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AUDIT COMMITTEE

BORDERS COLLEGE REGIONAL BOARD

Subject: Internal Audit Annual Report 2022/23	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Kirsty Robb, Vice Principal – Finance & Corporate Services	**Date of Committee:** 5 October 2023

Purpose: to present for approval the annual report of the Colleges Internal Audit service.

Executive Summary:
The College's internal audit service is required to produce an annual report to the College on the activities of the service. The College Audit Committee should consider the report prior to submitting its own report to the Regional Board.

Wylie & Bisset, the College's internal auditors, carried out all of the work set out in their operational plan for 2022/23 and a copy of their annual report is attached. The auditors report that:-

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion Borders College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money.

Our fieldwork was carried out between September 2022 and May 2023, and we have not undertaken any further internal audit assignments at the time of this report.

Questions that Members should ask themselves when reading the paper:
Does the Annual audit report provide evidence to the Committee with that controls are adequate and effective?

Linked to Strategic Ambition(s):
Create high quality learning and training opportunities which are relevant, enabling and flexible

Choose an item.

Performance Measures:
Recogise nationally as a progressive organisation

Choose an item.	
Linked to Strategic Risk Register: 4b - Governance Choose an item.	
Recommendation: **The Committee is recommended to approve the annual internal audit 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For publication ☒	**Not for publication** ☐ **If not, why not?**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
Annual Report

+ August 2023

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1. Introduction

The prime responsibility of the Internal Audit Service (IAS) is to provide the College's Audit Committee, the Chief Executive Officer and other Senior Management of the College, with an objective assessment of the adequacy and effectiveness of management's internal control systems.

We conduct our activity within the overarching framework of the Institute of Internal Auditors, Definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing, together with the UK Public Sector Internal Audit Standards, first introduced in April 2013.

In line with these Standards, we have developed a robust quality assurance process to ensure that each of our activities and reports are of a high and consistent standard. Quality assurance activity includes interim reviews during the internal audit process and an extensive final review before reports are issued to clients and other stakeholders. We actively seek to improve the services we deliver through a programme of CPD, training, networking and engagement with internal peers, as well as by piloting new ways of working.

We had an extensive external assessment undertaken against these standards in November 2021. The assessment was undertaken by the Chartered Institute of Internal Auditors who concluded:

"We are pleased to report that the Wylie and Bisset LLP Internal Audit Department conforms with the Standards, as well as the Definition of Internal Auditing, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard of quality in Internal Auditing".

The Chartered Institute of Internal Auditors also highlighted our compliance with all 64 standards of the IPPF.

This Annual Report should be considered by the Audit Committee prior to the Committee submitting their annual report to the Board.

A copy of this report requires to be submitted to the Scottish Funding Council not later than 31 December following the financial year-end to which it relates.

2. Executive Summary

Overall Opinion
We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes. In our opinion Borders College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. Our fieldwork was carried out between September 2022 and May 2023, and we have not undertaken any further internal audit assignments at the time of this report.

The overall findings and conclusion of each report are highlighted in Section 3. As can be seen from the summary in Section 3 all areas included in the Operational Plan for 2022/23 have been completed.

In forming our opinion, we have carried out the following work:

- A review and appraisal of financial and other controls operated by the College;
- A review of the established policies and procedures adopted by the College;
- An assessment of whether or not the internal controls are reliable as a basis for producing the financial accounts;
- A review of accounting and other information provided to management for decision making;
- Compliance and substantive audit testing where appropriate;
- A review of the College's procedures in place to promote and secure value for money.

The analysis of performance indicators for the internal audit work carried out in the year is included at section 5.

2. Executive Summary (continued)

Basis of Opinion

As the Head of Internal Audit at Borders College we are required to provide the Audit Committee with an opinion on the adequacy and effectiveness of the College's risk management, control and governance processes.

In giving our opinion it should be noted that assurance can never be absolute. The most that we can provide to the Audit Committee is reasonable assurance that there are no major weaknesses in the College's risk management, control and governance processes.

In assessing the level of assurance given, we have considered:

- All audits undertaken during the year ended 31 July 2023;
- Any follow-up action taken in respect of audits from previous periods;
- Any significant recommendations not accepted by management and the consequent risks;
- The effects of any significant changes in the College's objectives or systems;
- Matters arising from previous reports to the Audit Committee;
- Any limitations which may have been placed on the scope of internal audit;
- The extent to which resource constraints may impinge on the Head of Internal Audit's ability to meet the full audit needs of the College;
- What proportion of the College's audit need has been covered to date;
- The outcomes of our quality assurance processes.

3. Audit Findings

Summary of Work Undertaken

The following table summarises the audit work undertaken in 2022/23. The grading structure used in our reports can be found in Appendix A.

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
EMA	2	2	Complete	N/A	-	-	-
SSF	2	2	Complete	N/A	-	-	-
Credits	5	5	Complete	N/A	-	-	-
Payroll	3	3	Complete	Strong	-	-	-
Complaints Handling	3	3	Complete	Strong	-	-	2
Equalities & Diversity	3	3	Complete	Strong	-	-	1
Estates Management	3	3	Complete	Strong	-	-	1
Disaster Recovery Testing	3	3	Complete	Strong	-	-	-
Follow Up Review*	1	1	Complete	Substantial	-	1	4
Audit Management	2	2	N/A	N/A	N/A	N/A	N/A
Total	**27**	**27**			**-**	**1**	**8**

* All follow up actions were partially implemented.

4. Benchmarking

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the previous financial year.

Area	High	Medium	Low	Total
EMA				
Average number of recommendations in similar audits	-	-	-	-
Recommendations at Borders College	-	-	-	-
SSF				
Average number of recommendations in similar audits	-	1	-	1
Recommendations at Borders College	-	-	-	-
Credits				
Average number of recommendations in similar audits	-	-	2	2
Recommendations at Borders College	-	-	-	-
Payroll				
Average number of recommendations in similar audits	-	1	1	2
Recommendations at Borders College	-	-	-	-
Average number of recommendations in similar audits carried forward	**-**	**2**	**3**	**5**
Recommendations at Borders College carried forward	**-**	**-**	**-**	**-**

4. Benchmarking (continued)

Area	High	Medium	Low	Total
Average number of recommendations brought forward	**-**	**2**	**3**	**5**
Recommendations at Borders College brought forward	**-**	**-**	**-**	**-**
Complaints Handling				
Average number of recommendations in similar audits	-	-	1	1
Recommendations at Borders College	-	-	2	2
Equalities & Diversity				
Average number of recommendations in similar audits	-	1	1	2
Recommendations at Borders College	-	-	1	1
Estates Management				
Average number of recommendations in similar audits	-	1	1	2
Recommendations at Borders College	-	-	1	1
Summary				
Average number of recommendations in similar audits carried forward	**-**	**4**	**6**	**10**
Recommendations at Borders College carried forward	**-**	**-**	**4**	**4**

4. Benchmarking (continued)

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the previous financial year.

Area	High	Medium	Low	Total
Average number of recommendations in similar audits brought forward	**-**	**4**	**6**	**10**
Recommendations at Borders College brought forward	**-**	**-**	**4**	**4**
Disaster Recovery Testing				
Average number of recommendations in similar audits	1	1	1	3
Recommendations at Borders College	-	-	-	-
Summary				
Average number of recommendations in similar audits	**1**	**4**	**7**	**13**
Recommendations at Borders College	**-**	**-**	**4**	**4**

As highlighted above, the College has a lower number of recommendations in comparison with the colleges it has been benchmarked against.

5. Key Performance Indicators

Performance Indicator	Target	Actual
Internal audit days completed in line with agreed timetable and days allocation	100%	100%
Draft scopes provided no later than 10 working days before the internal audit start date and final scopes no later than 5 working days before each start date	100%	100%
Draft reports issued within 10 working days of exit meeting	100%	100%
Management provide responses to draft reports within 15 working days of receipt of draft reports	100%	78%*
Final reports issued within 5 working days of receipt of management responses	100%	100%
Recommendations accepted by management	100%	100%
Draft annual internal audit report to be provided by 31 August each year	100%	100%
Attendance at Audit Committee meetings by a senior member of staff	100%	100%
Suitably experienced staff used on all assignments	100%	100%

* Management comments to the Complaints Handling report and the Disaster Recovery Testing report, were received outwith the 15 working days.

Wylie + Bisset

Appendix A

Grading Structure

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

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	Risk	Classification
High	High risk	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	Medium risk	Significant issue or weakness which should be addressed by the College as soon as possible
Low	Low risk	Minor issue or weakness reported where management may wish to consider our recommendation

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