
Audit Committee Meeting

Date of Meeting	Tuesday 5 December 2017
Paper Title	Updates from assigned college audit committees
Agenda Item	13
Paper Number	AC2-I
Responsible Officer	Robin Ashton, Executive Director
Status	Disclosable
Action	For noting

1. Report Purpose

- 1.1. Consider updates on key items of business undertaken by the audit committees of the assigned colleges.

2. Recommendations

- 2.1. The Committee is invited to **note** this report.

3. Background

- 3.1. The Committee has requested that it receive updates from the audit committees of the assigned colleges on key matters considered at each of their meetings, in order to support identification of opportunities for cross-region collaboration in areas of shared interest.

4. Risk Analysis, legal implications, financial implications and Regional Outcome Agreement implications

- 4.1. Other than as reported, there are no specific aspects to be considered under these headings.

Update from Assigned College Audit Committees

College: Glasgow Clyde College

Date of Meeting: 27th September 2017

Topic of Discussion	Summary and Outcome of Discussion	Impact on GCRB (if any)
Draft Internal Audit Annual report 2016/17	<p>The draft internal audit annual report for 2016/17 was submitted. There were 6 internal audits within the 2016/17 plan plus the plan itself and the follow up review. This was draft at this stage as one report and the follow up review report had been agreed to be deferred to Audit Committee in November hence the final annual report would be submitted to the November Committee meeting.</p> <p>A summary of each of the audits was included and the draft opinion was that the College has adequate and effective arrangements for risk management, control and governance.</p>	
Internal Audit Plan 2017/18	Henderson Loggie had recently been re-appointed as internal auditor for a three-year period following a tender exercise. This paper provided the Committee with the detail of the internal audit planning process which they would undertake to develop the plan for the next three years.	
College Strategic Risk Register	The College Strategic Risk Register is reported to each Audit Committee and discussed.	Note that the College Strategic Risk Register is reviewed at each Audit Committee.

Topic of Discussion	Summary and Outcome of Discussion	Impact on GCRB (if any)
Approval of Accounting Policies	This paper presented the College Statement of Accounting Policies for approval prior to their inclusion in the Annual Financial Statements.	There were no changes to accounting policies in the reporting period other than the economic lives of buildings which have been updated in line with an in year asset revaluation report
Audit Committee Review of Remit	Following the conclusion of the External Effectiveness Review a Board Development Plan was agreed. One of the development areas within that plan was to review the Remits of the Committees to ensure effective use of Committee and Board time. Each Committee is reviewing its remit in the first instance. It was agreed to update it and bring it back to a future Committee including some reordering and a greater emphasis on Risk in the Remit.	
Audit Committee Self Evaluation	A Committee self-evaluation process had been completed by way of a questionnaire which was completed by all Committee members individually and there was a combined single management response. Committee members discussed the outcome of the evaluation to consider any potential areas of development which had been useful particularly as it was a relatively new Committee.	Note that the Committee has completed a self-evaluation process
Internal and External Audit Rolling Action Plan	Regular update report to Committee on implementation of previous internal and external audit recommendations.	Note the College's Audit Committee actively reviews previous audit recommendations and management ensure these are implemented.
Audit Scotland Overview of Colleges 2017	The purpose of this paper was to highlight to Committee the key recommendations for Colleges of the recent annual review by Audit Scotland. An extract was attached and the main points highlighted were included.	

Topic of Discussion	Summary and Outcome of Discussion	Impact on GCRB (if any)
Certificate of Assurance	<p>The Certificate of Assurance process for the College was summarised in the paper which was for noting. It was highlighted to Committee that this was the first year that assigned Colleges had to provide assurance to GCRB who in turn provided it to SFC (previously the Colleges had provided Certificates of Assurance directly to SFC). The format of the assurance had been amended from the previous year with fifteen elements in the assurance checklist. A copy of the signed certificate of assurance from the Acting Principal of Glasgow Clyde College was included.</p>	<p>New process of assurance involving sign off by GCRB Executive Director to SFC following receipt of assurances from Assigned Colleges.</p>

Update from Assigned College Audit Committees

College: Glasgow Clyde College

Date of Meeting: 22 November 2017

Topic of Discussion	Summary and Outcome of Discussion	Impact on GCRB (if any)
Private meeting between Committee and external and internal auditors	The annual private meeting was held before the Committee.	
Glasgow Region Audit Committee Chairs Meeting of 22 November 2017	<p>The Chair provided a verbal update at the start of the Committee meeting on the meeting which had been held earlier that day between the four Audit Committee Chairs within the Glasgow Region and the Interim Finance and Resources Director of GCRB.</p> <p>The main matters highlighted by the Chair to the Committee were the updated position on Consolidation of Accounts, agreement that there would be more formal feedback from GCRB's Audit Committee to the Audit Committee Members of the Colleges, that three Colleges would approach the risk related to cyber security from a common perspective, and that the Colleges work together where appropriate in the GDPR preparation phase.</p>	
Draft Financial Statements for year ending 31 July 2017	The draft financial statements were presented to the Committee which showed an underlying operating surplus of £202k. This includes a balance for ring fenced cash for budget priorities which is fully utilised in the fiscal year 2017/18 and when excluded there is a lower adjusted underlying operating surplus for 2016/17. The statements	A copy of the draft primary financial statements as submitted to the Audit Committee is included in GCRB papers along with the associated cover paper.

Topic of Discussion	Summary and Outcome of Discussion	Impact on GCRB (if any)
	were discussed in detail at the Committee and some minor adjustments to wording were requested which will be made before submission of the final version to College Board of Management on 13 th December.	
Draft External Audit Report for year ending 31 July 2017	The draft external audit report from Scott Moncrieff was presented to the Committee which summarised the work undertaken by them and gave an unqualified audit opinion. There was one minor recommendation in respect of journal authorisation which was accepted by management.	A copy of the external audit report can be circulated once final and seen by the Board of Management.
2016/17 Student Activity Data Audit Report	The student data activity audit report for 2016/17 as prepared by Henderson Loggie was considered by the Committee. There were no issues identified that required a recommendation for improvement to be made. This report had been submitted to SFC by their deadline of 29 th September.	
2016/17 Student Support Funds Audit Reports	This report was prepared by Henderson Loggie on the four student support funds allocated to students by the College on behalf of various bodies i.e. bursary, childcare, discretionary and education maintenance allowances which total over £9.4M. There were two recommendations which were both priority two and their completion dates were November and December 2017 respectively.	
Internal Audit Report – Corporate Governance	Henderson Loggie had completed this internal audit report on Corporate Governance which was a desk top review of the College’s compliance with the revised Code of Good Governance. The report gave an overall satisfactory level of assurance with seven findings recommendations, and nine improvement points all of which were low priority grade 3. It was noted at Committee that these were relatively minor	Overall satisfactory level of assurance from internal auditor following detailed desk top review on College’s compliance with Code of Good Governance.

Topic of Discussion	Summary and Outcome of Discussion	Impact on GCRB (if any)
	improvement areas which were not material and that the College did comply with the Code during the 2016/17 financial period in all material respects.	
Internal Audit Report – Follow Up Review	The follow up review report from Henderson Loggie was submitted to the Committee which indicated that of the 19 recommendations followed up from previous internal audits 14 had been fully implemented, 4 were partially implemented and 1 was considered but not implemented. The considered but not implemented recommendation was a priority 3 recommendation on a new policy for an area which is already covered in another College policy which was reviewed by the Board in 2016. The four which were partially implemented are two medium risk priority 2 recommendations and two minor risk priority 3 recommendations with the latest completion date for these being March 2018.	
Final Internal Audit Annual Report 2016/17	The Annual Report on Internal Audit Services was submitted as prepared by Henderson Loggie. This summarised the work completed for the year which was 35 internal audit days with 7 areas covered plus management and planning and follow up. Their overall opinion is that the College has adequate and effective arrangements for risk management, control and governance.	A copy of the Final Internal Audit Annual Report is on the GCRB Audit Committee agenda.
Internal Audit Needs Assessment (ANA) and Strategic Plan for 2017 to 2020	Henderson Loggie were recently re-appointed as internal auditors following a tender exercise for a three-year period from 2017 to 2020 and this report provided their draft internal audit needs assessment for the College for that period. This assessment was prepared following discussion with a number of College managers and board members, and review of College documents together with previous	

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	internal and external audit reports. The assessment uses a detailed risk based approach and the purpose is to identify these risks and assess audit coverage to give assurances that control environments in the College are effective in reducing risks to an acceptable level.	
Internal Audit Draft Annual Plan 2017/18	From the ANA above an internal audit draft annual plan for 2017/18 was prepared which proposes 40 internal audit days across 6 areas plus management, planning and follow up.	
Draft Annual Report from the Audit Committee to the Board of Management	The draft annual report from the Audit Committee was discussed. The report summarises business covered by the Committee during the year and includes the opinion of the internal auditor that the College has adequate arrangements in place and the unqualified audit opinion of the external auditor.	A copy of the Draft Annual Report from the Glasgow Clyde College Audit Committee is on the GCRB Audit Committee agenda.
Internal and External Audit Rolling Action Plan	Regular update report to Committee on implementation of previous internal and external audit recommendations.	Note the College's Audit Committee actively reviews previous audit recommendations and management ensure these are implemented.
College Strategic Risk Register	The College Strategic Risk Register is reported to each Audit Committee and discussed.	Note that the College Strategic Risk Register is reviewed at each Audit Committee.
Update on General Data Protection Regulations (GDPR)	The paper provided a summary of the main impacts of the new GDPR and an update on the College preparations for it coming into force in May 2018. A further verbal update was given at the meeting.	

Topic of Discussion	Summary and Outcome of Discussion	Impact on GCRB (if any)
Discussion on papers and Disclosable status	As is standard practice at each meeting there was a discussion on the Disclosable status of the papers. This included discussing the request for papers relating to the financial statements and related audit papers to be passed to GCRB Audit Committee. It was the view of the Committee that the draft financial statements and the draft external auditor report are still draft and they need to be considered by the College Board of Management before they should be able to be circulated to GCRB. The College Board of Management meet on 13 th December.	Note that the Internal Audit Annual Report, Audit Committee Annual Report, and Draft Primary Financial Statements plus its cover paper are included have been passed to GCRB.

Update from Assigned College Audit Committees

Glasgow Kelvin College Audit & Risk Committee 28 September 2017

Please note agenda and all papers are published on the College web site 1 week after the meeting date except where they need to be withheld from the public domain.

Topic of Discussion	Summary and Outcome of Discussion	Impact on GCRB (if any)
Audit Fees	Agreed that audit fee is excessive in comparison to other colleges and agreed that Principal would request a response to his letter asking Audit Scotland to address this issue.	For noting, the Committee were disappointed that Audit Scotland appear to be trying to treat this as a regional issue rather than a Glasgow Kelvin College value for money issue.
Internal Audit	A draft of the annual internal audit report was considered and the internal audit plan for 2017/18 approved. The Committee also agreed to recommend that the option to extend the internal audit contract for 1 year should be taken.	The College Board will be asked to extend the Internal Audit Contract with Henderson Loggie, if approved the contract will run until the end of session 2018/19.
Risk Register	Risk Register was approved with fewer risks listed. A separate summary listing a small number of key risks was also approved, it was agreed that this was a useful document to better focus the attention of the committee. An extensive discussion on the impact of the industrial action upon the learner experience took place.	Note active review of College Risk Register.
Value for Money Strategy	Value for Money Strategy was discussed in detail and the nature of the challenges facing the College in the medium term in respect of payroll costs were highlighted. The Committee expressed the view that the College has taken significant action to cut costs and improve efficiency already	Note that a Value for Money Strategy is in place and action underway to implement it.

	and recognised that the scope for further reductions was limited.	
Capital Investment Plan	The Committee noted good progress on existing projects and expressed concern that a number of projects would not proceed as a consequence of insufficient funding. It was noted that the College had received the totality of the funding requested for from the Glasgow Kelvin Foundation.	Note that projects now being re-priorities and risk relating to quality of provision noted.
Governance	Report on progress with preparation for new GDPR considered in detail. Noted that this will be reviewed by internal audit and agreed that the College is addressing this pro-actively and appears to be preparing for the change well. Strong progress was also welcomed in respect of implementation of the Code of Good Governance requirements.	For noting.
Audit reviews	The SFC European project verification visit was considered along with audit reports from the British Council and OCR (qualification awarding bodies).	For noting.
Audit Scotland	Audit Scotland report on the FE sector considered in detail and financial challenge facing the sector discussed and understood. Committee agreed College is performing relatively well and is taking appropriate action to address challenges as far as is practicable. Audit Scotland's most recent technical bulletins were also discussed.	For noting.
Self Evaluation	The Committee approved the summary of its self-evaluation prepared by the Clerk to the Board of Management. Agreed that this may be a useful approach for other sub-committees of the Board.	For noting.

**Update from Assigned College Audit Committees
Glasgow Kelvin College Audit & Risk Committee 28 September 2017**

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Topic of Discussion	Summary and Outcome of Discussion	Impact on GCRB (if any)
ICT Security	Public Sector Cyber Security action plan was discussed along with College proposed response to it, responsibilities allocated and membership of InfoSec shared service agreed. Agreed that an implementation plan would be provided to a future meeting which will include the steps required to achieve Cyber Essentials / Cyber Essentials Plus accreditation.	Note that this is being considered and progressed.
Annual Report and Accounts for year ended 31 July 2017	Annual Report and Accounts discussed in detail, strong overall performance and underlying operating surplus position noted. Accounts approved for progression to Board of Management.	Note accounts approved by Audit Committee and unqualified Audit Opinion.
External Audit Management Letter	External Auditor presented Management Letter. Committee noted positive nature of this report. It welcomed that there were no new audit recommendations for improvement and that all previous recommendations had been addressed in full by the College. Committee also welcomed opinion on governance, value for money and planning.	Note positive external audit report.
Internal Audit – Annual Report, Student Activity Audit and Student Funds Audit	Internal Audit reports noted and again committee welcome overall positive nature of these.	For noting.
Annual Audit Report	Committee considered its annual report and approved it. Noted that the report was comprehensive and positive in nature.	For noting.
Risk Register	Risk Register was reviewed in detail and approved. Agreed to be appropriate in the current environment.	Note active review of College Risk Register.
SQA Audit	SQA Compliance Audit report considered in detail, noted that recommendations for improvement had been addressed promptly.	For noting.

Estates	The Cole Report and draft condition surveys were reviewed by the Committee.	For noting.
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Update from Assigned College Audit Committees

College: City of Glasgow College

Date of Meeting: Audit Committee Meeting – 15 November 2017

Topic of Discussion	Summary and Outcome of Discussion	Impact on GCRB (if any)
ESF Project – Repayment	Committee updated re ST/Principal meeting with Government officials, regarding the Govt’s claim for a repayment of ESF funding (£1.25m). While ST reported a degree of optimism for a positive outcome, the Committee agreed that an extension to the accounts sign off should be requested from SFC. If the accounts are not approved within this timescale then a technical non-compliance would be issued by the External Auditors.	Impact of negative outcome on Glasgow College sector finances overall. Impact of technical non-compliance on consolidated accounts.
Annual Report and Accounts	Annual Report and Accounts 2016-17 presented and discussed. Narrative section agreed. Accounts noted as presenting an underlying operating position which shows a surplus of £534k, subject to resolution of ESF repayment issue above. Approved and forwarded to Board for final approval and signature.	As above.
Strategic Risk Review	Report on high scoring Strategic Risk Management Action Plans (Risk MAPs) and approval of Risk Register. One high scoring risk was confirmed as “ Failure to agree a sustainable model and level of grant funding within Glasgow Region”	Grant funding model requires agreement with CoGC.
Internal Audit Reports	4 IA reports presented, all satisfactory with no recommendations graded “High” level.	
Internal Audit Annual Report 2016-17	The summary of all internal audit work carried out on behalf of the College during 2016-17 was reviewed and it was noted that all work in 2016-17 had assessed systems as either ‘Good’ or ‘Satisfactory’. No significant issues were	

	identified and in general procedures were operating well in the areas selected. A few areas for further strengthening were identified and action plans have been agreed to address these issues.	
Annual Internal Audit Plan	The IA draft plan for 2017-18 was presented, which sets out the outline scope and objectives for each audit assignment to be undertaken during 2017-18, together with the audit approach.	
External Audit Annual Audit Report	<p>EA Gary Devlin confirmed that External Audit (EA) provided an unqualified opinion on the annual accounts, the regularity of transactions and other prescribed matters. They were also satisfied that there were no matters which were required for report by exception.</p> <p>With reference to earlier discussion, GD restated that whilst the audit was substantially complete, EA is aware of the post balance sheet event relating to ESF funds being reclaimed. EA will work with the College to ensure the disclosures in the financial statement relating to the ESF funds represent a true and fair position.</p>	See first item
Departmental Expenditure Limit Update	An update on the Departmental Expenditure Limits as stated in the College Financial Regulations for the Year 2016-17 were noted. The College is currently working on increased tender activity, changing suppliers and working with senior managers, working towards the elimination of non-complaint spend.	
Staff compensation payments	Details of the staff compensation payments made during 2016-17 were submitted for information.	
AOCB	Re GCRB request for papers: Members agreed that the Report was not in a final state of completion and considered that it was not currently disclosable.	Not all papers requested were forwarded.

	The External Auditor also confirmed that the External Audit Report 2016-17 was also non-disclosable in its current draft form.	
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