

# AUDIT COMMITTEE REPORT

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|--|---|
| <b>Subject:</b> Monitoring Internal & External Audit recommendations         | <b>Purpose:</b><br><b>For Approval</b> <input type="checkbox"/><br><b>For Discussion</b> <input type="checkbox"/><br><b>For Information</b> <input checked="" type="checkbox"/> |
| <b>Prepared by:</b> Kirsty Robb, Vice Principal Finance & Corporate Services | <b>Date of Committee:</b> 9 <sup>th</sup> February 2023   |

**Purpose:** To update the Committee on the status of implementation of the audit recommendations and highlight any Data Protection issues arising during the year.

## Executive Summary:

This report provides the Audit Committee with assurance as to the status of the outstanding recommendations from both Internal and External Audit. Also included is a summary of data breaches which have occurred during the academic year and the actions to reduce the risk of further occurrence.

The table below gives a summary of the status of recommendations with a full detailed list is contained in Appendix 1.

|                   | Internal audit |     |     | External audit         |                  |                   | DP breach | TOTAL |
|-------------------|----------------|-----|-----|------------------------|------------------|-------------------|-----------|-------|
|                   | High           | Med | Low | Significant Deficiency | Other Deficiency | Other Observation |           |       |
| Closed            |                |     | 4   | 1                      | 2                | 2                 | 3         | 12    |
| On track          |                |     | 2   | 1                      | 1                | 4                 |           | 8     |
| Revised deadline  |                | 1   | 3   |                        | 2                |                   |           | 6     |
| Overdue / concern |                |     |     |                        |                  |                   |           | 0     |
| <b>TOTAL</b>      | 0              | 1   | 9   | 2                      | 5                | 6                 | 3         | 26    |

## Key items:

### Data Breaches

There have been three data breaches in the current academic year. Two of these relate to email etiquette. Staff and managers involved have been reminded of the GDPR requirements and monitoring is undertaken to ensure all staff have undertaken the required training modules.

The other breach was a manual error in addressing mail. The process used to reviewed and has now been automated to reduce the risk of human error in manual keying of mail.

**Internal Audit**

Due to staffing resources and changes to key senior staff, four of the internal audit recommendations have not fully met the previously agreed due date. The table below details these with the revised due dates for each

| Recommendation  | Original due date | Revised Due date | Progress  |
|---|-------------------|------------------|---|
| <b>Finance Procedures Manual</b><br>We recommend that the College undertake the full review and update of the Finance Procedures Manual.  | 31/7/22           | 30/4/23          | Review 80% complete   |
| <b>Budgeting &amp; Financial Reporting</b><br>We recommend that the College provide training to Budget Holders. The training should provide Budget Holders with information on: Their role and responsibilities; How to understand the financial information; and the budget setting and monitoring process.  | 30/9/22           | 30/6/23          | Budget planning process agreed to include budget holder sign off.         |
| <b>Budgeting &amp; Financial Reporting</b><br>We recommend that the College speak with Budget Holders to highlight the reporting arrangements in place for their budgets. We also recommend that the College look to implement a meeting cycle with Budget Holders.   | 30/9/22           | 30/6/23          | Reporting cycle being developed to include regular budget holder meetings |
| <b>Finance Procedures Manual</b><br>We recommend that the College update the Finance Procedures Manual to include a section on responsibilities. We also recommend that the content of the Manual is updated to include reference to the specific job roles responsible for processing the area identified rather than reference to the Finance Department. | 30/9/22           | 30/4/23          | Review 80% complete   |

**External Audit**

Due to staffing resources and changes to key senior staff, two of the external audit recommendations have not fully met the agreed due date. The table below details these with the revised due dates for each.

| Recommendation  | Original due date | Revised Due date | Progress                                      |
|---|-------------------|------------------|---|
| <b>Revaluation reserve records</b><br>Asset registers should be updated to record and maintain the revaluation reserve balance against each individual asset where appropriate. | 31/3/22           | 31/7/23          | Review underway and in discussion with Audit. |
| <b>Accruals</b><br>Management should undertake a detailed review of accruals in 2021/22 to ensure reasonable, relevant and supported accruals are recognised.                   | 30/11/22          | 31/05/23         | Process reviewed and guidance being finalised |

Discussions have been held with External Audit on a number of the recommendations to ensure actions are taken forward within the agreed dates and in agreement. This will ensure recommendations can be fully closed off prior to the commencement of the 2022/23 annual accounts process.

**Questions that Members should ask themselves when reading the paper:**

Has sufficient progress been made on the actions for each recommendation.

**Linked to Strategic Ambition(s):**

**Create high quality learning and training opportunities which are relevant, enabling and flexible**

Choose an item.

**Performance Measures:**

Recognise nationally as a progressive organisation

Choose an item.

**Linked to Strategic Risk Register:**

3b - Internal Financial Procedures

Choose an item.

**Recommendation:**

It is recommended the Committee note the progress on the individual recommendations and the revised dates for 6 of the recommendations.

**Previous Committee Approvals:**

For publication ☒

Not for publication ☐

If not, why not?

| <b>Borders College DP Breach Action Plan 09 February 2023</b>      |                      |  |  |                 |               |  |
|--|----------------------|--|--|-----------------|---------------|--|
| B= Closed, G = On track, A = revised timeline, R = Overdue/concern |                      |  |  |                 |               |  |
| <b>AUDIT YEAR</b>  | <b>TOPIC</b>         | <b>RECOMMENDATION</b>  | <b>RESPONSIBLE PERSON</b>                      | <b>DUE DATE</b> | <b>STATUS</b> | <b>Updates/comments</b>  |
| 2022   | Email etiquette      | Ensure mandatory training completed and responsibilities reinforced to all staff   | Director IT & Digital/Director People Services | 31/12/2022      | B             | <b>February 2023</b><br>Monitoring in place of training modules and managers provided with information on regular basis. Information and Data protection to be added to management development scheduled events. Action complete |
| 2022   | Email etiquette      | Ensure mandatory training completed and responsibilities reinforced to all staff. Review of how data shared to be undertaken | Director IT & Digital/Director People Services | 31/12/2022      | B             | <b>February 2023</b><br>Monitoring in place of training modules and managers provided with information on regular basis. Information and Data protection to be added to management development scheduled events. Action complete |
| 2022   | Correspondence error | To review process for all HR postal communication. Look to automate where possible to reduce possibility of human error      | Director of People Services                    | 31/01/2023      | B             | <b>February 2023</b><br>Process in place to use automated (mail merge) where possible and/or a second individual checks data prior to posting. In general almost all communication from the department is done through email.    |

## Borders College Internal Audit Monitoring Action Plan

09 February 2023

B= Closed, G = On track, A = revised timeline, R = Overdue/concern

| AUDIT YEAR | REPORT                            | ORIGINAL RECOMMENDATION   | GRADE  | RESPONSIBLE PERSON                | DUE DATE AGREED WITH AUDIT | STATUS | Updates/comments   | REVISED DATE |
|------------|-----------------------------------|---|--------|-----------------------------------|----------------------------|--------|--|--------------|
| 2018       | Finance procedures manual         | We recommend that the College undertake the full review and update of the Finance Procedures Manual.  | Low    | VP F&CS                           | 31/07/2022                 | A      | <b>May 2022</b><br>Procedure review will be complete by July 2022. Revised deadline agreed 31/7/22.<br><b>February 2023</b><br>Procedure manual review underway, 80% complete - due to change in finance staff, revised timeline proposed  | 30/04/2023   |
| 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    | Director of IT & Digital          | 31/05/2022                 | B      | <b>May 2022</b><br>Disaster recovery test could not take place at Easter 2022 due to configuration issue. Being undertaken early in May 2022. Revised deadline agreed 31/05/22.<br><b>February 2023</b><br>Disaster recovery test successfully completed in June 2022. Action complete |              |
| 2021       | Annual efficiency return          | 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    | Director Finance & Procurement    | 31/05/2022                 | B      | <b>May 2022</b><br>Procedure review will be complete by July 2022.   |              |
| 2022       | Budgeting and Financial Reporting | We recommend that the College provide training to Budget Holders. The training should provide Budget Holders with information on: Their role and responsibilities; How to understand the financial information; and The budget setting and monitoring process.  | Medium | Director Finance & Procurement    | 30/09/2022                 | A      | <b>February 2023</b><br>As a result of a change in finance staff, this will be picked up as part of the budget setting process, revised timeline proposed  | 30/06/2023   |
| 2022       | Budgeting and Financial Reporting | We recommend that the College speak with Budget Holders to highlight the reporting arrangements in place for their budgets. We also recommend that the College look to implement a meeting cycle with Budget Holders.   | Low    | Director of Finance & Procurement | 30/09/2022                 | A      | <b>February 2023</b><br>Reporting and meeting cycle is being developed as part of the 23-24 budget setting process, revised timeline proposed  | 30/06/2023   |
| 2022       | Procedures Manual                 | We recommend that the College update the Finance Procedures Manual to include a section on responsibilities. We also recommend that the content of the Manual is updated to include reference to the specific job roles responsible for processing the area identified rather than reference to the Finance Department.         | Low    | Director of Finance & Procurement | 30/09/2022                 | A      | <b>February 2023</b><br>Procedure manual review underway, 80% complete - due to change in finance staff, revised timeline proposed   | 30/04/2023   |
| 2022       | IT systems                        | We recommend that the Change Management Policy document be updated to include the process by which a change is made to the servers residing in the DataVita Data Centre. Changes to the server specification could come at a cost to the college, giving even more reason to include this change process as part of the policy. | Low    | Director of IT & Digital          | 30/08/2022                 | B      | <b>February 2023</b><br>The new Change Management process for the college which will include any server changes (configurations, software updates) which went live on Monday 14th November with the launch of the new Halo Service Desk solution.                                      |              |

|      |                     |   |     |   |            |   |  |  |
|------|---------------------|---|-----|---|------------|---|--|--|
| 2022 | IT systems          | We recommend that the College consider strengthening their controls introducing further enhancements such as the frequency of the password change and the complexity of the password.   | Low | Director of IT & Digital                                | 31/05/2022 | B | <b>February 2023</b><br>Password complexity for staff and students increased. User now required to have minimum 12 characters and at least 1 Capital letter, 1 lower case, 1 number and 1 special character. Action considered complete. |  |
| 2022 | Complaints Handling | We recommend that the Complaints Log is kept up to date and the data contained is accurate. If a student continues to contact the College, staff should follow the Complaints Procedure and escalate the complaint to stage 2 if required.<br><br>We recommend that the Complaints Log is also updated to reflect the outcome of investigations, providing narrative as to why they have not been closed off. | Low | Assistant Principal - Articulation and Essential Skills | 03/04/2023 | G | <b>February 2023</b><br>In progress  |  |
| 2022 | Complaints Handling | We recommend that the College ensures that all complaints are completed within the required timeframes.   | Low | Assistant Principal - Articulation and Essential Skills | 31/03/2023 | G | <b>February 2023</b><br>In progress  |  |

## Borders College External Audit Monitoring Action Plan

09 February 2023

B= Closed, G = On track, A = revised timeline, R = Overdue/concern

| Audit Year | TOPIC                        | RECOMMENDATION  | GRADE                  | RESPONSIBLE PERSON             | DUE DATE AGREED WITH AUDIT | STATUS | Updates/comments   | REVISED DATE |
|------------|------------------------------|---|------------------------|--------------------------------|----------------------------|--------|--|--------------|
| 2017/18    | 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                 | B      | <b>January 2022</b><br>All journals are reviewed and signed. It remains our plan to review procedures by end March.<br><b>May 2022</b><br>Journals process reviewed and strengthened. This is documented in the finance procedures manual. <b>Action complete</b>  |              |
| 2018/19    | 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                 | B      | <b>January 2022</b><br>Significant work has been undertaken on the asset register and matching with deferred capital grants. Asset controls are in place but have not been working effectively. They will be strengthened and a verification exercise if possible under hybrid working.<br><b>May 2022</b><br>Full review has been conducted and verification exercise undertaken, photographic proof obtained and improved tracking introduced. <b>Action Complete</b>  |              |
| 2018/19    | 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       | 31/07/2023                 | G      | <b>January 2022</b><br>The audit process was in our opinion significantly improved (quality and time) on last year and previous years. We will work to ensure that these issues will not recur into next year.<br><b>May 2022</b><br>This is in place. With 2 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.<br><b>February 2023</b><br>Timetable being developed to implement 30/6/23  |              |
| 2018/19    | 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 | Director Finance & Procurement | 31/07/2023                 | G      | <b>January 2022</b><br>The College is satisfied there is no indication of impairment, and no intention to dispose or acquire land and buildings. There is not consistency of approach across Scotland's Colleges, and this is being discussed with SFC and Audit.<br><b>May 2022</b><br>After taking advice from Finance Directors Group and Audit Scotland we have determined that we will undertake a full valuation in 2021/22, as this is the only way we can demonstrate the fair value of assets to meet audit requirements.<br><b>February 2023</b><br>Discussion held with Auditors and proposed to undertake formal revaluation every 5, initial thoughts would be to index annually. Reported to Audit Committee as part External Audit report Nov 2022. Further discussion held with Auditors around provision of assurance rather than requirement to index. |              |
| 2019/20    | 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                 | A      | <b>May 2022</b><br>Information is contained within the asset register. Will discuss further with audit to ensure records are adequate.<br><b>February 2023</b><br>Review underway of current information within asset register which will form the basis of discussion with Auditors.  | 31/07/2023   |
| 2020/21    | Accruals                     | Management should undertake a detailed review of accruals in 2021/22 to ensure reasonable, relevant and supported accruals are recognised.  | Other Deficiency       | Director Finance & Procurement | 30/11/2022                 | A      | <b>February 2023</b><br>Revised process agreed for the 2022/23 accruals. Revised guidance to be finalised on supporting documents requirements.  | 31/05/2023   |
| 2021/22    | Sufficient Audit Evidence    | Management should undertake a detailed review of all transactions and balances within the annual accounts to ensure only supported amounts are recognised.  | Other Observation      | Director Finance & Procurement | 31/07/2023                 | G      | <b>February 2023</b><br>Revised process agreed for the 2022/23 accruals and balances process with clear guidance on supporting documents.  |              |
| 2021/22    | Purchase order documentation | Procedures should be developed to include greater documentation for when variances are identified between the expenditure purchase order and invoice amount   | Other Observation      | Director Finance & Procurement | 31/07/2023                 | G      | <b>February 2023</b><br>In progress  |              |

|         |   |   |                   |                                |            |   |  |  |
|---------|---|---|-------------------|--------------------------------|------------|---|--|--|
| 2021/22 | Communication of changes to voluntary severance schemes | We recommend that contingency planning is undertaken to ensure all documentation and correspondence with SFC in relation to voluntary severance schemes can be accessed and is retained, even when a key member of the team leaves the College. | Other Observation | Director of People Services    | 31/12/2022 | B | <b>February 2023</b><br>Process of documentation and correspondence with SFC reviewed and revised and centralised within People Services Department. Procedure note completed. Action closed   |  |
| 2021/22 | Journals posted with no description                     | While our audit work did not identify any indications of incorrect or fraudulent journal postings, we recommend that the College reviews their journal processes to ensure journals cannot be posted without descriptions.                      | Other Deficiency  | Director Finance & Procurement | 31/12/2022 | B | <b>February 2023</b><br>Process has been reviewed and amended.   |  |
| 2021/22 | Remuneration report and accounts                        | We recommend that greater due care is taken when producing the Remuneration Report within the annual accounts, and a clear timetable is produced and observed to make accounts available in line with agreed and organised deadlines.           | Other Observation | Director Finance & Procurement | 31/07/2023 | G | <b>February 2023</b><br>In progress  |  |
| 2021/22 | Password Controls                                       | Management should ensure that a strong password policy is enforced.   | Other Observation | Director of IT & Digital       | 31/12/2022 | B | <b>February 2023</b><br>Password complexity for staff and students increased. User now required to have minimum 12 characters and at least 1 Capital letter, 1 lower case, 1 number and 1 special character. Action considered complete. |  |
| 2021/22 | Opening Balances Processes                              | Recommend that procedures for reversing the prior year closing balances from the i.e. codes should be reviewed to identify whether the level of manual intervention can be reduced  | Other Observation | Director Finance & Procurement | 31/07/2023 | G | <b>February 2023</b><br>In progress  |  |