

Audit Committee Meeting

Date of Meeting	Friday 7 October 2016
Paper Title	Implementation of External Audit Recommendations
Agenda Item	8
Paper Number	AC1-D
Responsible Officer	Robin Ashton, GCRB Executive 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 report for 2014-15.

2. Recommendations

- 2.1. The Committee is invited to:

- **note and comment** on the implementation update report attached as Annex 1 to this report;
- **note and comment** on the proposed draft generic description of arrangements for agreeing college delivery of GCRB services attached as Annex 2 to this report; and
- **request** the Executive Director to bring a further management update to the next meeting of the GCRB Audit Committee in December 2016.

3. Background

- 3.1. As part of the audit of the annual accounts, the external auditors produce an external audit report. A copy of the final version of the external audit report is sent to the Scottish Funding Council, Audit Scotland and the Scottish Government. The Scottish Government lays a copy of the external audit report in the Scottish Parliament, along with the annual report and accounts.
- 3.2. Three areas of issue were identified within the external audit report. These related to:
- Governance;
 - Uncertainty regarding the benefit to GCRB of certain legal costs; and
 - Absent contract documentation.

- 3.3.** Recommended actions were specified in relation to Governance and contract documentation. No actions were required in relation to legal costs as the auditor was satisfied that a scheme of delegation had since been introduced by management.
- 3.4.** The annex to this paper provides for members' information an update on GCRB management action to implement the recommendations made by the auditor. Further work is required to implement the auditor's recommendations and the Executive Director will bring a further progress update to the next meeting of the GCRB Audit Committee in December 2016.

4. Risk Analysis

- 4.1.** Where arrangements over the supply of goods and services are not formally documented and agreed, there is a risk that the interpreted terms and conditions may be breached by either party, having a detrimental effect on the GCRB being able to successfully deliver its responsibilities. Further, unforeseen costs may arise, outwith the scope of the GCRB budget, putting additional pressure on delivering an efficient and effective service within the funding allocated.

5. Legal Implications

- 5.1.** The annual report and accounts were prepared in accordance with all relevant legal and regulatory requirements and the external auditors did not notify GCRB of any omissions in that regard.

6. Financial Implications

- 6.1.** The draft annual report and accounts is the formal statement of GCRB's expenditure for its first accounting period.

7. Regional Outcome Agreement Implications

- 7.1.** There are no specific implications for the 2015-16 Regional Outcome Agreement.

AC1-D - Appendix 1 - External Audit Recommendations – Implementation Update

Action plan point	Issue & Recommendation	Management Update
1. Governance	<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>The SFC has indicated to GCRB that following further SFC review of GCRB governance arrangements and observation of the GCRB Board that there are no further outstanding governance assurances required which preclude it from being granted fully-operational fundable body status.</p> <p>GCRB and SFC management are currently working on a detailed handover plan which sets out tasks and timeframes to implement fully-operational fundable body status. We expect the handover process to be completed over the next 2-3 months with GCRB taking up its fully-operational status by January 2017 at the latest.</p> <p>The SFC will address the GCRB Board at its meeting on October 31st to provide further clarification on the process towards GCRB becoming a fully-operational fundable body.</p>

Action plan point	Issue & Recommendation	Management Update
<p>3. Absent contract documentation</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"> ▪ 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. ▪ 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. ▪ 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. <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>A secondment agreement was drafted and reviewed by GCRB's lawyers on the recommendation of the GCRB Audit Committee. This highlighted potential VAT issues and specialist VAT advice was provided which confirmed that VAT may be liable. A paper is being prepared for the GCRB Nominations and Remuneration Committee setting out the range of potential issues relating to GCRB employment and requesting authorisation to instruct further legal advice which will provide an overview of GCRB employment options and associated risks and costs to the organisation. A further update on progress related to this will be provided at the next meeting of the Audit Committee.</p> <p>Draft agreements with Glasgow Kelvin College and Glasgow Clyde College have been agreed and an agreement for City of Glasgow College services has been drafted. However, the agreement for governance services provided by Glasgow Kelvin College may now become redundant depending on the arrangements put in place to recruit a new Board secretary. Given that it is likely that there will be further change to GCRB service requirements, the GCRB Executive Director has drafted a generic service level agreement for discussion with the colleges. Should this be agreed, it offers a model which would allow changes to be made to service arrangements without legal services being employed, whilst still ensuring that a clear audit trail is in place. The current draft of the generic service level agreement is attached as Annex 2. to this report.</p>

AC1-D - Appendix 2 –

Draft Generic Description of Arrangements for Agreeing College Delivery of GCRB Services

1. The Principal and the GCRB Executive Director should agree a description of services to be provided by the College to GCRB prior to any service delivery. This description should include the services to be provided, the name(s) of College Senior Manager(s) responsible for the appropriate service area, and any contact details of direct service delivery personnel.
2. Once service delivery has been agreed, in the operation of this service, College delivery personnel should take direction from, and report to, the GCRB Executive Director with respect to delivery of these services.
3. The College should maintain a record of work carried out for GCRB and the resource required to deliver this.
4. Professionally qualified, competent, trained and experienced staff should provide the service.
5. Except where agreed in advance, the College should supply the services to GCRB for no charge.
6. The College or GCRB should not disclose to any person any confidential information arising from the service delivery, except to those required to know such information for the purposes of carrying out the agreed service.
7. For the purposes of the Data Protection Act, GCRB is the Data Controller and the College is the Data Processor in respect of any Personal Data, and the College will not be liable for any claim brought by a Data Subject arising from any action or omission by GCRB.
8. There should be quarterly review meetings between College and GCRB management to evaluate working relationships and to identify any delivery/resource issues or quality enhancement actions. A formal minute of these meetings should be agreed.
9. If any immediate issues arise in relation to the working relationship which cannot be considered during a quarterly review meeting, these should be raised through discussion with the GCRB Executive Director, the Principal and/or College Senior Manager(s). Should this not resolve any issue, the matter should be brought to the attention of the Chairs of the College and GCRB. A formal note of any such discussions and resultant actions should be agreed.
10. An annual evaluation report on College to GCRB service delivery should be jointly developed by the GCRB Executive Director and College managers at end of academic year. This should be provided to the College and GCRB Boards and used to inform planning for the following year.