

## Audit Committee Meeting

Date of Meeting	Tuesday 3 October 2017
Paper Title	Implementation of External Audit Recommendations
Agenda Item	6
Paper Number	AC1-B
Responsible Officer	Jim Godfrey, Interim Finance & Resources Director
Status	Disclosable
Action	For discussion

### 1. Report Purpose

- 1.1. To update Committee members on GCRB action to implement the external audit recommendations made within Scott-Moncrieff's external audit reports for 2014-15 and 2015-16.

### 2. Recommendations

- 2.1. The Committee is invited to **note** and **comment** on the implementation update report attached as Annex A to this report.

### 3. Implementation of External Audit Recommendations

- 3.1. The annex to this paper provides for members' information an update on GCRB management action to implement the recommendations made by the auditor.

- 3.2. In summary, the view of management is that the external audit recommendation re:

- **Governance (2014-15)** is complete, albeit there may be additional actions arising from the Governance Review undertaken by the Board Secretary in August 2017.
- **Absent Contract Documentation (2014-15)** is complete/has been overtaken by the Board obtaining Fully Operational Status and taking the decision to become an employing body.
- **Long-term financial strategy (2015-16)** is an on-going development and is considered to be something that will be a process of continual improvement rather than a specific action.
- **Register of Interests (2015-16)** is complete.

### 4. Risk Analysis

- 4.1. This report provides evidence that GCRB is responding to areas for improvement identified through external audit.

**5. Legal Implications**

**5.1.** There are no specific legal implications.

**6. Resource Implications**

**6.1.** External audit is a necessary component of an organisation's overall governance arrangement with regard to both financial and other matters.

**7. Strategic Plan Implications**

**7.1.** Through the Regional Outcome Agreement and associated requirements, GCRB has to have effective governance arrangements, of which external audit is part.

**Annex 1. External Audit Recommendations – Implementation Update**

2014-15 Action plan point	Issue & Recommendation	Management Update
<p><b>Governance</b></p>	<p>The GCRB has not yet been awarded fully-operational fundable body status by the SFC and is therefore not in a position to fully exercise its strategic management and coordination duties as set out under the Post-16 Education (Scotland) Act. Despite this, the GCRB has been operational during the course of 2014/15, supported by public funds. As required by paragraph 17 of part 1 of the Financial Memorandum with Fundable Bodies in the College Sector, the GCRB must comply with the principles of good governance set out within the Code of Good Governance for Scotland’s Colleges. The GCRB 2014/15 Accounts Direction, as issued by the SFC, further clarifies that the GCRB governance statement should adequately explain the GCRB’s unique governance arrangements in place during the period. In line with the principles of comply or explain, explanation should be provided in the event that the GCRB’s practices are not consistent with principles. The GCRB must clearly set out a timetable and action plan detailing how it will comply with the good governance requirements of the SFC in order to achieve fully-operational fundable body status as soon as practical. This action plan and timetable should be formally agreed with the SFC.</p>	<p>At its meeting on 17<sup>th</sup> March, 2017, the Scottish Funding Council agreed to award GCRB fully-operational status from 1<sup>st</sup> April, 2017.</p> <p>The Audit Committee received a report on compliance with the Code of Good of Good Governance on 15 May 2017 and reported to Board on 4 September 2017. The Committee received and agreed an explanatory note in relation to one minor point of non-compliance which will be reported in the annual Financial Statements.</p> <p>The Strategic Plan, Strategic Memorandum and revised Risk Register have been agreed for implementation from September 2017.</p> <p>This action is now complete.</p> <hr/> <p>Lead: <b>Executive Director/Board Secretary</b></p>

2014-15 Action plan point	Issue & Recommendation	Management Update
<p><b>Absent contract documentation</b></p>	<p>Observation from the audit work performed - we have identified three instances where we would have expected formal contracts / equivalent to have been in place between the GCRB and the bodies supplying the goods or services, yet they did not exist:</p> <ul style="list-style-type: none"> <li>▪ The GCRB's Executive Assistant is on secondment to the GCRB from Glasgow Clyde College. There is no documented secondment agreement in place to support this arrangement.</li> <li>▪ The GCRB rented two office spaces within Glasgow Caledonian University during the 2014/15 period. There was a letter of agreement in place between the SFC and Glasgow Caledonian University regarding the larger of the office spaces, however no similar documentation could be provided in respect of the second room. We are satisfied that no further action is required by management with regard to this matter, as office accommodation is now provided free of charge by the City of Glasgow College.</li> <li>▪ During 2014/15, there were no Service Level Agreements in place between the GCRB and the member colleges in respect of the administrative services being provided to the GCRB free of charge e.g. finance, HR, IT, accommodation etc. However we consider that management have already taken appropriate steps in rectifying the absence of such documentation: the agreement with Glasgow Clyde College has now been formalised and the agreements with City of Glasgow College and Glasgow Kelvin College are currently in draft form.</li> </ul> <p>Recommendation:</p> <p>The GCRB should ensure that all such arrangements entered into are formally documented and approved, satisfying that there is a clear audit trail in place should any problems arise.</p>	<p>Reports on employment arrangements for GCRB staff were considered by the GCRB Nominations and Remuneration Committee at their meetings on 6 February, 14 March, 2 May 2017 and 22 August 2017. These reports have set out the options for the employment and secondment of staff. At the meeting on 22 May, the Board agreed a proposal for GCRB to become the employer of its own staff.</p> <p>In the light of GCRB obtaining fully operational status, the provision of some of the services has materially changed. For example, the requirement for City of Glasgow College to provide financial services no longer exists as this resource exists internally within GCRB. The level of services provided by the assigned colleges is minimal and it is important that any agreement is appropriate. Discussions have taken place with the External Auditor to revise this recommendation.</p> <p>GCRB has agreed a Service Agreement with SFC. This Service Agreement also underpins the arrangements for being a fully-operational fundable body (see above recommendation). This agreement will be considered by the Performance &amp; Resources Committee on 9 October 2017 and, subject to approval, will be adopted by both parties.</p> <p>This action is complete.</p> <hr/> <p><b>Lead: Interim Director of Finance &amp; Resources</b></p>

2015-16 Action plan point	Issue & Recommendation	Management Update
<b>Long term financial strategy</b>	Whilst it is recognised that funding allocations from the Scottish Government typically cover one to three-year spending review periods, the GCRB, along with its three assigned colleges, would benefit from developing a long-term financial strategy that includes a clear understanding of its costs, scenario planning, savings options and demonstrate how it will meet demand and deliver services. This matter should be considered by the GCRB once fully-operational fundable body status has been awarded.	<p>This has been discussed at recent internal meetings with finance colleagues from the 3 Assigned Colleges. Work is also taking place involving Colleges Scotland and the Scottish Funding Council to reach a consensus on future long-term planning assumptions. The recent consultation paper on the Long-Term Activity Plan produced by the Scottish Funding Council also provides context to a longer planning horizon.</p> <p>Financial Forecast Returns for a five-year period from 1 August 2017 have been prepared by GCRB and the 3 Assigned Colleges. The individual returns have been consolidated and the long-term position for the region will be considered by the Performance and Resources Committee at its meeting on 9 October 2017.</p> <p>This is work-in-progress and will be an on-going continual improvement process.</p> <p>Lead: <b>Interim Director of Finance &amp; Resources</b></p>
<b>Registers of Interest</b>	While we observe that declarations of interest appear as a standing item at every Board meeting, it should be ensured that a formal register is maintained and updated on an annual basis.	<p>The Register of Interest was checked and refreshed in January 2017 and will now be checked annually each August. This item was considered by the Board at its meeting on 4 September 2017.</p> <p>This action is complete.</p> <p>Lead: <b>Board Secretary</b></p>