

Audit Committee Meeting

Date of Meeting	Monday 20 February 2017
Paper Title	Implementation of External Audit Recommendations
Agenda Item	6
Paper Number	AC3-B
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 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; and
 - **request** the Executive Director to bring a further management update to the next meeting of the GCRB Audit Committee.

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. 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.

4. Risk Analysis

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

5. Legal Implications

- 5.1. There are no specific legal implications.

6. Financial 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. Regional Outcome Agreement 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
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 confirmed formally to GCRB that it has made significant and effective progress in operating effectively as a Regional Strategic Body, and is fulfilling its statutory role to secure coherent provision of high quality further and higher education. In liaison with the SFC, GCRB are working on a detailed transition plan which sets out tasks and timeframes related to funding, monitoring and financial arrangements which will allow fully-operational fundable body status to be implemented.</p> <p>The SFC Board will consider GCRB progress to fundable body status at its March meeting.</p> <p>GCRB expect the handover process to be completed by April 2017 at the latest.</p>

2014-15 Action plan point	Issue & Recommendation	Management Update
Absent contract documentation	<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 paper on employment arrangements for GCRB staff was considered by the GCRB Nominations and Remuneration Committee meeting of February 06, 2017. It was agreed that the Chair of the Board should write to SFC to clarify if GCRB are required to provide a public sector pension and following this advice, develop a paper which sets out options for GCRB employment of staff, including defining the pros and cons of direct employment of employees by GCRB versus permanent secondment arrangements, and providing an assessment of pension options.</p> <p>A further update on progress related to this will be provided at the next meeting of the Audit Committee.</p> <p>As part of the work to develop a Financial Procedures Manual for fully-operational status, work is being undertaken to re-draft schedules and Service Level Agreements with respect financial and HR services provided by the colleges.</p>

2015-16 Action plan point	Issue & Recommendation	Management Update
Long term financial strategy	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.	To be considered by the GCRB once fully-operational fundable body status has been awarded.
Registers of Interest	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.	The Register of Interest was checked and refreshed in January 2017 and will now be checked annually each August.