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AUDIT COMMITTEE REPORT

BORDERS COLLEGE REGIONAL BOARD

Subject: Internal Audit Assignment – Value for Money Community/Leisure Courses	**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 Community/Leisure Courses 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 processes in place for community/leisure courses undertaken by the Department of Enterprise and Business Innovation (DEBI) and value for money. The report confirms a substantial overall conclusion with two medium level recommendations and nine 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For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐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

VFM - Community/Leisure Courses
July 2021

Overall Conclusion
Substantial

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The matters raised in this report came to our attention during 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 of greatest risk and significance.

1 EXECUTIVE SUMMARY

Overview

Purpose of review

The purpose of this assignment was to review the processes in place for community/leisure courses undertaken by the Department for Enterprise and Business Innovation to provide value for money to the College. Our review considered the return provided by the courses against the staff resources provided to ensure the courses are viable.

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 effective procedures and rationale in place for making the decision on what community/leisure courses are provided.
- The community/leisure courses are developed following a robust process that confirms courses are viable and deliver value to the College.
- The full cost of courses and staff members time are considered when making the decision to deliver courses.
- Courses are reviewed on completion to ensure that they delivered the value expected by the College.

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 limitation of scope.

1 EXECUTIVE SUMMARY

Background

Community Courses

The Department of Enterprise and Business Innovation works with employers to find business solutions and staff development opportunities. The Department focuses on assisting organisations to maximise their business potential through the development of their workforce.

The Business Skills Advisors (BSAs) provide all the administrative support for short courses, carry out the sales and marketing of courses and manage the bookings and enrolments as well as providing support to the lecturers. The Department is overseen by the Director of Enterprise and Business Innovation.

The Senior Business Skills Advisor manages the Business Skills Team and supports the administration of courses overseen by the Account Manager (Contracts and Procurement). The recruitment of lecturers and liaison is managed by the Account Manager (Vocational Qualifications and Commercial Delivery).

When a course has been identified via a marketing campaign or demand from the local community, the College will look to start the progress for developing the course. In line with the course creation procedure, the College will undertake the following:

- Discussions with the team to source lecturers for the course.
- The Co-ordinator would ensure an application form has been sent to new lecturers and a formal review and interview.
- The Co-ordinator would also ask the availability of current pool of lecturing staff.
- The Co-ordinator and BSA would ask the current availability of staff. Availability form is completed and checked against database.
- The Management Information System will require courses to be allocated, Finance will allocate fee and marketing will produce the programme in paper format.
- Costings will be carried out upon previous figures and including additional costs.
- Co-ordinator will check the current fee waiver from finance (Certified learning only).

Courses Offered

The Department of Enterprise and Business Innovation creates courses that target specific geographical areas within Scotland to increase awareness and course update.

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The community provision consists of certified courses such as Highers, National 4 and 5. The College also provide other courses such as Drama, Local History and Make Up.

Applications for the certified courses increased in 2020, but the College did struggle to increase the number of students enrolling for the non-certified courses and undertook a marketing campaign to address this.

Course Value

At the time of our review, the budgeted income v actual income for Community/Leisure courses for 2020/21 was:

	Budgeted Income	Actual Income	Difference
Certificated Learning 2020/21	£19,568	£24,633	£5,065
Leisure Provision 2020/21	£25,220	£6,560	(£18,660)

The College note that the difference is due to Covid-19 and the ability to provide practical leisure courses during the pandemic. The College note that they hope to be able to provide more courses from October 2021 onwards. The College also note that the impact wasn't as big on Certificated Learning as they could deliver this online and there was increase in students looking to upskill and continue their development.

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The College delivered 7 Leisure Provision courses and 4 Certificated learning courses and the overall return for the year at the time of our review (including credits) is highlighted below:

	Income (Including Credits, where applicable)	Expenditure (including salaries)	Return
Certificated Learning 2020/21	£70, 061.04	£20,549.60	£49,511.44
Leisure Provision 2020/21	£2,860.00	£1,703.37	£1,156.63

We note that as the income/expenditure for courses is not analysed upon completion of the courses, we were unable to confirm the final margin/profit achieved by the courses upon their completion. Please see Section 2: Detailed Recommendations for further information.

Course Costing

Staff resource for lecturing staff is considered during the creation of the course. Members of staff who deliver the course(s) will have an indication as to the resources required for creation. However, we note that costs relating to support staff members from the Department of Enterprise and Business Innovation are not considered when costing individual courses and that their costs are considered with the Departments overall budget. We also note that there is no set margin considered for community/leisure courses. Please see Section 3: Detailed Recommendations for further information.

Marketing Campaign

The Department of Enterprise and Business Innovation creates courses that specific geographical areas within Scotland to increase awareness and course updates. The objective of the marketing and promotional plan was to promote a specific set of Department of Enterprise and Business Innovation products to a geographical location within Scotland to increase awareness and course update.

1 EXECUTIVE SUMMARY

The College also compiled a newsletter setting out the Community Day and Evening Courses available between August and December 2020. The newsletter contained a full list of courses available to students. The courses vary from Highers and Nationals, College Certificates, Computing Certificates, Languages, Arts Crafts and Other Interests and lastly, Wellbeing courses (such as Mind and Body Workout).

Senior Management

The Director of Enterprise and Business Innovation and the Account Manager meet on a regular basis. They consider the demand and the resources available for the creation of the course(s).

The budget for Department of Enterprise and Business Innovation is also discussed, this allows the Director to determine if the Department is on track for the meeting the income target as set out when the budget was set.

We note that no budget v actual is prepared for courses upon their completion. Please see Section 3: Detailed Recommendations for further information.

Website

The College's public facing website contains detailed information regarding the community leisure courses offered the College.

Link: https://www.borderscollege.ac.uk/courses/evening-community-courses/

1 EXECUTIVE SUMMARY

Work Undertaken

As part of our review, the following work was undertaken:

- A review to ensure the College has effective procedures and rationale in place for making the decision on what community/leisure courses are provided.
  - We reviewed the Set Up and Run Procedure document for the creation of Community Courses.
  - We reviewed the Department of Enterprise and Business Innovation Marketing Promotion Campaign 2021.

- A review to ensure the community/leisure courses are developed following a robust process that confirms courses are viable and deliver value to the College.
  - We reviewed the course evaluation as undertaken by the College to ensure only viable courses are run.

- A review to ensure the full cost of courses and staff members time are considered when making the decision to deliver courses.
  - We reviewed the costings for the community courses.
  - We reviewed the courses delivered and income received by the College.
  - We reviewed the 2018/19 and 2019/20 revenue received by the College.
  - We reviewed the staff costs considered including the Department for Enterprise and Business Innovations.

- A review to ensure the courses are reviewed on completion to ensure that they delivered the value expected by the College.
  - We reviewed the Community Survey as undertaken by the College.
  - We reviewed the College's public facing website regarding the community courses offered.
  - We reviewed the Income Expenditure v Return.
  - We reviewed the Cost Centre monthly report for the Department.
  - We reviewed the process in place to assess the performance of the course upon its completion.

1 EXECUTIVE SUMMARY

Conclusion

Overall conclusion

Overall Conclusion: Substantial

Following our review, we can provide a substantial level of assurance regarding the processes that the College has in place regarding the community/leisure courses offered by Department for Enterprise and Business Innovation to ensure that they provide value for money. However, we have raised 2 recommendations for improvement. Please see Section 2: Detailed Recommendations for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
VFM - Community/Leisure Courses	0	2	0	2

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 has a robust procedure in place that documents the running of the community provision and leisure courses. The procedure document sets out the process that the College follows when creating the courses.
2.	The College consulted students who had participated on the community courses and obtained feedback via a survey. The students were also asked to comment or share feedback regarding the community courses offered by the College. 92% of students rated the courses 5 out of 5.
3.	Staff resources (time and effort by teaching and support staff) are considered by the College when it is creating courses.
4.	The College was able to evidence it records full cost and income generated by the courses offered. This allows the College to keep track of the return it makes for the courses offered.
5.	The College monitors the course numbers on a regular basis. In the event the College has to cancel the courses offered, the courses are cancelled 2 weeks prior to the course delivery. This would be required should the College discover that uptake of the course is low, we note that no costs for staffing etc are incurred by the College at this point. However, due to the COVID-19 pandemic, the College has not had to cancel any community provision and leisure courses.
6.	The College was able to evidence that courses were evaluated and reviewed on completion to ensure that the courses delivered value as expected by the College.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.	
7.	The College was able to evidence that the Department of Enterprise and Business Innovation had created courses that targeted specific geographical areas within Scotland to increase awareness and course update.
8.	The College tracks student attendance online. Lecturers are obliged to record student attendance.
9.	The College's public facing website contains detailed information relating to the community leisure courses offered by the College.

2 DETAILED RECOMMENDATIONS

Course Costing			
Ref.	Finding and Risk	Grade	Recommendation
1.	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.	**Medium**	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.

2 DETAILED RECOMMENDATIONS

Management response	Responsibility and implementation date
To address these recommendations the DEBI has: • Reviewed the courses costing process and will include additional margin to cover administration costs and overheads going forward. We will also include a 15% profit margin. Any course that will not achieve this will be authorised by the DEBI Director. • Discussed the use of one cost centre model with the Assistant Principal for Finance and agreed that we will continue with the current model at the present time and review if appropriate.	*Responsible Officer:* Katharine Mathison (Director DEBI) *Implementation Date:* 01/10/2021

2 DETAILED RECOMMENDATIONS

Course Budget V Actual & Reporting			
Ref.	Finding and Risk	Grade	Recommendation
2.	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.	**Medium**	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.
Management response			Responsibility and implementation date
To address these recommendations the DEBI has: • Reviewed the process following completion of a course and agreed to review performance against original cost for a selection of courses each year. Please note that the DEBI already provides a monthly report of performance against budget and an annual report which includes the financial outcomes for the year.			*Responsible Officer:* Katharine Mathison (Director DEBI) *Implementation Date:* 31/12/2021

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	2 July 2021
Draft report issued	24 August 2021*
Receipt of management responses	15 September 2021
Final report issued	16 September 2021
Audit Committee	30 September 2021
Number of audit days	3

*Issue of the draft report was delayed to allow W&B to seek further clarifications and complete further audit work.

4 KEY PERSONNEL

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

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Manager	Scott McCready	Internal Audit Manager	scott.mccready@wyliebisset.com
Auditor	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
	Katharine Mathison	Director of Enterprise and Business Innovation	kmathison@borderscollege.ac.uk
	Susan Rennie	Account Manager: Department of Enterprise & Business Innovation	srennie@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.

Purpose of review

The purpose of this assignment is to review the processes in place to community/leisure courses undertaken in the Department for Enterprise and Business Innovation provide value for money to the College. Our review will consider the return provided by the courses against the staff resources provided to ensure the courses are viable.

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

Scope of review

Our objectives for this review are to ensure:

- The College has effective procedures and rationale in place for making the decision on what community/leisure courses are provided.
- The community/leisure courses are developed following a robust process that confirms courses are viable and deliver value to the College.
- The full cost of courses and staff members time are considered when making the decision to deliver courses.
- Courses are reviewed on completion to ensure that they delivered the value expected by the College.

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:

- Discussion with key personnel to establish the current arrangements in place at the for developing community/leisure courses.
- Evaluating these arrangements to confirm whether they provide the best value to the College.
- Review of documentation to confirm that policies and procedures are in place and that current arrangements comply with good practice.
- Assess the value delivered to the College by the courses based on the income received and the staff resources spent on the course.
- Review the process in place at the College for assessing the value of the courses provided to the College.

Potential key risks

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

- The College has ineffective procedures and the rationale for making the decision on what community/leisure courses are provided is not clear.
- The community/leisure courses are not developed following a robust process and courses are not viable and or deliver value to the College.
- The full cost of courses and staff members time are not considered when making the decision to deliver courses.
- Courses are not reviewed on completion to ensure that they delivered the value expected by the College.