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AUDIT COMMITTEE

BORDERS COLLEGE REGIONAL BOARD

Subject: Internal Audit Assignment – Follow Up Review	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Kirsty Robb – VP Finance and Corporate Services	**Date of Committee:** 11 May 2023

Purpose: To present to the Committee the findings of the Follow Up Review audit undertaken by Wylie Bisset, the Colleges Internal Auditors.

Executive Summary:
The Follow Up Review audit is undertaken to provide assurance to the Committee recommendations from previous audit reports are implemented.

The Auditors report states "We can provide a substantial level of assurance that the College have endeavoured to implement recommendations raised in prior years"

The report identified three recommendations as fully complete and five as partially complete.

The full report is attached in appendix A.

Questions that Members should ask themselves when reading the paper:
Is the Committee content with the findings of the report, the recommendations and agreed management response?

Linked to Strategic Ambition(s):
Create high quality learning and training opportunities which are relevant, enabling and flexible
Take a leading role in enabling an inclusive, resilient and sustainable Scotland

Performance Measures:
Student, staff & employer satisfaction in top quartile nationally
Recognised as national leaders in sustainable practice

Linked to Strategic Risk Register:
4b - Governance
Choose an item.

Recommendation: The Committee approve the contents of the report

Previous Committee Approvals:

For publication ☒	**Not for publication** ☐ **If not, why not?**

Wylie Bisset
Accountants, Business & Tax Advisers

Borders College

Internal Audit 2022/23
Follow Up Review

Overall Conclusion
Substantial

+ March 2023

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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.

1. Executive Summary

Purpose of Review

The effectiveness of the internal control system may be compromised if management fails to implement agreed audit recommendations. Our follow up work will provide the Audit Committee with assurance that prior year recommendations are implemented within the expected timescales.

This review forms part of the agreed 2022/23 Internal Audit Plan.

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.

1. Executive Summary

Conclusion

Overall Conclusion: Substantial
We can provide a substantial level of assurance that the College have endeavoured to implement recommendations raised in prior years. This is highlighted as 3 of the 8 recommendations raised have been fully implemented and a further 5 have been partially implemented.

Summary of Recommendations

Grading of Recommendations	High	Medium	Low	Total
Appendix A – Partially Implemented Recommendations	-	1	4	5
Appendix B – Fully Implemented Recommendations	-	-	3	3

1. Executive Summary

Implementation of Recommendations – Summary of Implementation

Audit Area	Total	Partially Implemented	Fully Implemented
IT Systems (November 2021)	2	-	2
Follow Up Review (April 2022)	3	2	1
Budgeting and Financial Reporting (July 2022)	2	2	-
Procedures Manual Review (July 2022)	1	1	-
Total	**8**	**5**	**3**
Percentage of Total	**100%**	**62.5%**	**37.5%**

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	6 March 2023
Closing meeting	10 March 2023
Draft report issued	24 March 2023
Receipt of management responses	30 March 2023
Final report issued	30 March 2023
Audit Committee	11 May 2023
No of audit days	1

2. Audit Arrangements

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
Senior Internal Audit Manager	Sue Brook	Senior Internal Audit Manager	susan.brook@wyliebisset.com
Auditor	Andrew Thomson	Internal Auditor	andrew.thomson@wyliebisset.com

Borders College			
Key contacts:	Kirsty Robb	Vice Principal: Finance and Corporate Services	krobb@borderscollege.ac.uk
	Sara Wilson	Director of Finance and Procurement	swilson@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.

Wylie + Bisset

Appendix A

Partially Implemented Recommendations

A. Partially Implemented Recommendations

Questionnaire Results, Budgetary and Financial Reporting, July 2022

Original Finding
We issued a questionnaire to Budget Holders within the College to assess their views on the budget setting and monitoring process. We also sought to assess their views on the training provided and their understanding of their role as a Budget Holder.

We received 9 responses to the questionnaire which highlighted the following:
Budget Holders rated the training that they received as an average 5.38/10 with two Budget Holders rating this as 1 out of 10.

- 1 of the 9 Budget Holders noted that they 'strongly disagreed' that they understood their role as a Budget Holder.
- We spoke with the Assistant Principal: Finance who highlighted that budget meetings are held with Budget Holders that is a 2-way process and training is provided as part of the budget meeting meetings and ongoing meetings throughout the year.

There is the risk that Budget Holders do not fully understand their role a Budget Holder and that they have not received sufficient training.

Original Recommendation
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.

Please see next page.

A. Partially Implemented Recommendations

Partially Implemented Recommendations

Questionnaire Results, Budgetary and Financial Reporting, July 2022			
Ref	**Finding from our 2022/23 Follow Up**	**Grade**	**Recommendation**
1.	We were informed by the Director of Finance and Procurement that due to change in College Finance staff, this recommendation has not yet been completed. The new Vice Principal and Director that have recently joined the College believe this needs revisited. The College has set a revised deadline of June 2023.	**Medium**	We reiterate our original recommendation.

Management Response	Responsibility and Implementation Date
Reporting and meeting cycle being developed as part of the 2023/24 budget setting process.	*Responsible Officer: Director of Finance and Procurement* *Implementation Date: 30 June 2023*

A. Partially Implemented Recommendations

Partially Implemented Recommendations

Budget Reporting and Monitoring, Budgetary and Financial Reporting, July 2022			
Original Finding Budget Holders should have live access to their budget and receive regular updated form the Finance Team. During our review, one Budget Holder noted that they often receive figures late by the Finance Team and often have to chase them up. We also found that Budget Holders do not review and monitor their budget live throughout the period. We also found that the frequency of meetings held with Budget Holders is inconsistent. There is the risk that Budget Holders do not receive regular reports regarding their budget. **Original Recommendation** 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.			
Ref	**Finding from our 2022/23 Follow Up**	**Grade**	**Recommendation**
2.	The College's reporting and meeting cycle is being developed as part of the 2023/24 budget setting process. The College has set a revised deadline of June 2023.	**Low**	We reiterate our original recommendation.
Management Response		**Responsibility and Implementation Date**	
Reporting and meeting cycle being developed as part of the 2023/24 budget setting process.		*Responsible Officer: Director of Finance and Procurement* *Implementation Date: 30 June 2023*	

A. Partially Implemented Recommendations

Partially Implemented Recommendations

Financial Procedures Manual, Follow Up 2021/22, April 2022
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 Colleges 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.

A. Partially Implemented Recommendations

Partially Implemented Recommendations

Financial Procedures Manual, Follow Up 2021/22, April 2022			
Finding from our 2021/22 Follow Up 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. **Recommendation from our 2021/22 Follow Up** We recommend that the College undertake the full review and update of the Finance Procedures Manual.			
Ref	**Finding from our 2022/23 Follow Up**	**Grade**	**Recommendation**
3.	The College has started updating their Finance Procedure Manual; however, we were informed by the Director of Finance and Procurement that due to change in the College Finance staff, work is not yet completed. The College estimates the update is around 80% complete.	**Low**	We reiterate our original recommendation.
Management Response		**Responsibility and Implementation Date**	
Procedure manual review underway, 80% complete on track to complete within revised implementation date		*Responsible Officer: Director of Finance and Procurement* *Implementation Date: 30 April 2023*	

A. Partially Implemented Recommendations

Responsibilities in Finance Procedures Manual, Procedures Manual Review, July 2022

Original Finding
The College has a detailed Procedures Manual that effectively identifies the procedures to be followed when processing financial information.

During our review, we identified that the Procedures Manual does not currently have a section on responsibilities breaking down key staff member responsibilities within the Finance Department.

We also found that overall reference to individuals within the content of the Manual was limited and reference was made to the Finance Department as a whole rather than individual responsibility.

There is the risk that the College's Finance Procedures Manual does not appropriately outline the individual responsibilities of the members of the Finance Team.

Original Recommendation
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.

Ref	Finding from our 2022/23 Follow Up	Grade	Recommendation
4.	The College has started updating their Finance Procedure Manual, however due to change in the College Finance staff work is not yet completed. The College estimates the update is around 80% complete.	Low	We reiterate our original recommendation.

Management Response	Responsibility and Implementation Date
Procedure manual review underway, 80% complete on track to complete within revised implementation date.	*Responsible Officer: Director of Finance and Procurement* *Implementation Date: 30 April 2023*

A. Partially Implemented Recommendations

Partially Implemented Recommendations

Annual Institutional Efficiency Return, Follow Up 2021/22, April 2022
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. **Finding from our 2021/22 Follow Up** 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. **Recommendation from our 2021/22 Follow Up** We recommend that the College complete the recommendation by the due date. Please see next page.

A. Partially Implemented Recommendations

Partially Implemented Recommendations

Annual Institutional Efficiency Return, Follow Up 2021/22, April 2022			
Ref	**Finding from our 2022/23 Follow Up**	**Grade**	**Recommendation**
5.	The College have updated their procedure document to outline the processes and procedures that should be adhered to when developing the Budget Control Spreadsheet. This was completed in July 2022. However, the new Vice Principal and Director that have recently joined the College believe this needs revisited.	**Low**	We reiterate our original recommendation.
Management Response		**Responsibility and Implementation Date**	
Review underway of current process, will be completed within implementation Date.		*Responsible Officer: Director of Finance and Procurement* *Implementation Date: 30 April 2023*	

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Appendix B

Fully Implemented Recommendations

B. Fully Implemented Recommendations

Fully Implemented Recommendations

IT Disaster Recovery Plan, Follow Up 2021/22, April 2022
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. **Finding from our 2021/22 Follow Up** 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. **Recommendation from our 2021/22 Follow Up** We recommend that the College undertake testing of the IT Disaster Recovery Plan once staff members have returned to the College.

B. Fully Implemented Recommendations

Fully Implemented Recommendations

IT Disaster Recovery Plan, Follow Up 2021/22, April 2022			
Ref	**Finding from our 2022/23 Follow Up**	**Grade**	**Recommendation**
1.	The College successfully undertook a disaster recovery test in June 2022 as per our original recommendation.	**Low**	No further action required.

B. Fully Implemented Recommendations

Fully Implemented Recommendations

Change Management Policy Inclusion, IT Systems, November 2021
Original Finding The College has a detailed Change Management Policy in place. Whilst the Change Management Policy documentation is strong there is no mention of the requirement to include the network partner, DataVita, as part of that Policy. We note that the Policy is scheduled for review in 2022. DataVita's Data Centre facility holds the core College server infrastructure and any change to the server provision would require liaising with DataVita. This may also result in an increased cost to the College if the specification of a server is added to e.g. an increase to the RAM of a server. There is the risk that without this inclusion to the Change Management Policy document, such a change would not be captured properly in the way that other network changes currently are. **Original Recommendation** 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.

Ref	Finding from our 2022/23 Follow Up	Grade	Recommendation
2.	The College have updated their change management process to include server changes (configurations/software updates). This went live in November 2022 with the launch of the College's new Halo Service Desk Solution.	Low	No further action required.

B. Fully Implemented Recommendations

Fully Implemented Recommendations

Password Policy, IT Systems, November 2021			
Original Finding The College have robust IT policies in place that are reviewed regularly. However, although the advice contained within the Password Guidance document is strong, the enforcement of this could be strengthened. While restrictions are in place such as the length of the password, there is no restriction on how often users are required to change their password or the complexity of the password beyond the password being 8 characters minimum. There is the risk that the College's Password Policy is not in line with best practice. **Original Recommendation** 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.			
Ref	**Finding from our 2022/23 Follow Up**	**Grade**	**Recommendation**
3.	The College have increased the strength of their password controls as of May 2022. Users are now required to have: ➢ A minimum of 12 characters; ➢ At least 1 capital letter; ➢ At least 1 lower case letter; ➢ At least 1 number; and ➢ At least 1 special character.	**Low**	No further action required.

Appendix C

Grading Structure

C. 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

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:

Assurance	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

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Appendix D

Assignment Plan

+ March 2023

D. Assignment Plan

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.

Wylie Bisset

Head Office

168 Bath Street,
Glasgow, G2 4TP

Oban

4 High Street,
Oban, PA34 4BG

Manchester

3 Hardman Square,
Spinningfields, M3 3EB