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AUDIT & RISK COMMITTEE

3 October 2024

Internal Audit – Annual Report 2023/24

1.0   PURPOSE OF PAPER
For decision

1.1   The purpose of this paper is to provide the Committee with the Internal Auditors Annual Report for 2023/24.

2.0   EXECUTIVE SUMMARY

2.1   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.

2.2   The appointed Internal Auditors are wbg Services LLP (formally Wylie & Bisset) who have carried out all the work set out in their operational plan for 2023/24, and a copy of their annual report is attached in Appendix 1.

2.2   The findings of the work completed has allowed wbg Services LLP to form the opinion that the internal controls of the College are satisfactory.

3.0   RECOMMENDATION

3.1   It is recommended the Committee approve the annual internal audit report.

4.0   BACKGROUND

4.1   The Financial Memorandum with the SFC requires the College to have an effective internal audit function and that the duties of that function conform to the professional standards of the Chartered Institute of Internal Auditors. For incorporated colleges and Regional Boards, the operation and conduct of internal audit must comply with Public Sector Internal Audit Standards and, where relevant, the Scottish Public Finance Manual.

4.2   The main responsibility of Internal Audit is to provide the Regional Board, the Principal and senior management with assurances on the adequacy of the internal control system. The Internal Audit service remains independent in its planning and operation but has direct access to the Regional Board, the Principal and the Chair of the Audit Committee.

4.3 The Colleges internal audit service is provided by wbg Services LLP (previously known as Wylie & Bisset) following a procurement process in 2019. The current contract finished 31 July 2024. A procurement exercise completed in June 2024 and the Board approved the appointment of wbg Services LLP on 27 June, for the period 1 August 2024 until 31 July 2027.

4.4 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.

5.0 ANNUAL REPORT

5.1 The work was completed by wbg in line with the audit plan for 2023/24, which was approved by the Committee on 11 May 2023. The areas audited and the number of recommendations for each, are shown below

Area	Overall Conclusion	Recommendations		
		High Priority	Medium Priority	Low Priority
EMA	N/A	-	-	-
SSF	N/A	-	-	-
Credits	N/A	-	-	-
Student Retention	Strong	-	-	2
Student records	Strong	-	-	-
Purchasing and Procurement	Strong	-	-	1
Income Collection and Credit Control	Strong	-	-	1
Follow Up Review*	Strong	-	-	2
Total		**-**	**-**	**6**

5.2 The work completed has informed the audit opinion shown below and the full report is contained in Appendix 1:

"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 2023 and June 2024, and we have not undertaken any further internal audit assignments at the time of this report"

6.0   IMPLICATIONS AND CONSIDERATIONS

6.1   Financial Implications

The are no direct financial implications from the contents of this report.

6.2   Learner Implications

There are no direct learner implications from the contents of this report.

6.3   Staff Implications

There are no direct staff implications from the contents of this report.

6.4   Equality and Diversity Implications/Equality Impact Assessment

There are no direct equality and diversity implications from the contents of this report.

6.5   Sustainability/Environmental Implications

There are no direct sustainability or environmental implications from the contents of this report.

7.0   RISK COMMENTARY

7.1   Strong governance and controls are key risk mitigations. The work undertaken by Internal Audit ensures the College has these and they are adhered to. The recommendations contained in Internal Reports highlight areas of improvements systems and procedures.

8.0   CONCLUSION

8.1   The work completed during 2023/24 has allowed wbg to give a satisfactory opinion on the internal controls of the College.

Kirsty Robb, Vice Principal Finance & Corporate Services

Previous Board or College Committee Approvals: Audit & Risk Committee 05 October 2023

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Borders College

Internal Audit 2023/24

Annual Report

August 2024

Table of Contents

1. Introduction

The prime responsibility of the Internal Audit Service (IAS) is to provide the Audit Committee, the Principal 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 2023. The assessment was undertaken by the Chartered Institute of Internal Auditors who concluded:

"We are pleased to report that the Wbg Services LLP (Wbg) (formerly 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 2023 and June 2024, 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 2023/24 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; and

| 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 2024;

| 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;

| Any limitations which may have been placed on the scope of internal audit;

| Matters arising from previous reports to the Audit Committee;

| 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 2023/24. 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 Audit	2	2	Complete	N/A	-	-	-
SSF Audit	2	2	Complete	N/A	-	-	-
Credits Audit	5	5	Complete	N/A	-	-	-
Student Retention	3	3	Complete	Strong	-	-	2
ProSolution System Review	3	3	Complete	Strong	-	-	-
Income Collection and Credit Controls	3	3	Complete	Strong	-	-	1
Totals Carried Forward	**18**	**18**	**N/A**	**N/A**	**-**	**-**	**3**

3. Audit Findings

Summary of Work Undertaken

The following table summarises the audit work undertaken in 2023/24. 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
Totals Brought Forward	**18**	**18**	**N/A**	**N/A**	-	-	**3**
Purchasing and Procurement	3	3	Complete	**Strong**	-	-	1
Follow-up	1	1	Complete	**Strong**	-	-	*2
Audit Management	2	2	N/A	N/A	N/A	N/A	N/A
Total	**24**	**24**	**-**	**-**	**-**	**-**	**6**

*The 2 low priority recommendations were not due for implementation at the time of our follow up work.

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 Audit					
Average number of recommendations in similar audits	-	-	-	-	
Recommendations at the Borders College	-	-	-	-	
SSF Audit					
Average number of recommendations in similar audits	-	1	-	1	
Recommendations at the Borders College	-	-	-	-	
Credits Audit					
Average number of recommendations in similar audits	-	-	2	2	
Recommendations at the Borders College	-	-	-	-	
Student Retention					
Average number of recommendations in similar audits	-	2	2	4	
Recommendations at the Borders College	-	-	2	2	
Totals Carried Forward					
Average number of recommendations in similar audits	-	3	4	7	
Recommendations at the Borders College	-	-	2	2	

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	
Total number of recommendations brought forward	-	3	4	7	
Total recommendations at the Borders College brought forward	-	-	2	2	
Income Collection and Credit Control					
Average number of recommendations in similar audits	-	-	3	3	↩
Recommendations at the Borders College	-	-	1	1	
Purchasing and Procurement					
Average number of recommendations in similar audits	-	1	2	3	↩
Recommendations at the Borders College	-	-	1	1	
Average number of recommendations in similar audits	**-**	**4**	**9**	**13**	↩
Recommendations at the Borders College	**-**	**-**	**4**	**4**	

As demonstrated in the table above, Borders College has a lower number of recommendations in comparison with the Colleges it has been benchmarked against.
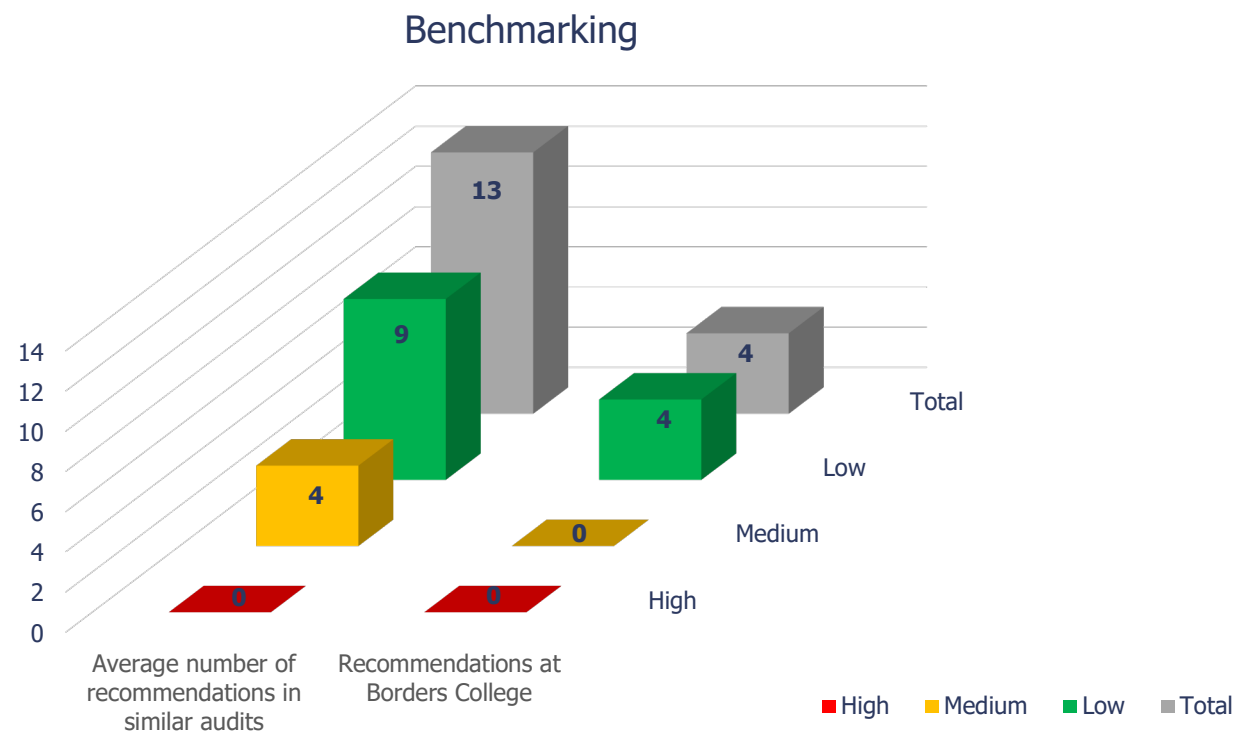
PTO, for Benchmarking Key..

4. Benchmarking

For each review, we benchmark the number and ranking of recommendations made for audits of a similar nature in the previous financial year. Please refer to the key below for an explanation of the benchmarking symbols used:

Key	
	Indicates a lower number of recommendations in comparison with the Colleges it has been benchmarked against.
	Indicates a similar number of recommendations in comparison with the Colleges it has been benchmarked against.
	Indicates a higher number of recommendations in comparison with the Colleges it has been benchmarked against.

4. Benchmarking

We have set out below in graphical format an analysis of the Benchmarking totals by grade of recommendation made.

As demonstrated on the earlier page, Borders 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%	62.5%*
Management provide responses to draft reports within 15 working days of receipt of draft reports	100%	87.5%**
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%

*Draft reports were issued out with target for the Purchasing and Procurement, Income Collection & Credit Controls and the Follow-up reviews, this was due to an extended review process.

**Management responses were received outwith target for the Student Retention review.

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 Borders College as a matter of urgency
Medium	Medium risk	Significant issue or weakness which should be addressed by Borders College as soon as possible
Low	Low risk	Minor issue or weakness reported where management may wish to consider our recommendation