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AUDIT COMMITTEE REPORT

BORDERS COLLEGE REGIONAL BOARD

Subject: Internal Audit Assignment – Value for Money	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Hazel Robertson, Vice Principal – Finance and Corporate Services	**Date:** 21 September 2021

Purpose:
To present the findings of the Value for Money audit.

Linked to Strategic Ambition: Take a leading role in enabling an inclusive, resilient and sustainable Scotland

Executive Summary:

The attached report details the work carried out through the review of the College's approach to savings and achieving value for money. The accuracy of the College's annual Statement of Efficiencies to the Scottish Funding Council was also reviewed. The report confirms a strong overall conclusion with one low level recommendation and five areas of good practice.

Recommendation:

That the Committee consider the findings of the report and approve the auditor's findings.

Previous Committee Approvals: n/a

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

Wylie+Bisset
Chartered Accountants, Business & Tax Advisers

Borders College

Internal Audit 2020-21

Value for Money
June 2021

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. Every sound system 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.

1 EXECUTIVE SUMMARY

Overview

Purpose of review

The purpose of this assignment was to review the College's approach to saving and achieving value for money. We also reviewed the accuracy of the College's annual Statement of Efficiencies to the Scottish Funding Council (SFC).

This review forms part of our 2020/21 Internal Audit Annual Plan.

Scope of review

Our objectives for this review were to ensure:

- The College has robust processes in place for the completion of the annual Statement of Efficiencies to the SFC and that the information provided to the SFC is in line with requirements.
- The figures recorded within the College's annual Statement of Efficiencies figures are accurate and correct.
- The College has appropriate arrangements in place for monitoring spend and saving monies.
- The College's savings target is realistic, and the College is meeting this target.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

1 EXECUTIVE SUMMARY

Background

Call for Information

The Scottish Funding Council (SFC) issued a Call for Information for a Financial Forecast Return (FFR) for the period 2019/20 to 2022/23.

The Institutional Efficiency Call for Information was issued by the Scottish Funding Council on February 7, 2020. The deadline was April 3, 2020.

The FFR guidance notes that the FFR is an "established part of SFC's financial health monitoring framework. The FFR, in providing financial projections over a four-year period (the current academic year and the following three years), is a key source of information in enabling SFC to monitor and assess the medium-term financial planning and health of institutions".

This required the College to plan and manage its activities to remain sustainable and financially viable. It was noted within the Vice Principal's (Finance & Corporate Services) Financial Forecast 2021/22 to 2022/23 report that the College take the necessary actions to balance the operating position, reflect the actions within the FFRs, and provide a full description of the financial plans in the FFR commentary.

Under the FFR, Colleges must prepare a balanced budget for 2020/21 and/or have a deliverable plan to reach a balanced budget over the forecast period.

Financial Forecast Return 2020/21

The College presented their FFR for 2020/21 to the Chairs Committee in June 2020 and subsequently submitted to the SFC for its 30 June 2020 deadline.

1 EXECUTIVE SUMMARY

When preparing the FFR, the College took a pessimistic budget approach to the Statement of Consolidated Income and Expenditure (SOCIE) following consideration of an optimistic approach, pessimistic approach and most pessimistic approach. The pessimistic approach anticipated savings of £772k to forecast a surplus of £67k for 2020/21. The College's FFR proposed the following:

	Current FFR	
Accounting Year	Forecast outturn	Required savings
2019/20	£218k deficit	£106k
2020/21	£67k surplus	£772k
2021/22	£120k surplus	£177k
2022/23	£78k surplus	£360k
4 year total savings		£1,415k

The College believed that by taking bold action in 2020/21, this will allow the College to achieve a surplus year on year on the SOCIE.

The College presented a Mid-Year Report to the Finance & General Purpose Committee in March 2021, that found that the savings of £772k had been realised. The report highlighted that it had been a very challenging financial year with significant savings to be achieved, even before the impact of Covid-19. The savings were highlighted in the following areas:

Savings Area	**Target**
Project Income	£100k
Redesign of Curriculum Management	£59k
Additional Grant Income Delivery	£178k
ISLT Reduction in Contractor Costs	£77k
Utilities Reduction	£65k
Growth in eLearning Covered by Income	£48k
Staff Restructure Cross College	£245
Total	**£772k**

The savings were confirmed during our review and the College.

1 EXECUTIVE SUMMARY

Work Undertaken

In line with our objectives, we undertook the following:

- The College has robust processes in place for the completion of the annual Statement of Efficiencies to the SFC and that the information provided to the SFC is in line with requirements.
  - We held discussions with the Vice Principal (Finance and Corporate Services) and the Assistant Principal (Finance) regarding the processes in place for completing the annual Statement of Efficiency.
  - We reviewed the Institutional Efficiency Call for Information from the SFC and ensured that the College adhered to this.
- The figures recorded within the College's annual Statement of Efficiencies figures are accurate and correct.
  - We reviewed the Institutional Efficiency Return 2019/20 and 2020/21 to ensure the information was correct.
  - We reviewed the paper presented to the College's Audit Committee, seeking approval of the Institutional Efficiency Return 2019/20 and the 2020/21 targets.
  - We reviewed the report presenting the 2020/21 savings targets
- The College has appropriate arrangements in place for monitoring spend and saving monies.
  - We reviewed the arrangements in place for monitoring spend and ensuring that the savings would be realised.
  - We reviewed the reporting arrangements in place including a review of:
    - The report presenting the 2020/21 savings targets to the Finance & General Purposes Committee.
    - The Mid-Year Review 2021 and ensured that the College was on track to meet the 2020/21 target.
- The College's savings target is realistic, and the College is meeting this target.
  - We reviewed the process in place at the College for setting the saving target for 2020/21 to ensure that this was realistic and based on sound judgements.
  - We reviewed the 2020/21 Efficiency Return to ensure that the target was met.

1 EXECUTIVE SUMMARY

Conclusion

Overall conclusion

Overall Conclusion: Strong

Following our review, we can provide a strong level of assurance over the College's approach to saving and achieving value for money. We can also provide a strong level of assurance over the College's annual Statement of Efficiencies. This is further highlighted as the College identified savings of £772k which was met for 2020/21. However, we have raised 1 low grade recommendation for improvement. Please see Section 2: Detailed Recommendations for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Value for Money	0	0	1	1

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.	
1.	The College was able to evidence that the information included within the Annual Statement of Efficiencies was accurate, correct and subject to a robust review process.
2.	While the SFC has confirmed that it is not looking for a report on the performance against the 2019/20 and the 2020/21 Efficiency Return to be submitted, the College have ensured that their return is drafted and ready for submission.
3.	The College has robust budget, control and monitoring arrangements in place to ensure that the efficiencies highlighted are achieved.
4.	The College acknowledged that a hard savings target of £772k had to be set for 2020/21 to allow the College to achieve a surplus year on year in the Statement of Consolidated Income and Expenditure (SOCIE). This further highlighted the strength of the College to identify, monitor and achieve the target savings noted.
5.	The College ensured that the relevant Committees were informed of the financial performance against the 2020/21 saving plan. In March 2021, the College provided the Finance & General Purpose Committee with a Mid-Year Review report that highlighted that the savings plan of £771k would be achieved.

2 DETAILED RECOMMENDATIONS

Policy & Procedure - Annual Institutional Efficiency Return.			
Ref.	Finding and Risk	Grade	Recommendation
1.	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.	**Low**	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.
Management response			Responsibility and implementation date
This will be compiled as part of the review of procedures due for completion by end March 2022.			*Responsible Officer:* Vice Principal (Finance and Corporate Services) *Implementation Date:* March 2022

3 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit Committee meeting.

Audit stage	Date
Fieldwork start	28 June 2021
Closing meeting	15 September 2021*
Draft report issued	16 September 2021
Receipt of management responses	17 September 2021
Final report issued	21 September 2021
Audit Committee	30 September 2021
Number of audit days	3

*Completion of the fieldwork was delayed due to staffing workload within the College.

4 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Manager	Scott McCready	Internal Audit Manager	scott.mccready@wyliebisset.com
Senior	Faisal Kayani	Internal Audit Senior	faisal.kayani@wyliebisset.com

Borders College			
Key Contacts:	Hazel Robertson	Vice Principal (Finance and Corporate Services)	hrobertson@borderscollege.ac.uk
	Andrew Kirkness	Assistant Principal (Finance)	akirkness@borderscollege.ac.uk
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.			

APPENDICES

A GRADING STRUCTURE

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.

A GRADING STRUCTURE

For each recommendation, we assign a grading either as High, Medium or Low priority depending on 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.

B ASSIGNMENT PLAN

Purpose of review

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Scope of review

Our objectives for this review are to ensure:

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- The figures recorded within the College's annual Statement of Efficiencies figures are accurate and correct.
- The College has appropriate arrangements in place for monitoring spend and saving monies.
- The College's savings target is realistic, and the College is meeting this target.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussions with key personnel over the arrangements in place for the completion of the annual Statement of Efficiencies to the SFC.
- Ensure that the information within the annual Statement of Efficiencies to the SFC is accurate and correct.
- Review of the arrangements in place for monitoring spend and savings at the College.
- Review of the savings target set by the College and ensure that the College have plans in place to ensure this is met.

Potential key risks

The potential key risks associated with the area under review are:

- That the College has inefficient processes in place for the completion of the annual Statement of Efficiencies to the SFC and that the information provided to the SFC is not in line with requirements.
- The figures recorded within the College's annual Statement of Efficiencies figures are incorrect.
- The College does not adequately monitor spend or its approach to saving money.
- The College’s savings target is not realistic and is unachievable.