

## Audit Committee Meeting

Date of Meeting	Tuesday 28 May 2019
Paper Title	Internal Audit Report – Corporate Governance
Agenda Item	8.c
Paper Number	AC5-F
Responsible Officer	Penny Davis, GCRB Board Secretary
Recommended Status	Disclosable
Action	For information

### 1. Report Purpose

- 1.1. To consider the report of the Internal Auditor on the Receipt of Funds and Funding Allocation.

### 2. Recommendations

- 2.1. The Committee is invited to **note**:

- the report of the Internal Auditor on Corporate Governance .
- that the level of assurance provided by the systems of control is rated **Good** by the Internal Auditor.

### 3. Report

- 3.1. The review focussed on the steps taken to progress the improvement actions arising from the Externally Facilitated Board Effectiveness Reviews and also examined the regional body's arrangements for conducting the annual review of corporate governance required by the SFC.
- 3.2. The overall Level of assurance is assessed as Good with the System meeting control objectives.
- 3.3. There are no recommendations arising from the review.

### 4. Risk Analysis

- 4.1. The report provides an independent review of the quality of corporate governance and the arrangements to review and enhance governance. The report provides assurance that GCRB is taking action to militate against *GCRB Risk 0012: There is a breach of legislation/guidance/code of practice and this results in a failure of governance.*

### 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 arrangement and the resource required is borne within the operating budget of GCRB.

**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 a key part.



# **Glasgow Colleges Regional Board**

**Corporate Governance**

**Internal Audit Report No: 2019/03**

**Draft issued: 17 May 2019**

**Final issued: 20 May 2019**

Now, for tomorrow

 **mha**  
HENDERSON LOGGIE

# Contents

	Page No.
<b>Section 1</b>	<b>Management Summary</b>
	<ul style="list-style-type: none"> <li>• Overall Level of Assurance <span style="float: right;">1</span></li> <li>• Risk Assessment <span style="float: right;">1</span></li> <li>• Background <span style="float: right;">1 - 2</span></li> <li>• Scope, Objectives and Overall Findings <span style="float: right;">2</span></li> <li>• Audit Approach <span style="float: right;">2</span></li> <li>• Summary of Main Findings <span style="float: right;">3</span></li> <li>• Acknowledgements <span style="float: right;">3</span></li> </ul>
<b>Section 2</b>	<b>Main Findings and Action Plan</b> <span style="float: right;">4 - 6</span>

## Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

<b>Good</b>	System meets control objectives.
<b>Satisfactory</b>	System meets control objectives with some weaknesses present.
<b>Requires improvement</b>	System has weaknesses that could prevent it achieving control objectives.
<b>Unacceptable</b>	System cannot meet control objectives.

## Action Grades

<b>Priority 1</b>	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit Committee.
<b>Priority 2</b>	Issue subjecting the organisation to significant risk and which should be addressed by management.
<b>Priority 3</b>	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

# Management Summary

## Overall Level of Assurance

<b>Good</b>	System meets control objectives.
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## Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Glasgow Colleges Regional Board Risk Register as at May 2019:

- Risk 9 - Working relationships within the Glasgow College Region (e.g. students, staff, board members) are ineffective and reduces our collective impact.
- Risk 12 - There is a breach of legislation/guidance/code of practice and this results in a failure of governance

## Background

As part of the Internal Audit programme at Glasgow Colleges Regional Board (GCRB) for 2018/19 we carried out a review of corporate governance. The Annual Plan, agreed with management and the Audit Committee in December 2018, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Executive Director and the Audit Committee that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

In August 2016, the College Development Network (CDN) published a Guidance Note, which provided the context and the process for conducting the Externally Facilitated Effectiveness Review described in the updated Code. This guidance built on the Board Member Development Framework, published in November 2015.

This effectiveness review covered the five sections of the Code namely:

- Section A - Leadership and Strategy
- Section B - Quality of the Student Experience
- Section C - Accountability
- Section D - Effectiveness
- Section E - Relationships and Collaboration

## Background (Continued)

The final Externally Facilitated Effectiveness Review report was considered by the Board on 26 March 2018 and was submitted to the Scottish Funding Council in advance of the 31 March 2018 reporting deadline set for regional strategic bodies. The recommendations made in the Externally Facilitated Effectiveness Review report were incorporated into the GCRB Development Action Plan 2018/19 which had already been developed by the Board Secretary.

## Scope, Objectives and Overall Findings

The agreed scope of our work was to focus on the steps taken to progress the improvement actions arising from the Externally Facilitated Board Effectiveness Reviews (which were required by 31 March 2017 for all Colleges and by 31 March 2018 for regional bodies). We also examined the regional body's arrangements for conducting the annual review of corporate governance required by the SFC.

The overall objective of the audit was to obtain reasonable assurance that the Regional Board's corporate governance processes are sufficiently developed to allow the organisation to meet the requirements set out in the updated Code of Good Governance for Scotland's Colleges ('the Code'), published in August 2016 and the associated College Development Network guidance note.

The table below notes each separate objective for this review and records the results:

Objective	Findings			
The specific objectives of this audit were to obtain reasonable assurance that:	1	2	3	
1. An annual self-evaluation exercise is conducted which examines the effectiveness of existing governance arrangements and identifies areas for improvement.	Good	0	0	0
2. There is a Board development plan in place, which is subject to effective monitoring to ensure that it is delivered	Good	0	0	0
3. Reporting to the Board and to the SFC is adequate to demonstrate progress and is reported in line with agreed timescales.	Good	0	0	0
Overall Level of Assurance	Good	0	0	0
		System meets control objectives		

## Audit Approach

From discussions with the Board Secretary and review of supporting documentation, we established the progress made in addressing the above areas and considered their adequacy.

## Summary of Main Findings

### **Strengths**

- The recommendations arising from the Externally Facilitated Board Effectiveness Review have been augmented during 2018/19 by actions which arose from feedback from the Chair following the individual evaluations conducted in July/August 2018,
- A detailed self-evaluation exercise has been conducted during February 2019 and a report summarising the outcomes was presented to the March 2019 meetings of the Nominations & Remuneration Committee and the Board.
- Progress in the delivery of the Development Action Plan for 2018/19 has been monitored throughout the year by both the Nominations & Remuneration Committee and the Board.
- An End of Year Progress Report has also been produced which summarises the status of each of the actions on the Development Action Plan 2018/19. This has been used to inform the Development Action Plan for 2019/20 which will be considered by the Nominations & Remuneration Committee in May 2019 and the Board in June 2019.
- All of the reports relating to the Development Plans and the Self-Evaluation exercise for 2018/19 are published on the GCRB website.

### **Weaknesses**

- There were no weaknesses identified during our review.

## Acknowledgment

We would like to take this opportunity to thank the staff at GCRB who helped us during the course of our review.

## Main Findings and Action Plan

**Objective 1: An annual self-evaluation exercise is conducted which examines the effectiveness of existing governance arrangements and identifies areas for improvement.**

A report was submitted to the March 2019 meeting of the Nominations & Remuneration Committee which summarised the self-evaluation exercise for 2018/19. This report confirms that individual self-evaluation meetings between Board Members and the Board Chair took place during June 2018 and July 2018. These discussions included consideration of development needs and setting objectives for the year ahead. During the December 2018 diet of meetings, all committees considered and approved reports on their membership, attendance and activity during the year, the key decisions taken, and the agreed priorities for the year ahead. Reports were subsequently presented to the Board in January 2019. Committees also reviewed their Terms of Reference between December 2018 and March 2019 and, in each case, agreed recommendations to the Board for changes to reflect their operation and/or responsibilities more fully.

The Senior Independent Member also undertook an evaluation of the Board Chair including a scaled questionnaire with space for qualitative feedback, and follow-up interviews with a sample of Board Members including Non-Executive, Assigned College Chair, Staff and Student Members. A verbal report was provided to the March 2019 meeting of the Board and assurances were provided that feedback would be shared with Scottish Government as the appointing body.

A detailed self-evaluation exercise has been conducted during February 2019, which utilises the questionnaire used to gather the responses from Board Members as part of the Externally Facilitated Board Effectiveness Review conducted in 2018. The results of this self-evaluation exercise for 2018/19 were presented in a detailed paper to the Nominations & Remuneration Committee in March 2019 which was subsequently considered and approved by the Board meeting in March 2019. The summary of the questionnaire responses received demonstrates improved scores across four of the five sections of the Code with the score on the fifth section remaining unchanged from the previous year.



## Corporate Governance

### **Objective 2: There is a Board development plan in place, which is subject to effective monitoring to ensure that it is delivered**

The Nominations & Remuneration Committee is responsible for monitoring progress in relation to Development Plan objectives and receives progress reports throughout the year. The Nominations & Remuneration Committee agreed a Development Action Plan to take forward proposals in the Development Plan at its meeting on 31 May 2018. This allowed the recommendations arising from the Externally Facilitated Board Effectiveness review to be amalgamated with any ongoing actions carried over from the previous year's Development Plan to create a Development Action Plan 2018/19. This was further supplemented by further actions which subsequently arose from feedback from the Chair following the individual evaluations conducted in July/August 2018. The Chair's feedback focused on three areas that had emerged as a common theme:

- Developing a greater understanding of finance, public accountability and the relationships both between the SFC and Scottish Government and between those bodies and GCRB, to support strategic decision-making on financial matters.
- Developing relationships both internally as a Board, and externally to understand better GCRB's stakeholders and operating environment.
- Developing further a common sense of strategic purpose and a common message to communicate with others, externally, but also with college boards, about GCRB.

A process to track the progress made in delivering the Development Action Plan 2018/19 was approved by the Nominations & Remuneration Committee in October 2018 and was reported to the Board in October 2018.

The progress made in delivering the Development Action Plan 2018/19, coupled with the outcomes of the formal self-evaluation exercise has been used to inform the development of a Development Action Plan 2019/20 and this will be considered by the Nominations & Remuneration Committee on 30 May 2019. Any changes proposed by this Committee will be made before the updated Development Action Plan 2019/20 is considered by the Board meeting on 17 June 2019.

During 2018/19 progress has been made in setting objectives for Board Members and in developing the induction arrangements. This mandatory induction for new Board members now involves discussion with the Board Secretary, the Executive Director and the Chair. An End of Year Progress Report has also been produced which summarises the status of each of the actions on the Development Action Plan 2018/19.

For 2019/20 the specific areas for focus include the agreement with students relevant programme of student reports to Board over the course of the year. This is particularly pertinent given the imminent departure of the two Student Board Members. This action will ensure that students have a structured programme of reports to raise issues pertinent to the student body. Further work is required during 2019/20 to ensure that new members of Board committees receive targeted induction before their first meeting. This will involve the new Board members meeting with the Chair of the Committee and the Executive Lead prior to their first meeting with plans in place to deliver this in the Summer to coincide with the arrival of the two new Student Board members.

## Corporate Governance

### **Objective 3: Reporting to the Board and to the SFC is adequate to demonstrate progress and is reported in line with agreed timescales.**

As highlighted under Objectives 2 and 3 above there has been regularly reporting to both the Nominations & Remuneration Committee and the Board throughout the year on:

- the delivery of the Development Action Plan 2018/19;
- the results of the self-evaluation exercise for 2018/19; and
- the transition into the Development Action Plan for 2019/20.

All of these reports are available through the GCRB website.

The Development Plan for 2018/19, which was created in March 2018, is published on the GCRB website. We have received assurances that once approved the equivalent Development Plan for 2019/20 will also be published on the GCRB website.

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