

## Audit Committee Meeting

Date of Meeting	Tuesday 5 December 2017
Paper Title	Audit Committee Annual Report
Agenda Item	15
Paper Number	AC2-K
Responsible Officer	Penny Davis, Board Secretary
Status	Disclosable
Action	For Decision

### 1. Report Purpose

- 1.1. Consider the contents of the Audit Committee's annual report to the Board of GCRB.

### 2. Recommendations

- 2.1. The Committee is invited to:

- **note** and comment on this draft annual report;
- **agree**, subject to any amendment, the priority issues set out in section 7 of the report; and
- **endorse** this report to the GCRB Board at its meeting on 18 December 2017.

### 3. Background

- 3.1. It is recognised good practice for audit committees to produce annual reports to their boards that summarise the main issues addressed by audit committees.
- 3.2. This report covers the period for the period October 2016 to October 2017.
- 3.3. The Audit Committee has advisory responsibility for: risk management, internal control, accounting policies, the annual accounts, internal and external audit, anti-fraud policies, whistle-blowing processes, arrangements for special investigations, and the annual reports received from the assigned colleges' heads of internal audit.

### 4. Membership and meetings

- 4.1. Over the period under review, the Committee membership has been as follows:

- Grahame Smith (Acting Committee Chair on Friday 7 October, 2016)
- Paul Buchanan (Chair from 12 December, 2016)
- Caroline MacDonald
- Maureen McKenna

- Mike Ward (from 15 May 2017)

4.2. Representatives from GCRB’s internal and external auditors attend meetings of the Committee on a regular basis, as did the Chair of GCRB as an observer. The GCRB’s Executive Director and Interim Finance and Resources Director also attended meetings and was supported by senior staff from the assigned colleges, where appropriate.

4.3. During the period from October 2016 to October 2017 the committee met on:

- 07 October 2016
- 13 December 2017
- 20 February 2017
- 15 May 2017
- 03 October 2017

4.4. The minutes of Audit Committee meetings are routinely made available to the Board for information and are included as a standing item on the Board’s agenda. This provides the Chair, and other members of the Audit Committee, with the opportunity to raise any matters of concern at a full Board meeting.

4.5. The agenda, papers and minutes of meetings are also available on the GCRB website.

4.6. In compliance with the Board’s risk management procedures, the Audit Committee also had an opportunity to identify and discuss any new risk management issues which were consequential to its discussions at each meeting.

**5. Main activities**

5.1. The Committee’s main activities are described below.

***Internal audit***

5.2. The Committee oversaw the tender exercise for the appointment of GCRB’s internal auditor for 2016-17 to 2020-21, which was conducted jointly with City of Glasgow College. Following the outcome of this process, the committee recommended to the Board that Henderson Loggie be contracted to act as GCRB’s internal auditor for a three year period.

5.3. Based on a comprehensive audit needs analysis process, the Committee recommended to the Board three areas for internal audit in 2016-17. These are listed below with the respective audit findings in terms of overall level of assurance:

<b>Audit Area</b>	<b>Audit Grading</b>
Compliance with SFC Financial Memorandum	Requires Improvement
GCRB Risk Management/Oversight of Assigned College’s Risk Management	Satisfactory
Corporate Planning	Good

### ***External audit***

- 5.4. The External Auditor is responsible for the audit of the GCRB Annual Report and Accounts 2016-17. The Annual Report of the External Auditor was considered by the Audit Committee at its meeting on 5 December 2017.
- 5.5. The External Auditor issued an unqualified opinion on;
- the financial statements;
  - the regularity of transactions; and
  - other prescribed matters.
- 5.6. In addition, the External Auditor made some recommendations in terms of further enhancements to the internal processes of GCRB. These recommendations have been accepted and will be implemented by the GCRB executive.

### ***Consolidation of Accounts***

- 5.7. The Committee considered the consolidation of accounts on a number of occasions and regularly reported on this to the GCRB Board. The Committee considered the pros and cons of consolidation, noting the concerns that had been raised by the assigned colleges around additional cost and work. The Committee also considered feedback from Audit Scotland, SFC and GCRB's external auditors regarding consolidation. They also noted that consolidated accounts will provide the GCRB with a deeper understanding of regional finances and should provide longer term advantages in helping to identify efficiency savings.
- 5.8. Based on these extensive considerations, it was agreed that the Glasgow College Region should consolidate its accounts for the financial year ending 31 July 2018.

### ***Risk management Processes***

- 5.9. In June 2017, the internal auditor provided a report to the Committee on the operation of the Board's risk management processes. The report contained a number of recommendations which have since been fully implemented.

### ***Arrangements for special investigations***

- 5.10. The Committee conducted no special investigations.

### ***Annual reports received from the assigned colleges' heads of internal audit***

- 5.11. At each meeting the Committee receives updates from the most recent meetings of the assigned college audit committees.
- 5.12. The assigned colleges also provide a copy of the annual report of audit committee to GCRB on an annual basis.

### ***Audit Scotland Reports***

- 5.13. The Committee considered Audit Scotland reports on Scotland's colleges and noted the recommendations therein.

## **6. Committee effectiveness**

**6.1.** At its meeting of 5 December 2017, the Committee considered the effectiveness of its own arrangements and concluded that the current arrangements are satisfactory.

## **7. Future work**

**7.1.** The Committee's focus over the next period will be on:

- ensuring that GCRB has in place the appropriate arrangements for assurance, accountability, and internal control for a fully-operational fundable body;
- oversight of the arrangements for the preparation of consolidated accounts for 2016-17;
- consideration of detailed internal audit reports; and
- implementation of internal and external audit recommendations.

## **8. Risk Analysis**

**8.1.** Consideration and production of annual reports by audit committees is a key part of the arrangements to ensure a proper system of governance and internal control.

## **9. Legal Implications**

**9.1.** There are no legal implications arising from this report.

## **10. Resource Implications**

**10.1.** There are no specific financial considerations arising from this paper.

## **11. Strategic Plan Implications**

**11.1.** Through the conditions of grant associated with the Regional Outcome Agreement, GCRB and the assigned colleges are required to conduct their affairs in accordance with the expected standards of good governance, which include operating appropriate audit arrangements.