

Audit Committee Meeting

Date of Meeting	Tuesday 2 October 2018
Paper Title	Internal Audit – Follow-Up Reviews 2017/18
Agenda Item	8(a)
Paper Number	AC1-D
Responsible Officer	Jim Godfrey, Finance & Resources Director
Status	Disclosable
Action	For information

1. Report Purpose

- 1.1. Present the report of the Internal Auditor on the work to follow-up the recommendations of previous internal audit reviews.

2. Recommendations

- 2.1. The Committee is invited to **note** the:
- Internal Audit Report – Follow-up Reviews 2017/18.
 - Positive progress made to previous recommendations.

3. Report

- 3.1. The attached report provides an overview of positive progress against the previous audit recommendations. As can be seen from the report a significant amount of work has taken place to implement the recommendations.
- 3.2. Of the 11 recommendations made, 10 have been fully complete and 1 has been partially complete. The one action that is partially complete will be concluded in March 2019 (i.e. the date that the certificate is next submitted).

4. Risk Analysis

- 4.1. The work of the Internal Auditor is informed by an assessment of risk. The prompt implementation of the actions, in response to the audit recommendations, will enable GCRB to reduce the risks relating to compliance with the Financial Memorandum.

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 specific legal implications arising from this report.

7. Resource Implications

7.1. The provision of internal audit is a necessary component of an organisation's overall governance arrangements with regard to both financial and other matters.

8. Strategic Plan Implications

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



Glasgow Colleges' Regional Board

**Follow-Up Reviews
2017/18**

Internal Audit Report No: 2018/05

Draft Issued: 20 September 2018

Final Issued: 25 September 2018

Contents

	Page No.	
1 Management Summary		
• Introduction and Background	1	
• Objectives of the Audit	1	
• Audit Approach	1	
• Overall Conclusion	1 - 2	
• Acknowledgements	2	
Appendices		
Appendix I	Updated Action Plan – Financial Performance Monitoring (GCRB and Assigned Colleges)	3 - 5
Appendix II	Updated Action Plan – Regional Outcome Agreement (ROA) Development / Monitoring of Progress Against ROA	6
Appendix III	Updated Action Plan – GCRB Risk Management / Oversight of Assigned College's Risk Management	7 - 9
Appendix IV	Updated Action Plan – Compliance with SFC Financial Memorandum	10 - 14

1. Management Summary

Introduction and Background

As part of the Internal Audit programme at Glasgow Colleges' Regional Board ('the Board') for 2017/18 we carried out a follow-up review of the recommendations made in reports issued during 2017/18 and also recommendations contained in internal audit reports from earlier years.

Internal audit report 'Monitoring of Progress Against Corporate Plan' 2018/03 did not include any recommendations.

Internal audit report 'Receipt of funds and funding allocation 2018/04' was finalised in September 2018 and will be followed-up next year.

Therefore, the focus of this review is on the evaluation of the progress made in implementing recommendations from internal audit report 2016/17 and earlier.

Objectives of the Audit

The objective of each of our follow-up reviews was to establish the status of implementation of recommendations made in previous internal audit reports.

Audit Approach

For the recommendations made in each of the reports we ascertained by enquiry or sample testing, as appropriate, whether they had been completed or we established what stage they had reached in terms of completion and whether the due date required to be revised.

Action plans from the original reports, updated to include a column for progress made to date, are appended to this report.

Overall Conclusion

The Board has made good progress in the implementation of previous internal audit recommendations with 10 of the 11 recommendations, which were past their agreed completion date at the time of our follow-up review, being classified as 'fully implemented'. The remaining recommendation was evaluated as 'partially implemented'.

The single outstanding recommendation relates to the amendment of the wording on the Certificate of Assurance signed annually by the assigned colleges. We noted that the reason this was not progressed in 2018 was due to an oversight and we are satisfied that plans are in place to address this going forward.

1. Management Summary (Continued)

Overall Conclusion (Continued)

Our findings from each of the follow-up reviews have been summarised as follows:

From Original Reports			From Follow-Up Work Performed			
Area	Recommendation Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	Considered but not Implemented
Follow-up Reviews 2016/17	1	-	-	-	-	-
	2	4	3	1	-	-
	3	7	7	-	-	-
Total		11	10	1	-	-

The grades, as detailed below, denote the level of importance that should have been given to each recommendation:

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.

Acknowledgements

We would like to thank all staff for the co-operation and assistance we received during the course of our reviews

Appendix I – Updated Action Plan – Follow-Up Reviews 2016/17 Internal Audit Report 2016/03 – Financial Performance Monitoring (GCRB and Assigned Colleges)

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>R1 Amend section 13 'Budgetary Control Procedures for Running Costs' of the GCRB Financial Procedures Manual to reflect the current budgetary control processes in use.</p>	3	<p>Agreed. A draft updated Financial Procedures Manual will be presented for agreement at the next meeting of the GCRB Audit Committee.</p>	<p>Head of Finance, City of Glasgow College</p>	<p>August 2016</p>	<p>At September 2017 Financial Procedures have now been updated to reflect the recommendation and will be formally approved by the Performance and Resources Committee in October 2017. Partially Implemented Revised completion date: 31 October 2017</p> <p>At September 2018 At the October 2017 PRC meeting it was agreed that a tracked changes version of the Financial Procedures Manual should be shared with the Interim Chair and the Chair of the Audit Committee for endorsement, in line with the management response for the original recommendation, pending submission for full Board approval. However, it transpires that there had been a misunderstanding in respect of the required mechanism for approval of any changes and the agreed procedure for the approval of changes to the financial procedures is a matter delegated to the Executive Director. The changes made in 2017, and subsequent updates in April 2018 and July 2018, were approved by the Executive Director. Fully Implemented</p>

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>R2 Include in the Scheme of Delegation that the GCRB Board Chair must sign off the Executive Director's expense claims. In addition, formally agree with CoGC what authorisation they must receive before processing GCRB payments.</p>	<p>2</p>	<p>Agreed. A draft updated Financial Procedures Manual will be presented for agreement at the next meeting of the GCRB Audit Committee.</p>	<p>Executive Director, GCRB</p>	<p>August 2016</p>	<p>At September 2017 Scheme of Delegation updated in September 2016. Financial Procedures have now been updated to reflect what authorisation CoGC must receive before processing GCRB payments and these will be formally approved by the Performance and Resources Committee in October 2017. Partially Implemented Revised completion date: 31 October 2017</p> <p>At September 2018 Section 12 of the Budgetary Control Procedures for Running Costs includes narrative at para 13 'A summary of all GCRB budget holders and their authorisations (as noted on the 'Budget holders & appointment of nominee' forms) must be summarised on an Authorised Budget Holder Schedule. This Schedule, and any revisions to it, should be signed by the Executive Director and Chair as evidence that this is authentic and then provided to City of Glasgow Finance section so that they can refer to this and ensure that the correct authorisations have been received when processing purchase orders and purchase invoices.' We sighted that there was an authorisation for expenditure to be incurred by the Executive Director and Finance & Resources Director which had been signed by the GCRB Chair and provided to City of Glasgow College.</p> <p>Fully Implemented</p>

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>R3 The P&RC should agree what financial monitoring report/s they should receive in each of their annual cycle of four meetings. The format (both headings within the narrative section of the report, and the layout of the financial information) should also be agreed.</p>	<p>3</p>	<p>Agreed. The colleges' Sustainable Institutions Group will draft financial monitoring report/s for consideration at the next meeting of the GCRB Performance and Resources Committee.</p>	<p>Chair of Colleges Sustainable Institutions Group</p>	<p>August 2016</p>	<p>At September 2017 Arrangements for monitoring by GCRB of college financial data are to be considered by the Performance and Resources Committee at its meeting on 9 October 2017. Little or No Progress Made Revised completion date: 31 October 2017</p> <p>At September 2018 A paper was presented to the Performance and Resources Committee on 7 March 2018 which set out the information to be received going forward regarding financial monitoring. The first monitoring under this revised arrangement was submitted to the June 2018 Performance and Resources Committee (PRC) meeting. The Finance & Resources Director advised that no PRC members raised any concerns over the level and format of reporting received in that meeting.</p> <p>Fully Implemented</p>

Appendix II – Updated Action Plan – Follow-Up Reviews 2016/17 (Continued)

Internal Audit Report 2016/04 – Regional Outcome Agreement (ROA) Development / Monitoring of Progress Against ROA

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>R1 The Executive Director should obtain information from each assigned college's student records system and analyse this to gain assurance that assigned colleges' ROA progress information submitted is reasonable.</p>	3	<p>Agreed. The Colleges' Learning and Teaching group will liaise with college MIS managers to provide regular in-year data returns.</p>	<p>Chair of Colleges Learning and Teaching Group</p>	<p>November 2016</p>	<p>At September 2017 GCRB have appointed a Regional Student Data Lead within a regional collaborative management structure. The duties of this position include developing a regional data monitoring and reporting capacity which provides access to in-year FES data (due in October 2017). Partially Implemented Revised completion date: 31 December 2017</p> <p>At September 2018 The Regional Student Data Lead obtains FES reports from each of the Colleges and provides the credit information from these to the Executive Director. This is then included in a report to the Performance and Resources Committee.</p> <p>Fully Implemented</p>

Appendix III – Updated Action Plan – Follow-Up Reviews 2016/17 (Continued)

Internal Audit Report 2017/02 - GCRB Risk Management / Oversight of Assigned College's Risk Management

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
R2 Ensure that management undertake an annual review of the effectiveness of the system of internal control and provide a report on this to the Board.	3	Agreed	Interim Director of Finance & Resources	30 September 2017	<p>At September 2017 The annual review of the effectiveness of the system of internal control will be reviewed by the Audit Committee at its meeting on 3 October 2017. It will then go forward to the Board Meeting on 30 October 2017.</p> <p>Partially Implemented Revised completion date: 31 October 2017</p> <p>At September 2018 The 2016/17 annual review of the effectiveness of the system of internal control was presented and approved by the Board on 30 October 2017.</p> <p>Fully Implemented</p>

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>R3 Ensure that Annual Statement on the Effectiveness of the System of Internal Control in the GCRB Annual Report and Accounts is in line with the format that is set out in this internal audit report.</p>	<p>3</p>	<p>Agreed</p>	<p>Interim Director of Finance & Resources</p>	<p>31 October 2017</p>	<p>At September 2017 The statement on the effectiveness of internal control has been updated in the draft GCRB Annual Report and Accounts for 2016/17. Final Accounts are expected to be issued in December 2017 following completion of the audit. Partially Implemented Revised completion date: 31 December 2017</p> <p>At September 2018 From our review of the 2016/17 GCRB Annual Report and Accounts we confirmed that the Annual Statement on the Effectiveness of the System of Internal Control was in line with the suggested format that was set out in the internal audit report.</p> <p>Fully Implemented</p>

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>R4 Put in place a mechanism for reviewing assigned colleges' risk registers and escalating up any risks or issues to GCRB.</p>	<p>2</p>	<p>Agreed</p>	<p>Interim Director of Finance & Resources</p>	<p>31 July 2017</p>	<p>At September 2017 The Assigned Colleges now provide their risk registers to the Interim Finance & Resources Director. These registers are reviewed with the Executive Director and a report presented to the GCRB Audit Committee. The first such report will be considered on 3 October 2017. Partially Implemented Revised completion date: 31 October 2017</p> <p>At September 2018 We confirmed that assigned college risk registers are reviewed by the Finance and Resources Director and summary reports are regularly submitted to the GCRB Audit Committee on this topic.</p> <p>Fully Implemented</p>

Appendix IV – Updated Action Plan – Follow-Up Reviews 2016/17 (Continued)

Internal Audit Report 2017/03 – Compliance with SFC Financial Memorandum

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>R5 Update the Financial Procedures Manual to state:</p> <p>1) that the GCRB Director of Finance & Resources must inform SFC when an internal auditor is appointed and must inform SFC immediately if the internal auditor is removed or departs before the end of their term of office (para 19);</p> <p>2) that the internal audit Annual Reports for GCRB and the assigned colleges should be forwarded by the Director of Finance & Resources to the SFC (para 22);</p> <p>3) that where the SPFM requires bodies to notify or request prior approval from the Scottish Government then GCRB must, in the first instance, contact SFC (Section 3, para 7);</p> <p>4) that cash reserves in the GCRB bank account are to be kept at a minimum (Section 3, para 10);</p> <p>5) the requirements of the Financial Memorandum regarding contingent liabilities (section 3 paras 15 and 16);</p> <p>6) the Financial Memorandum's requirements regarding delegated financial limits (section 3 para 17);</p> <p>7) the Financial Memorandum's requirements regarding novel, contentious</p>	2	<p>Some sections have already been drafted in revisions made to the Financial Procedures Manual by Henderson Loggie as part of this audit. The following sets out which sections have been updated:</p> <p>1) Section 11</p> <p>2) Not yet revised</p> <p>3) Section 01</p> <p>4) Section 03</p> <p>5) Section 10</p> <p>6) Not yet</p>	Interim Director of Finance & Resources	31 May 2017	<p>At September 2017 The Financial Procedures Manual has been updated to reflect the recommendation raised in the original report. The revised financial procedures will be considered by the Performance and Resources Committee on 9 October 2017.</p> <p>Partially Implemented Revised completion date: 31 October 2017</p> <p>At September 2018 The Financial Procedures Manual has been updated and the Executive Director has approved these changes.</p> <p>Fully Implemented</p>

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>or repercussive expenditure (section 3 para 18);</p> <p>8) a) the need for annual reporting on expenditure over the set reporting levels in Appendix A of S14 of the Financial Procedures Manual (including who will do this and when) and the need to disclose the number of instances and total cost, by category of such expenditure; and b) the Director of Finance & Resources must obtain this information from the assigned colleges and report the GCRB and assigned colleges' figures to the GCRB Board or a GCRB Committee, and also to the SFC (section 3 para 22);</p> <p>9) that the Director of Finance will review assigned colleges' Resource Returns to ensure that there is adequate cash and resource cover in assigned colleges for any arms-length foundation transfers assigned colleges make (section 3 para 23); and</p> <p>10) that the Director of Finance & Resources must review assigned colleges' Resource Returns for impairments and significant movements in provisions and to discuss these with assigned colleges to gain an understanding of the reason for these. For any impairments and significant movements identified this way, or through assigned colleges informing GCRB directly of these, the Director of Finance & Resources must inform the SFC of these as soon as possible (section 3 para 30).</p>		<p>revised</p> <p>7) Section 14</p> <p>8) Not yet revised</p> <p>9) Not yet revised</p> <p>10) Not yet revised</p> <p>The remaining sections to be revised by the Interim Director of Finance & Resources.</p>			

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>R7 Insert into the assigned colleges' Certificate of Assurance to GCRB that they confirm that they have complied with:</p> <ol style="list-style-type: none"> 1) the requirements of the SPFM (except where any special actions or derogations have been agreed with the Scottish Ministers). (para 3); 2) the SPFM requirement for them to notify SFC (via the GCRB) of any item in the SPFM that requires prior approval from the Scottish Government. (para 7); 3) the requirement for overdrafts not to be used as a means of increasing borrowing (para 13); 4) the requirement to seek SFC's prior written consent (via GCRB) before they lend any funds or give a guarantee, indemnity or letter of comfort (para 14); 5) the Financial Memorandum's requirements relating to contingent liabilities (paras 15 and 16); 6) the requirement to obtain SFC's prior written approval (via GCRB) before entering into any undertaking to incur any expenditure that falls outwith delegations set out in Appendix A of the Financial Memorandum (para 17); 7) the requirement to obtain SFC approval (via GCRB) before incurring expenditure for any purpose that is, or might be considered, novel, contentious or repercussive or which has or could have significant future cost implications (paras 18 and 19); 8) the requirement to disclose information about frauds to GCRB (para 20); 9) the requirement to establish appropriate documented internal delegated authority arrangements consistent with the Delegated Authority section of the SPFM and the Financial Memorandum (para 21); 10) the requirement that any severance scheme is approved by SFC (via GCRB) (para 27); 11) the requirement to not make any investments of a speculative nature without the prior written approval of SFC (via GCRB) (para 34); and 12) the requirement for any contract without competition (non-competitive action) to have been approved in advance by SFC (via GCRB) for any amounts over £25,000 (para 36). 	<p>2</p>	<p>Assigned Colleges' Certificate of Assurance to be updated for future returns.</p>	<p>Interim Director of Finance & Resources</p>	<p>31 July 2017</p>	<p>At September 2017 These actions were appended to the Grant Letter provided to the assigned colleges in respect of the 2017/18 grant. The Certificate of Assurance (in respect of the year ending 31 March 2018) will also incorporate these statements. Partially Implemented Revised completion date: 30 April 2018</p> <p>At September 2018 We reviewed the Certificate of Assurance and noted these were not included. The Finance & Resources Director advised this was an oversight in respect of the Certificate of Assurance for the year ending 31 March 2018 but that these actions will be appended to the Grant Letter for 2018/19. Partially Implemented Revised completion date: 30 April 2019</p>

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>R10 The Audit Committee or Audit Committee Chair or Board Secretary should consider whether GCRB complies with the Audit Committee Handbook and where it does not comply consideration should be given to whether GCRB should comply or not, given that there is a degree of flexibility for smaller entities allowed.</p>	3	Review to be undertaken on behalf of the Committee.	Board Secretary	31 July 2017	<p>At September 2017 The Committee will now incorporate the Audit Committee Handbook checklist in its annual review process. Partially Implemented Revised completion date: 31 October 2017</p> <p>At September 2018 The Audit Committee has demonstrated a commitment to achieving compliance with the Audit Committee Handbook by considering and approving the completed checklist from the Handbook at its meeting on 29 May 2018.</p> <p>Fully Implemented</p>

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Update
<p>R11 Create a GCRB fraud policy statement which meets the requirements of the SPFM.</p>	3	<p>A fraud policy statement will be prepared for consideration by the Audit Committee.</p>	<p>Interim Director of Finance & Resources</p>	<p>31 July 2017</p>	<p>At September 2017 A draft policy statement will be considered by the Audit Committee on 3 October 2017. Partially Implemented Revised completion date: 31 October 2017</p> <p>At September 2018 An Anti-Fraud Policy has been drawn up and was approved by the Board on 30 October 2017.</p> <p>Fully Implemented</p>