Audit and Assurance Committee Meeting

Date of Meeting	Thursday 3 December 2020
Paper Title	Internal Audit Annual Report 2019-20
Agenda Item	10
Paper Number	AAC3-F
Responsible Officer	Jim Godfrey, Finance and Resources Director
Status	Disclosable
Action	For discussion

1. **Report Purpose**

    1.1. To receive MHA Henderson Loggie's internal audit report for 2019-20.

2. **Recommendations**

    2.1. The Committee is invited to consider the annual internal audit report.

3. **Background**

    3.1. As part of the audit of the internal audit plan, the internal auditors produce an annual audit report. A copy of MHA Henderson Loggie's internal annual audit report is attached as an Annex to this paper.

    3.2. GCRB management have had an opportunity to comment on a draft version of the report.

    3.3. The content of the report is for MHA Henderson Loggie to determine. However, it is open to the Committee (and the Board) to provide comment.

4. **Risk Analysis**

    4.1. 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.

5. **Equalities Implications**

    5.1. There are no equalities implications arising from this report.

6. **Legal Implications**

    6.1. There are no legal implications arising from this report.

7. **Resource Implications**

    7.1. There are no specific resource implications arising from this paper.

8. **Strategic Plan Implications**

    8.1. 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.

Glasgow Colleges' Regional Board

Annual Report to the Board and Executive Director on the Provision of Internal Audit Services for 2019/20

Internal Audit Report No: 2020/06

Draft issued: **25 November 2020**

Final issued: **26 November 2020**

Now, for tomorrow

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1. Annual Report and Opinion

Introduction

1.1 We were re-appointed in September 2016 as internal auditors of Glasgow Colleges' Regional Board (GCRB) for the period 1 August 2016 to 31 July 2020. This report summarises the internal audit work performed during 2019/20.

1.2 An Audit Needs Assessment (ANA) exercise was undertaken in 2019, based on the areas of risk that GCRB is exposed to. The ANA was prepared following discussion with the GCRB Executive Director and the Chair of the Audit Committee, and from a review of various GCRB documents. The ANA was based on GCRB's risk register supplemented by our own assessment of the risks faced by GCRB. Following on from the ANA exercise a strategic plan for 2019 to 2022 was developed and an Annual Plan for 2019/20 was drawn-up (see internal audit report 2020/01 – Strategic Internal Audit Plan 2019 to 2022 and Internal Audit Annual Plan 2019/20) which was approved by the Audit and Assurance Committee at its meeting in October 2019.

1.3 The Annual Internal Audit Plan for 2019/20 mirrored year one of the three year Strategic Plan, with the exception of the planned review of Monitoring of Achievement of Target Student Numbers, which was deferred into the 2019/20 Annual Plan from the 2018/19 planned activity following discussion with management.

1.4 The reports submitted during 2018/19 are listed in Section 2 of this report and a summary of results and conclusions from each finalised assignment is given at Section 3. All of the planned activity was delivered during the year with the exception of the review of Follow Up Reviews, which was not required as there were no outstanding actions to follow up from the previous year.

1.5 An analysis of time spent against budget is included at Section 4.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

1.6 GCRB has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent, risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:

- Confirm our independence;
- Provide information about the year's activity and the work planned for next year in this report; and
- Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.

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Public Sector Internal Audit Standards (PSIAS) Reporting Requirements (Continued)

1.7   Self-assessment is undertaken through:

- Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
- Ensuring compliance with best professional practice, in particular the PSIAS;
- Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
- Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
- Annual completion of a checklist to confirm our PSIAS compliance. This is undertaken annually in May.

1.8   External assessment is built into our firm-wide quality assurance procedures. MHA Henderson Loggie is a member of MHA, a national association of independent accountancy firms. Continued membership of MHA is dependent on maintaining a high level of quality and adhering to accounting and auditing standards in the provision of our services. Annual quality reviews are conducted to confirm our continuing achievement of this quality. The independent MHA review conducted in March 2019 included our internal audit service. This was a comprehensive independent review of our internal audit function as required every five years by PSIAS. Overall, the review confirmed that the firm's policies and procedures relating to internal audit were compliant with the PSIAS in all material respects. Our most recent self-assessment, conducted in May 2020, confirmed that the outcomes of this external assessment remain valid.

1.9   The results of our self-assessment are that we are able to confirm that our service is independent of GCRB and complies with the PSIAS.

Significant Issues

1.10   Internal audit report 2020/03 – Shared Services was graded as 'Requires Improvement' and at the time of our audit we noted that there had been no recent active engagement between the Glasgow Region colleges in relation to shared services, although we recognised that the impact of the COVID-19 pandemic had meant that the focus of each College had understandably been targeted on business continuity issues. Our report highlighted that shared service arrangements in the Glasgow Region are largely reliant on the three colleges finding a consensus and then developing a formal agreement which sets out the way forward. We expressed the view there is a need for increased focus and impetus around the delivery of shared services activity and it is our view that there is scope for the GCRB Executive to play an enhanced strategic role in engaging with College Principals to identify workable opportunities for identifying and delivering shared services activity across the Glasgow Region. However, we recognise the challenges of progressing the shared services agenda during the current restrictions.

1.11   There were no significant issues identifying major internal control weaknesses arising from our internal audit work during the year. In general, procedures were operating well in the areas selected, although some areas for improvement were identified and actions agreed to rectify the issues identified.

Opinion

1.12 In our opinion, GCRB has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2019/20 and also in previous years.

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2. Reports Submitted

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2020/01	Strategic Internal Audit Plan 2019 to 2022 and Outline Internal Audit Annual Plan 2019/20	**N/A**	N/A	N/A	N/A	N/A
2020/02	Monitoring of Achievement of Target Student Numbers and Delivery of Enhanced Regional Outcomes	**Good**	-	-	-	-
2020/03	Shared Services	**Requires Improvement**	1	-	1	-
2020/04	Collaborative Training Provision BPR	**Satisfactory**	2	-	-	2
2020/05	Risk Management	**Satisfactory**	4	0	0	4

Overall gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

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Action Grades

Recommendation grades are defined as follows:

Priority 1	Issues which require the consideration of the Board or one of its committees.
Priority 2	Significant matters that the Executive Director can resolve.
Priority 3	Less significant matters, which do not require urgent attention, but which should be followed up within a reasonable timescale.

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3. Summary of Results and Conclusions

2020/01 – Strategic Internal Audit Plan 2019 to 2022 and Outline Internal Audit Annual Plan 2019/20

Final Issued – October 2019

The purpose of this document was to present, for consideration, by the Audit and Assurance Committee, the Strategic Plan for the period 2019 to 2021 and the annual operating plan for the year ended 31 July 2020.

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2020/02 – Monitoring of Achievement of Target Student Numbers and Delivery of Enhanced Regional Outcomes

Final Issued – May 2020

The scope of this audit involved a detailed review of the FES information which the Glasgow Colleges send to GCRB throughout the year; a comparison of the projections submitted to GCRB versus the outturn figures; and evaluation of the ownership and in-year reporting on performance against target student numbers within individual Colleges (to both the Senior Management Team and Committees). The review also examined the way in which each of the Colleges in the Glasgow Region demonstrate the performance improvements required to deliver enhanced regional outcomes.

The table opposite notes the objective for this review and records the results.

Strengths

- In each college we noted that the Senior Management Teams (SMT) maintain overall oversight of progress against the overall Credit funding targets, as well as the ROA performance of subsets of data set by the GCRB.
- Each college's curriculum portfolio is developed in line with the regional and national priorities and funded activity targets are included in the Glasgow Colleges Regional Outcome Agreement (ROA) and student recruitment is targeted on this basis.
- Comprehensive reporting of key Credits monitoring data, including recruitment and enrolment data has been developed from by each College.
- Processes have been developed to set recruitment targets and monitor early and late retention and performance data, with historic trend data used to sense check whether targets and performance are reasonable.
- ROA Credits data, including actual and forecast outturn, is reported regularly to the senior management groups, including SIMD10 / SIMD20, BME, disability, care experienced and STEM.
- There is appropriate review of Credits performance by senior management, the Learning and Teaching Committees and Boards.
- We noted that each of the Glasgow colleges strategic plans, and supporting strategies, demonstrate the direction for each College in meeting national and regional priorities.

Objective		Findings		
The main objective of the audit was to obtain reasonable assurance that:		**1**	**2**	**3**
		No. of Agreed Actions		
1. Appropriate governance structures have been established which allow effective reporting and monitoring of information on student activity data against targets for all three Glasgow region Colleges to identify areas of underperformance and to identify possible remedial actions.	**Good**	0	0	0
2. FES data is made available which: • reports against appropriate performance measures which allow effective monitoring of actual Credits against target at critical milestones during the academic year; • assists in forecasting expected Credits outturn; and • enables the impacts of key regional strategic and objectives to be measured.	**Good**	0	0	0

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2020/02 – Monitoring of Achievement of Target Student Numbers and Delivery of Enhanced Regional Outcomes (Continued)

Weaknesses
- No significant weaknesses were noted during our review.

3. The regional Credits delivery is aligned with national priorities and the needs of regional industry, employers and individual learners as outlined in the Glasgow Region Outcome Agreement 2019/20.	**Good**	0	0	0
		0	**0**	**0**
Overall Level of Assurance	**Good**	**System meets control objectives**		

2020/03 – Shared Services

Final Issued – November 2020

This audit examined, through discussion with senior staff from the colleges in the Glasgow Region, the progress which has been made in exploring opportunities for shared services across the Glasgow Region. Staff from two of the three Glasgow Region colleges provided input into this audit.

The table opposite notes the objectives for this review and records the results.

Strengths

- Discussions with representatives from two of the three Glasgow Region colleges confirmed that there was an appetite, at both Board and management levels, to explore opportunities for shared services, where it could be identified that real cash releasing savings could be achieved. We also noted that representatives from the senior management teams of each Glasgow Region college previously met to discuss potential opportunities and challenges for improving the delivery of support functions and front-line services; to investigate where efficiencies could be made; to develop effective models for collaboration; and to promote innovation. Groups were previously established which considered, amongst other things, opportunities for shared services.

Objective		Findings		
The objectives of this audit were to obtain reasonable assurance that systems are sufficient to ensure:		**1**	**2**	**3**
		No. of Agreed Actions		
1. Senior management and Board members of each College in the Glasgow Region are committed to exploring opportunities for shared services with other Glasgow Region colleges.	**Satisfactory**	0	0	0
2. Appropriate groups have been established and these are actively exploring opportunities for shared services across the Glasgow Region colleges.	**Requires Improvement**	0	1	0
3. The Colleges have investigated the structures and resources required to deliver shared services opportunities including how funding, assets and staffing could be aligned in a sustainable framework.	**Satisfactory**	0	0	0
		0	**1**	**0**
Overall Level of Assurance	**Requires Improvement**	**System has weaknesses that could prevent it achieving control objectives.**		

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2020/03 – Shared Services (Continued)

Strengths (Continued)
- Although shared service entities have not been established as set out in the above definition, we did identify examples of peer and regional collaborative working, particularly around regional curriculum planning and delivery to reduce inefficiencies and control costs. Examples were also noted of colleges working individually with local authorities (and other external agencies) to deliver services as part of the work progressed through community planning partnerships. We also identified collaborative working between colleges as part of a regional approach to the delivery of the foundation apprenticeships programmes, including liaison with schools in the Greater Glasgow area.

Weaknesses
- At the time of our audit we noted that there had been no recent active engagement between the Glasgow Region colleges in relation to shared services, however we have recognised that the impact of the COVID-19 pandemic has meant that each of the colleges' focus has been on business continuity issues. The longer-term financial impact of the pandemic may also influence the Glasgow Region colleges decisions on future engagement around shared services and provision delivery.

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2020/03 – Shared Services (Continued)

Weaknesses (Continued)
- Shared service arrangements in the Glasgow Region are largely reliant on the three colleges finding a consensus and then developing a formal agreement which sets out the way forward. However, in our view there is a need for increased focus and impetus around the delivery of shared services activity and it is our view that there is scope for the GCRB Executive to play an enhanced strategic role in engaging with College Principals to identify workable opportunities for identifying and delivering shared services activity across the Glasgow Region; in reviewing any potential impact on staff and students; and in determining resource requirements.

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Internal Audit Annual Report 2019/20

2020/04 – Collaborative Training Provision BPR

Final Issued – November 2020

This audit assessed whether the 2019/20 GCRB Collaborative Training plan had been successfully delivered. The review also identified whether any areas of good practice in collaboration were apparent between the Colleges, which could aid delivery of future shared services initiatives across the region.

The table opposite notes the objectives for this review and records the results.

Strengths
- While the Covid-19 pandemic has adversely impacted on the delivery of the collaborative training plans the following elements have been successfully implemented:
    o Collaborative networks have been established with the Human Resources (HR) leads now meeting on a weekly basis;
    o Digital transformation has progressed with the launch of ClickView across the Glasgow region;
    o Progress was also being reported against the innovation strand and the planning of the Design Thinking stage was underway;
    o The regional OD Group has helped to foster good relations between OD professionals within each of the Colleges through the sharing of experiences and working practices; and
    o GCRB have provided funding to support the Glasgow region Mental Health project to build capacity and resilience in each College for the provision of mental health services and the support made available for both staff and students.

Objective		Findings		
The objectives of this audit were to obtain reasonable assurance that systems are sufficient to ensure:		**1**	**2**	**3**
		No. of Agreed Actions		
1. The agreed 2019/20 GCRB Collaborative Training plan has been successfully delivered.	**Satisfactory**	0	0	1
2. The delivery of the plan has identified areas of successful collaboration and benefits arising from the provision of shared services across the GCRB network	**Satisfactory**	0	0	0
3. The benefits identified from the delivery of the Collaborative Training Plan are used to improve the delivery of future shared services initiatives across GCRB.	**Satisfactory**	0	0	1
		0	**0**	**2**
Overall Level of Assurance	**Satisfactory**	**System meets control objectives with some weaknesses present**		

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2020/04 – Collaborative Training Provision BPR (Continued)

Weaknesses

- There is currently no regional lead for the OD Group as the Vice Principal, Human Resources and Organisational Development at Glasgow Kelvin has now left their role;
- There has been no evaluation on the effectiveness of the successful delivery of some elements of the 2019/20 training plan; and
- There is an absence of clear and measurable criteria to assess the success of collaboration activities and initiatives within GCRB.

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2020/05 – Risk Management

Final Issued – November 2020

The scope of this audit was to build on the previous work conducted in this area. We have reviewed the arrangements for the oversight and monitoring of mitigating actions associated with regional risks which are managed at operational / College level and the mechanisms for escalating and deescalating risks to/from the GCRB strategic risk register.

The table opposite notes the objectives for this review and records the results.

Strengths
- There is a risk management framework in place including: A Risk Management Policy and Procedure; Risk Management Guidance; and a Strategic Risk Register;
- Responsibility for the oversight of the risks facing GCRB is aligned to the Board and the strategic Risk Register is presented to each meeting of the GCRB Board for consideration and discussion;
- Each meeting of the Audit and Assurance Committee reviews the risks identified by the three assigned colleges in the Glasgow Region in order to identify emerging risks for the region and to review the way in which risks are being managed at college level;
- The Strategic Risk Register is presented to each meeting of the Board, which provides Board members with the opportunity to challenge management on the strategic risks identified; their assessment of these risks in terms of relative priority (taking into account the residual risk position against the Board's risk appetite); and the mitigating actions and controls which have been put in place to manage these risks; and

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Objective		Findings		
The objectives of this audit were to obtain reasonable assurance that systems are sufficient to ensure:		**1**	**2**	**3**
		No. of Agreed Actions		
1. There is a process in place to provide reasonable assurance to the Board and to the Director in relation to the declaration on risk required for the financial statements	**Satisfactory**	0	0	1
2. The process in place applies good practice in risk management	**Satisfactory**	0	0	2
3. Key risks have been identified and are being appropriately controlled, mitigated, reported and discussed at appropriate levels of management and the Board	**Satisfactory**	0	0	1
		0	**0**	**4**
Overall Level of Assurance	**Satisfactory**	**System meets control objectives with some weaknesses present**		

2020/05 – Risk Management

Strengths (Continued)

- From our review of the risk management framework it exhibited most aspects of good practice.

Weaknesses

- The statement contained in the Annual Report and Consolidated Statements around the remit of the Audit and Assurance Committee is silent on the work which the Audit and Assurance Committee conducts in terms of reviewing the risks identified by each of the three assigned Colleges and the steps taken to manage these risks;
- The current reporting of risks to the Board does not contain any narrative to highlight the specific risks on the Strategic Risk Register where the residual risk level is above the agreed risk appetite;
- The current reporting format does not align responsibility for the individual controls and mitigating actions to named individuals and timelines are not attached to any mitigating actions in order to focus management attention and to aid monitoring; and
- The work to review the Strategic Plan for GCRB will require a reassessment of the risk appetite of the Board to react to the changing priorities which will develop as the strategic planning process unfolds during 2021.

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4. Time Spent – Actual v Budget

	Report number	Planned days	Actual days fee'd	Days to fee at November 2020	Days to spend / WIP	Variance
Corporate Planning						
Monitoring of Achievement of Target Student Numbers and Delivery of Enhanced Regional Outcomes	2020/02	4	4	-	-	-
Risk Management						
Glasgow Region Risk Management	2020/05	3	3	-	-	-
Finance						
Shared Services	2020/03	4	4	-	-	-
Performance						
Collaborative Training Provision BPR	2020/04	4	4	-	-	-
Other Areas						
Follow-Up Reviews	N/A	1	-	-	-	(1)
Audit Management						
Management and planning)	2020/01 and 2020/06	3	3	-	-	-
External audit liaison)						
Attendance at Audit Committee)						
		_____	_____	_____	_____	_____
Total		19	18	-	-	(1)
		======	====	====	=====	======

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5. Operational Plan for 2020/21

5.1 Through discussions with management and review of key documentation (including the Strategic Plan 2019-2022, the strategic risk register and previous internal and external audit reports) we have built up a picture of the key issues facing the Board. This analysis informed a meeting with the Chair of the Audit and Assurance Committee and the Finance & Resources Director to discuss the key risks, issues and priorities for the Board over the next three years. The topics selected for internal audit review are intended to address both the current and emerging issues facing the Board, which have developed since the move to Fundable Body status.

5.2 Undertaking this work allows us to consider the level of risk and complexity of each area of your operations and to assess the internal audit resources required to allow adequate coverage of the elements of the audit universe where it is appropriate for internal audit to focus attention. The audit universe utilised has been tailored specifically for the circumstances of the Regional Board. From this exercise we have drawn up a new 3 Year Strategic Plan for the period 2019 to 2022 setting out proposed areas for audit over the internal audit cycle.

5.3 An extract from the Strategic Plan, in relation to 2020/21, is shown below.

	Priority	Budgeted 20/21 Days
Corporate Planning Alignment of Corporate Plan / ROA & RSP	High	5
Other areas Staff recruitment, retention, succession planning, staff development and staffing policies	Medium	1
Partnership working / lobbying (outwith GCRB group)	Medium	5
Follow-up reviews	Various	1
Audit Management Management and planning) External audit / SFC) Attendance at Audit & Assurance Committee)		3
Total		15

Aberdeen

45 Queen's Road
Aberdeen
AB15 4ZN

T: 01224 322100

Dundee

The Vision Building
20 Greenmarket
Dundee
DD1 4QB

T: 01382 200055

Edinburgh

Ground Floor
11-15 Thistle Street
Edinburgh
EH2 1DF

T: 0131 226 0200

Glasgow

100 West George Street
Glasgow
G2 1PP

T: 0141 471 9870

mha
HENDERSON LOGGIE

hlca.co.uk | info@hlca.co.uk