

Audit and Assurance Committee Meeting

Date of Meeting	Tuesday 1 June 2021
Paper Title	Internal Audit Progress Report 2020-21
Agenda Item	6
Paper Number	AAC6-B
Responsible Officer	Jim Godfrey, Finance & Resources Director
Status	Disclosable
Action	For Noting and Comment

1. Report Purpose

- 1.1. The Internal Audit Progress Report 2020-21 has been prepared by MHA Henderson Loggie and the report is provided to the Audit and Assurance Committee for consideration.
- 1.2. The Internal Auditor has also completed a review of GCRB Financial Controls and this is attached for review too.

2. Recommendations

- 2.1. The Committee is invited to **note**:
 - the progress of the Internal Audit programme for 2020-21 and **comment** as appropriate.
 - the review of GCRB financial controls and that the level of assurance is rated 'good'.

3. Report

- 3.1. The Internal Auditor has provided a review of progress against the 2020-21 internal audit plan. The attached report shows the audit areas, planned reporting dates and an update of progress.
- 3.2. The first element of the programme (review of financial controls) has now been completed. The detailed report is attached as an annex and provides assurance in respect of the GCRB financial controls in place. The level of assurance is rated 'good' by the Internal Auditor

4. Risk Analysis

- 4.1. The work of the Internal Auditor is informed by an assessment of risk. The approach to audit planning reflects an overall assessment of the relevant risks that apply to GCRB. This ensures that the audit focuses on the areas of highest risk.

5. Equalities Implications

5.1. There are no equalities implications as a direct result of this report.

6. Legal Implications

6.1. There are no legal implications as a result of this report

7. Resource Implications

7.1. The internal audit programme is based upon an average requirement of 15 days per annum. The cost per day is based upon the price previously tendered by MHA Henderson Loggie.

8. Strategic Plan Implications

8.1. Through the conditions of grant associated with the Regional Outcome Agreement, GCRB is required to conduct its affairs in accordance with the expected standards of good governance, which includes independent scrutiny and audit.



Glasgow Colleges Regional Board

**Internal Audit Progress Report
2020/21 Annual Plan**

1 June 2021

Now, for tomorrow

Internal Audit Progress Report

June 2021

Progress in delivering the planned activity for 2020/21 is shown below.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit & Assurance Committee	Comments
Financial Controls – Payroll and Creditors (1 day)	June 2021	Draft 25/05/21 Final 25/05/21	2021/01	Good	01/06/21	This review was added to the 2020/21 planned activity to replace the 1 day review of Staff recruitment, retention, succession planning, staff development and staffing policies, which was included in the approved strategic Internal Audit Plan for 2020/21.
Stakeholder mapping / engagement (5 days)	September 2021					This review will focus on the work which is undertaken to understand the drivers for key stakeholders such as local authorities, Skills Development Scotland, universities, Glasgow Economic Forum and Glasgow Chamber of Commerce.
Strategic Planning (5 days)	September 2021					This review will focus on the work to develop the regional strategy and will involve discussion with the three principals of the Glasgow region colleges.
Follow Up reviews (1 day)	September 2021					

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Glasgow Colleges Regional Board

Financial Controls – Payroll and Creditors

Internal Audit Report No: 2021/01

Draft issued: 25 May 2021

Final issued: 25 May 2021

LEVEL OF ASSURANCE

Good

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Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

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.

Action Grades

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit and Assurance Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.



Management Summary

Overall Level of Assurance

Good	System meets control objectives.
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Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Glasgow Colleges Regional Board ('the GCRB') Strategic Risk Register:

- Fraudulent activity has an impact on reputation and finance.

Background

As part of the Internal Audit programme at the GCRB for 2020/21 we carried out a review of the controls in place around Payroll and Creditors. This review was added into the 2020/21 Annual Plan following discussion with management. This is an area where risk can arise and where Internal Audit can assist in providing assurances to the Executive Director and the Audit and Assurance Committee that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The provision of payroll services to GCRB is delivered by Glasgow Clyde College. The processing of creditors invoices is carried out by City of Glasgow College on behalf of GCRB.

The payroll arrangements within Glasgow Clyde College were reviewed by internal audit in February 2021 (Glasgow Clyde College internal audit report number 2021/04) and the findings were reported to the last meeting of the College's Audit Committee. This report had an overall grading of 'Good – system meets control objectives'.

Procurement and creditors arrangements were reviewed in City of Glasgow College in March 2020 (City of Glasgow College internal audit report number 2020/04) and the findings were reported to the May 2020 meeting of the Audit and Assurance Committee. This report had an overall grading of 'Satisfactory – system meets control objectives with some weaknesses present' and contained nine priority three recommendations.

This report summarises the findings of both reports and provides an update on the progress made by City of Glasgow College in taking forward the agreed recommendations arising from the May 2020 report on Procurement and Creditors / Purchasing.

Financial Controls – Payroll and Creditors

Scope, Objectives and Overall Findings

The table below notes the objectives for this review and records the results:

Objective	Findings			
The specific objectives of this audit were to ensure that:		1	2	3
1. The control environment around the payroll service provided to GCRB by Glasgow Clyde College is robust and operating effectively.	Good	0	0	0
2. The control environment around the creditors / invoice processing service provided to GCRB by City of Glasgow College is robust and operating effectively.	Good	0	0	0
Overall Level of Assurance	Good	0	0	0
		System meets control objectives		

Audit Approach

We assessed whether the above objectives have been met through summarising the recent work conducted at Glasgow Clyde College on payroll and we obtained a progress update from the Head of Finance at City of Glasgow College regarding the progress made in implementing the nine recommendations contained in the May 2020 internal audit report on Procurement and Creditors / Purchasing. For completeness we have included the updates provided around the procurement elements of the original report, as well as the creditors elements.

Financial Controls – Payroll and Creditors

Summary of Main Findings

Strengths

Payroll

- The payroll is processed on a monthly basis by the payroll team who update the iTrent system with the required amendments and updates;
- There are procedures in place to support the monthly payroll process;
- Staff can access the necessary forms and payroll processes in place within the college's intranet;
- The payroll team are experienced and are well versed in the payroll process and the iTrent system;
- Audit testing has confirmed that:
 - Gross pay had been correctly calculated, and rates agreed to details held in the HR system and that deductions had also been correctly calculated;
 - Employer national insurance and employer superannuation contributions had been correctly calculated;
 - All additional payments to part-time/relief staff, those on paid hours contracts, overtime and travel & subsistence payments had been checked and authorised by managers and correctly input into the payroll system;
 - Starters and leavers had entered and left the payroll system at the correct date with all details entered correctly;
 - Payments for first/final salary had been calculated correctly; and .
 - Payroll payments were properly authorised and matched with journal entries, bank statements and BACs records;
- Approval of the payroll is in line with the College's Financial Regulations; and
- There is an effective process in place for updating the General Ledger with the monthly payroll output.

Procurement and Creditors

- There was a dedicated Procurement team, with a Procurement Strategy, Policy, guidance and information on the intranet and College website;
- The PECOS system provides a robust system for requesting and authorising purchase orders;
- Invoices require authorising by an appropriate member of staff;
- The Finance department has a range of controls in place to check the accuracy of invoices and check that the person approving this has the required authorisation level;
- There are checks undertaken by Finance staff processing items for payment on online banking or through payment transmission software, including ensuring that there is appropriate supporting documentation;
- There are checks in place over credit card use and petty cash claims;
- Approvers on PECOS, and users on the finance system, online banking and payment transmission software were appropriate;
- The recommended improvements around independent checking of scoring assessments on tender exercises have been implemented;
- A comparison is now made between the agreed spend per the contract (over the total contract period) to actual cumulative spend over the life of the contract;
- Independent file reviews are now conducted for all procurements to ensure that all procurement documents have been fully and appropriately completed;
- The recommended changes to processes around cash advances have been implemented and the level of cash floats has been reduced from £20,000 to £2,000. This will be subject to further review once staff return to the office and will be informed by the cash requirements for cash floats for outlets and the funds required to make emergency cash payments to students;

Financial Controls – Payroll and Creditors

Strengths (Continued)

Procurement and Creditors (Continued)

- The introduction of the system change required to ensure that the payment file generated by the Finance system cannot be manipulated prior to being uploaded into payment transmission software was not progressed due to cost implications. However, a compensating control is now in place, with the Finance Manager conducted a final check to ensure that the bank details on the payment run agree to the creditors masterfile details;
- A video was issued to budget holders setting out the budget setting approach;
- The Head of Finance is now advised of any requests to change bank details and personally contacts the supplier to verify that the request to change bank details is a legitimate one. The details of the supplier conversation are then emailed to the payment officer by the Head of Finance. We were advised that responsibility for contacting the supplier to verify any requests to change standing bank details will transfer to the Finance Manager in due course;
- All changes to standing supplier data are now checked by the Head of Finance. This goes beyond the spot checks originally recommended.

Opportunities for improvement

Payroll

While the audit did not identify any specific control weaknesses, in our view there are areas where the existing process could be enhanced by increasing the use of electronic controls and through increased automation of the payroll system in the following areas:

- Increased use of electronic recording including approval and documenting of key controls including the completion of the monthly payroll validation checks;
- The College should also explore where additional benefits can be obtained by automating the process including the direct approval and uploading of additional salary payments and expenses;
- As the College is heavily reliant on iTrent ESS, for the accurate processing of payroll and security of personal data changes, it should obtain regular ISAE 3402 Control Assurance reports from iTrent providing assurance over the reliability of the controls and processes in place; and
- The College should introduce an additional escalation mechanism, which would supplement the existing raft of routine checks conducted by both HR and Payroll staff, in order to ensure senior management approval before the BACS payment run.

Procurement and Creditors

- Only one of the nine recommendations contained within the May 2020 internal audit of Procurement and Creditors / Purchasing has not been progressed during the intervening period. This relates to the development of a training programme to remind all staff involved in raising and authorising POs, and all staff involved in authorising invoices, of the importance of remaining vigilant in checking that there is a robust rationale for all expenditure requests. In addition, it was recommended that written guidance should be provided to staff describing the types of scenarios to be aware of and outlining what they should do if they are unsure whether there is a valid reason for requested expenditure. We have been advised that the delivery of the training has been impacted by the COVID-19 pandemic, but we received management assurances that this training and guidance will be delivered to Finance staff and budget holders later in 2021.

Financial Controls – Payroll and Creditors

Acknowledgements

We would like to take this opportunity to thank the staff at the GCRB and City of Glasgow College who helped us during our audit.

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