, they have not yet considered the use of one cost centre for the Department of Enterprise and Business Innovation or splitting the cost centres into the types of courses offered	Medium	We recommend that the College consider the use of one cost centre for DoE and Business Innovation and look to split the cost centres into the types of courses offered.
Management Response		Responsibility and Implementation Date	
<p>The situation has been reviewed with the Director of EBI and the Assistant Principal Finance, and it has been agreed that splitting the cost centres will not in itself meet the requirements to identify the profit margin, without at the same time introducing a significant cost apportionment exercise which would not be a best value approach.</p> <p>Profit margins are identified at course level through course costing spreadsheets. Courses for concern are identified using a consistent approach in curriculum and enterprise areas. Non profitable courses would be stopped.</p> <p>Information on income for different types of courses is obtained through the detail codes on the finance system and is reported to the F&GP Committee.</p> <p>This recommendation has been superseded by other supporting documentation and processes.</p>		<p><i>Responsible Officer:</i></p> <p><i>Implementation Date:</i></p> <p><i>No further action required.</i></p>	

Appendix B

Superseded Recommendations

Superseded Recommendations

Data Protection Champions, Information Governance, March 2020

Original Finding

The College aim to ensure that there is an individual within every department to provide initial support to the department on any data protection issues. The College created Data Protection Champions as such a support role. The Data Protection Champions are not to act as “mini Data Protection Officers”.

During our review, we found that Data Protection Champions were being asked to undertake tasks that were outwith their role, such as data protection breach investigations and that they were being held accountable for data protection issues within their department. We do note that the College are aware of this issue and are planning to hold a staff meeting in April 2020 to clearly define the roles, responsibilities and title of the Data Protection Champions.

There is the risk that the Data Protection Champions may be requested to undertake tasks normally out with their remit.

Original Recommendation

We recommend that the role of the Data Protection Champion should be clearly defined and recirculated to staff members.

Recommendation from our 2020/21 Follow Up

The College's Data Protection Champion role has been clearly defined and a new job role was created and approved by the Senior Leadership Team in March 2021. We also note that training was provided which covered the Data Protection Champion role. However, we note that the College have not re-launched the roles and remit of the Data Protection Champions to staff members.

Finding from our 2020/21 Follow Up

We recommend that the College ensure the role out of the new roles and remit of the Data Protection Champions is completed.

Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
1	The College have reviewed this recommendation and have decided not to pursue it. This was agreed by the Audit Committee.	Low	No further action required.

Appendix C

Not Yet Due Recommendations

Not Yet Due Recommendations

Policy & Procedure – Annual Institutional Efficiency Return, Value For Money, June 2021

Original Finding

The College has developed a detailed Budget Control Spreadsheet that outlines the savings and changes from the base budget and highlights the savings targets and how they were translated into the budget.

During our review, we were informed that while the Budget Control Spreadsheet was developed, there is no formal procedure document in place to highlight the process for this be developed, maintained and completed annually.

The risk to the College is that members of staff may not be aware of the process they have to follow setting, monitoring and reporting savings targets.

Original Recommendation

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.

Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
1	The College will implement their Budget Control Spreadsheet as part of a wider Financial Procedures and Systems review. This deadline has been extended by the Board until May 2022.	Low	We recommend that the College complete the recommendation by the due date.

Management Response	Responsibility and Implementation Date
Budget setting process has commenced and the budget control document for 2022/23 has been shared with SLT for feedback and comment. This process is on track for completion by end May	<i>Responsible Officer: Assistant Principal Finance</i> <i>Implementation Date: May 2022</i>

Not Yet Due Recommendations

Financial Procedures Manual, Budgetary & Financial Controls, April 2018, Follow Up Review, March 2020

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.

Finding from our 2018/19 Follow Up

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.

Recommendation from our 2018/19 Follow Up

We recommend that the College continue to update the Financial Procedures Manual and hold the workshop as planned in May 2019.

Finding from our 2019/20 Follow Up

The College held their workshop in May 2019. However, the College has yet to update the Financial Procedures. This is due to a change in personnel. The College's Finance Business Partner joined in August 2019 and has been tasked with updating the Financial Procedures. This will begin following the update to the College's finance system due in March 2020.

Recommendation from our 2019/20 Follow Up

We recommend that following the update to the finance system, the College review and update their Finance Procedure Manual.

Finding from our 2020/21 Follow Up

The College is planning a full review of the Finance Procedures Manual with W&B undertaking a further review to confirm the effectiveness of the Finance Procedures Manual.

Recommendation from our 2020/21 Follow Up

We recommend that the College undertake the full review and update of the Finance Procedures Manual.

See next page

Not Yet Due Recommendations

Financial Procedures Manual, Budgetary & Financial Controls, April 2018, Follow Up Review, March 2020			
Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
2	The College will update their Finance Procedure Manual as part of a wider Financial Procedures and Systems review. This deadline has been extended by the Board until May 2022.	Low	We recommend that the College undertake the full review and update of the Finance Procedures Manual.
Management Response			Responsibility and Implementation Date
This review is well underway although needs also to be considered alongside a review of the Financial Regulations. In order to coordinate both activities, the completion date will be to have the changes in the Regulations reported to the Board in June 2022			<i>Responsible Officer: Assistant Principal Finance</i> <i>Implementation Date: June 2022</i>

Not Yet Due Recommendations

IT Disaster Recovery Plan, IT Systems, April 2019, Follow Up Review, March 2020

Original Finding

An IT Disaster Recovery Plan (DR Plan) can help to keep the IT Systems running in the event of a disaster. A plan sets out, but is not limited to, who does what and what happens in different scenarios. A Disaster Recovery Plan forms part of the Business Continuity Plan as this helps the IT Department know what systems must be brought back up first in the event of a disaster.

During our review with IT Staff, we found that the IT DR Plan was still in draft and had not been updated since changes were made to IT Systems within the College.

Original Recommendation

We recommend that the College update the plan and test to make sure that the IT Systems can be brought online in the event of a disaster.

Finding from our 2019/20 Follow Up

The College have updated their Disaster Recovery Plan, however, are yet to include processes for an event in which the whole IT System is brought down. The Head of IT has been in discussions with the Vice Principal to conduct testing over Summer 2020 and develop an appropriate plan to ensure that systems are prioritised appropriately.

Recommendation from our 2019/20 Follow Up

We recommend that the College complete the required tests over Summer 2020 and update their Disaster Recovery Plan accordingly.

Recommendation from our 2020/21 Follow Up

The College are waiting for staff members to return to campus before completing testing of the IT Disaster Recovery Plan.

Finding from our 2020/21 Follow Up

We recommend that the College undertake testing of the IT Disaster Recovery Plan once staff members have returned to the College.

See next page

Not Yet Due Recommendations

IT Disaster Recovery Plan, IT Systems, April 2019, Follow Up Review, March 2020			
Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
3	The College are waiting until the Easter Holiday to undertake the testing to minimise disruption to students' classes. This was approved by the Audit Committee.	Low	We recommend that the College undertake testing of the IT Disaster Recovery Plan once staff members have returned to the College.
Management Response		Responsibility and Implementation Date	
This activity was not able to take place in the Easter holiday as it was discovered during the process that there was a configuration issue in the backup service. This reinforces the need for a full test. This configuration issue has now been resolved and the failover test is planned for 3 May.		<i>Responsible Officer: Head of ISLT</i> <i>Implementation Date: May 2022</i>	

Appendix D

Fully Implemented Recommendations

Fully Implemented Recommendations

Course Budget v Actual & Reporting, VFM – Community/Leisure Courses, July 2021

Original Finding

Prior to providing a Community/Leisure course, the College undertake a budgeting exercise to ensure that the course is viable.

During our review, we found that the College do not undertake an analysis of the budgeted outcome against actual costs/income of the course upon its completion.

In prior years, the Department also provided an annual report outlining the performance against budget for the Department, however, this was last undertaken in 2019/20.

There is the risk that the Community/Leisure courses are not providing the return expected by the College.

Original Recommendation

We recommend that the College complete a review of the budgeted income/expenditure of courses against the actual income/expenditure upon completion of the course.

We also recommend that the Department provide an annual report outline performance against budget.

Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
1	The College have completed a review of the budgeted income/expenditure of courses against the actual income/expenditure upon completion of the course. The College report monthly to each department to ensure that financial forecasts and budgetary targets are monitored.	Medium	No further action required.

Fully Implemented Recommendations

Portfolios Commercial Income Target, Commercial Income, January 2020

Original Finding

We spoke with two Assistant Principals during our review. It was noted that the Assistant Principals can arrange commercial courses and are responsible for bringing in commercial income were possible.

During our discussions, it was highlighted by one of the Assistant Principals that they do not have an annual target for commercial income and that they believe that this would help focus them and their team to drive commercial income within their faculty.

There is the risk that faculties do not strive to achieve high levels of commercial income

Original Recommendation

We recommend that the College set commercial income targets for all faculties and that is monitored and reported on throughout the year.

Finding from our 2020/21 Follow Up

The College's budget has been impacted due to Covid-19 and the 2021/2022 budget is scheduled to be reviewed in July 2021 where commercial targets will be reviewed.

Recommendation from our 2020/21 Follow Up

We reiterate our original recommendation.

Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
2	The College has implemented commercial income targets that reflect previous trends and is monitored through the Management Accounts.	Low	No further action required.

Fully Implemented Recommendations

Freedom of Information: Policy/Procedure, Information Governance, March 2020

Original Finding

The College were able to evidence compliance with the Freedom of Information (FOI) legislation and we were provided with a copy of the FOI guide and FOI Procedure for review.

During our review, we found that the FOI Procedure has not been updated to reflect the change in personnel for the Vice Principal: Finance & Corporate Services. The Procedure refers to “he” rather than “she. The College could consider gender neutral language such as “they” to resolve any future change in the role.

We were also unable to confirm the last review date of the College’s Model Publication Scheme. We do note that the current Scheme reflects current practice within the College.

We also found that the link on the College’s public facing website for FOI “requests made for information under the Freedom of Information from January 2018” does not work.

There is the risk that the College are not reviewing and maintaining their FOI documentation.

Original Recommendation

We recommend that the College review the Freedom of Information Procedure and update this were required. The College could consider gender neutral language such as “they” to resolve any future change in the role.

We also recommend that the College document its review dates for its Model Publication Scheme.

We also recommend that the College review the link on their website for Freedom of Information to ensure this is active and is working as required.

Finding from our 2020/21 Follow Up

The College is scheduled to update the Freedom of Information Procedure in May 2021.

Recommendation from our 2020/21 Follow Up

We reiterate our original recommendation.

See next page

Fully Implemented Recommendations

Freedom of Information: Policy/Procedure, Information Governance, March 2020 (cont'd)

Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
3	The College have reviewed and updated their Freedom of Information Policy and Procedure.	Low	No further action required.

Fully Implemented Recommendations

Data Retention/Destruction Policy and Procedure, Information Governance, March 2020

Original Finding

The College should have a Data Retention Policy and Procedure. The Policy and Procedure should detail the personal data held by the College, their retention period and the procedures for destroying data outwith its retention period.

During our review, we found that the College's Data Retention Policy & Procedure was currently in draft format and has yet to be fully implemented and approved by the Board.

There is the risk that there is no clear guidance for staff members on data retention and data destruction.

Original Recommendation

We recommend that the College complete the Data Retention Policy and Procedure and that is reviewed and approved by the Board.

Finding from our 2020/21 Follow Up

The College is scheduled to update the Data Retention Policy and Procedure in May 2021.

Recommendation from our 2020/21 Follow Up

We reiterate our original recommendation.

Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
4	The College have reviewed and updated the Data Retention Policy and Procedure in May 2021.	Low	No further action required.

Fully Implemented Recommendations

Green Order – Purchase Orders Process, Purchasing & Procurement, January 2021

Original Finding

The purpose of a single use purchase order is to keep track of a single order from a supplier until all items have been received from that order.

During our review, it was highlighted the correct process was not being followed by members of staff. Through our sample test of green orders, we noted one purchase order was raised on the day the invoice had been received.

There is the risk that the invoices are received unexpectedly by the College.

Original Recommendation

We recommend that the College ensures the correct process is followed when processing purchase orders for its green orders.

Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
5	The College have reinforced the correct process for processing purchase order for green orders. The College have also introduced KPIs to ensure that the correct procedure is continuing to be followed.	Low	No further action required.

Fully Implemented Recommendations

Single Source Justification – Financial Regulations, Purchasing & Procurement, January 2021

Original Finding

A strong procurement process is key to the financial efficiency of any business.

During our review, we noted that along with acquiring goods and services via a competitive tendering process, the College can follow the Single/Sole Source Justification (SSJ) process. This process can be followed in exceptional circumstances, such as the urgency to engage for good and services and/or of a specialist nature.

This route allows the College to save time and engage with the supplier as soon as possible. However, this process is not highlighted within the College's Financial Regulations.

There is the risk that if the Financial Regulation's do not contain all relevant information, then full compliance will not be achieved, and effective procurement could be compromised.

Original Recommendation

We recommend that the College update the Financial Regulation's to include the Single Source Justification process.

Ref	Finding from our 2021/22 Follow Up	Grade	Recommendation
6	The College have updated their Financial Regulations, which now includes the Single Source Justification process.	Low	No further action required.

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

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 Risk

The potential key risk associated with the area under review is:

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