
Audit and Assurance Committee

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| Date of Meeting | Tuesday 11 January 2022 |
| Paper Title | Audit and Assurance Committee Annual Report |
| Agenda Item | 18 |
| Paper Number | AAC2-N |
| Responsible Officer | Penny Davis, Board Secretary |
| Status | Disclosable |
| Action | For Decision |

1. Executive Summary

1.1 The Annual Report provides the Committee with a summary of membership, attendance, and business conducted during the past year to facilitate Committee self-evaluation, reporting to Board, and forward planning.

2. Recommendations

2.1 The Committee is invited to:

- a) **consider** and **agree** the content of the summary report on its activity during the past year;
- b) **discuss** and **agree** its priorities for the coming year;
- c) **report** to the next meeting of the Board on activity during the past year and priorities for the year ahead.

3. Background

- 3.1** It is good practice for committees to produce annual reports for their boards that review their activity over the course of the year and priorities for the year ahead.
- 3.2** The report will also inform the Committee's annual review of its own performance.
- 3.3** The report seeks to provide the Committee with an overview of business conducted during the period from December 2020 to December 2021.
- 3.4** Throughout the year, meetings have been conducted online via Teams. Available information continues to indicate that attendance has been good and that governance has not been negatively impacted.
- 3.5** The financial and other impacts of the pandemic have resulted in a series of additional Scottish Government/SFC funding allocations to the region which have been an increased focus of Committee time in comparison with previous years. The Audit and Assurance Committee has maintained an effective oversight of the risks associated with this complex period of significant disruption in the sector and beyond.
- 3.6** Through this period, the committee has also maintained oversight in line with its remit of internal and external audit activity, supported the setting of direction of travel in this area, and maintained oversight of issues including specific fraud-related activity.

4. Meetings and Membership

- 4.1.** During the period from January 2021 to December 2021 the committee met on four occasions. All meetings were quorate. Details of membership and attendance are provided in the table below. There was also one decision via correspondence, in accordance with the Board Regulations.
- 4.2.** Committee membership and attendance have been stable over the course of the year. Maureen McKenna left as a non-executive member following the end of her appointment to the Board on 31 July 2021. Helyn Gould was appointed as a new Non-Executive Member from 1 September 2021.

| Date of Meeting | Percentage Attendance | Total Members |
|--------------------|-----------------------|--|
| 12 January 2021 | 75% | 3: Paul Buchanan; Ed McGrachen; Maureen McKenna |
| 9 March 2021 | 100% | 4: Paul Buchanan; Ed McGrachen; Maureen McKenna; Alastair Milloy |
| 1 June 2021 | 75% | 3: Paul Buchanan; Ed McGrachen; Maureen McKenna |
| 5 October 2021 | 75% | 3: Paul Buchanan; Helyn Gould; Ed McGrachen; |
| Average attendance | 81% | |

- 4.3** Gender ratio has remained at 3:1 men:women during the period of the report (75%).
- 4.4** All meetings of the Committee were attended by the Board Secretary and appropriate members of the Executive Team.
- 4.5** Committee minutes were a standing item on Board agendas throughout the period of the report.
- 4.6** Minutes and papers have been published on the website except where exemptions apply under the Freedom of Information (Scotland) Act 2002.
- 4.7** All papers presented to meetings of the Committee provided for consideration of strategic implications. The format of papers was amended from June, to include the headings of Risk & Compliance Analysis, Finance & Resource Implications, Equalities Implications, and Learner Implications.

5. Terms of Reference

- 5.1** The Committee's terms of reference set out responsibilities in the following areas of Board activity:
- Regularity, Compliance and Risk
 - Internal Audit
 - External Audit
 - Corporate Governance
- 5.2** The Committee reviews its terms of reference at least annually (in the course of its self-evaluation).
- 5.3** A separate report has been provided on committee evaluation to which the Terms of Reference are appended.

6. Summary of Committee Activity between January 2021 and December 2021

Regularity, Compliance and Risk

- 6.1.** At each meeting the Committee receives updates from the most recent meetings of the assigned college audit committees. The Committee also receives the annual reports from the audit committees of the assigned colleges and a summary of the annual internal audit reports of each college.
- 6.2.** The Committee has also considered, and reviewed, GCRB's arrangements for risk management and monitors the risk registers of the assigned colleges.

Internal Audit

- 6.3.** Henderson Loggie are GCRB's internal auditor having been re-appointed in August 2021

6.4. Based on a comprehensive audit needs analysis process, the Committee recommended to the Board four areas for internal audit in 2020-21. These are listed below with the respective audit findings in terms of overall level of assurance:

| Audit Area | Audit Grading |
|--|----------------------|
| Strategic Planning | TBC ¹ |
| Stakeholder Mapping/Engagement | TBC |
| Financial Controls – Payroll and Creditors | Good |
| Follow-up Reviews | N/A |

External Audit

6.5. The External Auditor is responsible for the audit of the GCRB Annual Report and Accounts 2020-21. The Annual Report of the External Auditor will be considered by the Audit Committee at this meeting.

6 Priority issues for 2022

7.1 Members are invited to reflect on progress in the past year and significant developments within GCRB or externally impacting on its area of remit, and discuss and identify priorities for the year ahead.

- ensuring that GCRB has in place the appropriate arrangements for the management of risk and internal control framework for a fully-operational fundable body;
- consideration of detailed internal audit reports; and
- implementation of internal, and external, audit recommendations.

8 Risk & Compliance Analysis

8.1 Risk and assurance is key to effective systems of governance and internal control. Therefore, this report contributes to the mitigation of *GCRB Risk 012: the capacity and capability of the Board is inadequate and standards of governance fall below the required level.*

9 Financial & Resource Implications

9.1 There are no specific financial or other resource implications arising from this report.

¹ The Internal Audit Reports (Strategic Planning and Stakeholder Engagement) were not available at the date that this Annual Report was prepared. It is anticipated that the reports will be available to the Committee on 12 January and this report can be updated before it is provided to the Board on 24 January 2022

10 Equalities Implications

10.1 The evaluation process includes consideration of gender balance at Committee level.

11 Learner Implications

11.1 There are no direct implications for the learner arising from this report.