



BOARD OF MANAGEMENT

ANNUAL REPORT FROM THE AUDIT COMMITTEE

A Administrative Matters

The Audit Committee of Glasgow Clyde College has met six times since the start of the 2015/16 financial period up to the date of signing of the 2015/16 financial statements with meetings held in August and November 2015, and March, July, September and December of 2016.

B Remit and Membership of Committee

The remit of the Audit Committee, as approved by the Board of Management, is attached to this report.

The membership of the Audit Committee for the period 1 August 2015 to 8 October 2015 was as follows:

Richard Leggett (Chair)
Jim Hamilton
Elaine Proudfoot
Barclay McCrindle (to 31st August 2015)

The membership of the Audit Committee for the period 16 October 2015 to the date of signing of the financial statements was as follows:

Michael Yuille, Chair (to 28th September 2016)
David Watt (from 31st August 2016 and Chair from 29th September 2016)
Gill Troup, Vice Chair (to 31st August 2016)
Michaela Ibis (to 25th March 2016)
Sandra Heidinger (to 31st August 2016)
Gordon McGuinness (to 31st August 2016)
Clare Walker
Keith Rosser (from 31st August 2016)
Michaela Ditrichova (from 31st August 2016)

C Internal Audit

The internal audit service for Glasgow Clyde College during the financial period 2015/16 was provided by Henderson Loggie who were appointed following a tender exercise. Their appointment has been extended to cover 2016/17 as allowed within the contract.

BOARD OF MANAGEMENT

During the financial period 1 August 2015 to 31 July 2016 there were five internal audit reports completed which were reports on the following areas:

- Student Recruitment
- Payroll
- Budgetary Control
- Risk Management
- Revision of Financial Regulations

During the 2015/16 financial period there were 34 days of internal audit activity for the above reports plus management and planning and the follow up review report on previous years' recommendations.

The Internal Audit Annual Report for 2015/16 was considered by the Audit Committee of Glasgow Clyde College at its meeting in September. Audit recommendations have been responded to and actions agreed as appropriate. Any remaining actions relating to previous internal audit recommendations have been included in the rolling audit action plan which is reported to Committee on an ongoing basis to ensure all recommendations are fully implemented.

D External Audit

The external auditors of Glasgow Clyde College are Wylie and Bisset who were appointed by Audit Scotland with effect from 1 August 2013 for a period of 3 years through to financial year 2015/16 and hence this is the final year of their appointment. Audit Scotland have appointed Scott Moncrieff to be the external auditors for Glasgow Clyde College for a five year period from 2016/17 to 2020/21.

Following the conclusion of their external audit of the financial statements of the College for the financial period ended 31 July 2016, Wylie and Bisset produced an External Audit Management Report to the Board of Management and the Auditor General for Scotland. Their report has been drawn up in accordance with the Code of Practice issued by Audit Scotland.

The external auditor's report as prepared by Wylie and Bisset covered the following areas:

- i) Executive Summary
- ii) Introduction
- iii) Financial Review
- iv) Audit Approach and Key Findings
- v) Governance and Internal Controls



BOARD OF MANAGEMENT

- vi) Fraud and Irregularities
- vii) Audit Recommendations – 31 July 2015
- viii) Audit Recommendations – 31 July 2016

Plus appendices covering the statement of the responsibilities of the Board of Management, Independent Auditor's Report, Letter of Representation, and Identified Audit Risks, Approach and Conclusion.

The relevant sections of the report and the detailed recommendation and management responses contained in the external audit report for the financial period 2015/16 were reviewed by the Audit Committee at its December meeting prior to their submission to the Board of Management for consideration and approval on 21st December 2016.

In their management letter for the period ended 31 July 2016 the external auditor was satisfied that the financial statements represent a true and fair view of the financial position of the College for the period ended 31 July 2016 and on the regularity of transactions. They issued an unqualified audit opinion in terms of governance for the College. It should be noted that during the period covered there was a Parliamentary order issued on 8 October 2015 which led to the removal of eight of the Board of Management members as a result of a number of governance matters detailed in the Order.

As a result of the Parliamentary Order an additional joint review was conducted by Audit Scotland and Wylie and Bisset for the 2014/15 financial period. This reviewed all previous related reports during the 2014/15 year and was used to inform the final audit opinion for the 2014/15 external audit report.

A College Governance Action Plan which was put in place after the Parliamentary Order was fully completed by June 2016 with all related actions undertaken.

E Risk Management and Corporate Governance

The Audit Committee as part of its remit keeps under review the College's internal control and risk management systems and will receive updates on Glasgow Clyde College's risk management processes. The College had in place for the financial period 2015/16 a risk management process with the risk register being reviewed at each full Board of Management meeting.

The tenure of the seven Board members appointed through the Parliamentary Order ended on 30th September 2016 and a process was



BOARD OF MANAGEMENT

undertaken during 2015/16 to recruit new or potential continuing Board members to ensure that the required membership was achieved and with consideration of the Board members' skills mix. Three of the existing independent Board members applied to be appointed to the new Board and all three were successful. Seven new independent Board members were selected through the recruitment process and their tenure commenced from 31st August 2016. Also the previous Chair, Alex Linkston, ended his tenure on the College Board on 14th July 2016 due to other commitments and David Newall became the new Chair of the College Board of Management from that date.

The Board of Management is committed to exhibiting best practice in all aspects of Corporate Governance. The Board will ensure that ongoing arrangements comply with the Code of Good Governance for Scotland's Colleges assisted by the Audit Committee in ensuring compliance.

F Value for Money

Glasgow Clyde College is committed to achieving public value from its available resources and this will underpin its ongoing decision-making and internal audit planning which will include some value for money review areas as appropriate. The Audit Committee relies on the professional judgement of the Internal Audit firm to have completed a suitable level of internal audit value for money review activity in discussion with management.

G Going Concern

For the going concern assessment the College needs to be viewed as being an entity which will continue in business for the foreseeable future. The responsibilities of those charged with governance include the going concern assessment which is carried out by management and reviewed by auditors, and the foreseeable future is deemed to be twelve months from the date of signing the College's financial statements. The Committee is satisfied that the College is a going concern based on the 2015/16 financial statements following the external audit review of the financial statements.

H Conclusion

The current Committee members were only appointed from 16th October 2015, or a later date for newer members, and cannot comment on activity for the period from 1st August 2015 to the date of their appointment. They



BOARD OF MANAGEMENT

have relied on the College's internal and external auditors for information related to that period.

After discussion and consideration of the above, the Audit Committee is satisfied as to the adequacy and effectiveness of the Glasgow Clyde College's internal financial and management systems as reviewed by internal audit and external audit for the financial period 2015/16.

The Committee is also of the opinion that the Board of Management's responsibilities in terms of audit practice have been complied with.

The issues with Corporate Governance during 2014/15 were highlighted by the Scottish Government with a Policy Note explaining the reasons for removal attached to the Parliamentary Order of 8th October. The Committee as appointed from 16th October 2015 is committed to best practice in Corporate Governance and will ensure that the College complies with the Code of Good Governance for Scotland's Colleges.



BOARD OF MANAGEMENT

AUDIT COMMITTEE REMIT

The functions listed here are delegated by the Board to the Audit Committee.

INTERNAL CONTROL

Reviewing, and advising the Board of Management of, the Internal Audit Service’s (IAS) and the External Auditor’s assessment of the effectiveness of the College’s financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness value for money; and

Reviewing and advising the Board of Management on its compliance with corporate governance requirements, including risk management practices and best practice guidance.

INTERNAL AUDIT

Advising the Board of Management on the selection, appointment or reappointment and remuneration, or removal of the contracted out IAS provider.

Advising the Board of Management on the terms of reference for the scope of the IAS.

Reviewing the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit, and advising the Board of Management on these matters.

Advising the Board of Management of the Audit Committee’s approval of the basis for and the results of the internal audit needs assessment and the strategic and operational planning processes of the College.

Reviewing the IAS’s monitoring of management action on the implementation of agreed recommendations reported in internal audit assignment reports and internal audit annual reports.

Considering salient issues arising from internal audit assignment reports, progress reports, annual reports and management’s response thereto and informing the Board of Management thereof.



BOARD OF MANAGEMENT

| | |
|-------------------------------|--|
| | <p>Informing the Board of Management of the Audit Committee's approval of the internal audit service's annual report.</p> <p>Ensuring establishment of appropriate performance measures and indicators to monitor the effectiveness of the IAS.</p> <p>Securing and monitoring appropriate liaison and co-ordination between internal and external audit.</p> |
| | <p>Ensuring good communication between the Committee and the Lead of IAS.</p> <p>Responding appropriately to notification of fraud or other improprieties received from the Lead of IAS or other persons.</p> |
| <p>EXTERNAL AUDIT</p> | <p>Reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations contained therein.</p> <p>Advising the Board of Management of salient issues arising from the external auditor's management letter and other external audit reports, and of management's response thereto.</p> <p>Holding discussions with external auditors and ensuring their attendance at Audit Committee and Board of Management meetings as required.</p> <p>Considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken, by the external auditor's firm and advising the Board of Management of any potential conflict of interest.</p> <p>To consider the fee parameters within the external audit plan.</p> <p>Securing and monitoring appropriate liaison and co-ordination between external and internal audit.</p> |
| <p>VALUE FOR MONEY</p> | <p>Establishing and overseeing a review process for evaluating the effectiveness of the College's arrangements for securing the economical, efficient and effective management of the College's resources and the promotion of best practice and</p> |



BOARD OF MANAGEMENT

| | |
|---|---|
| | <p>protocols, and reporting to the Board of Management thereon.</p> <p>Advising the Board of Management on potential topics for inclusion in a programme of value for money reviews.</p> <p>Advising the Board of Management of action that it may wish to consider in the light of national value for money studies in the further education sector.</p> |
| <p>ADVICE TO THE BOARD OF MANAGEMENT</p> | <p>Reviewing the College’s compliance with the Code of Good Governance for Scotland’s Colleges and advising the Board of Management on this.</p> |
| | <p>Monitoring the integrity of the financial statements of the College and any formal announcements relating to the College’s financial performance, reviewing significant financial reporting judgements contained in them, and from an audit perspective recommending them for approval to the Board.</p> <p>Advising the Board on the College’s processes for risk, control and corporate governance.</p> <p>Producing an annual report for the Board of Management.</p> <p>Advising the Board of Management of significant, relevant reports from the Scottish Funding Council and Audit Scotland and successor bodies and, where appropriate, management’s response thereto.</p> <p>Reviewing reported cases of impropriety to establish whether they have been appropriately handled.</p> <p>Act in accordance with the whistle blowing policy.</p> <p>Meet in private with the internal and external auditors at least once annually.</p> <p>Liaise as appropriate with the Finance and Resources Committee.</p> |



BOARD OF MANAGEMENT

MEMBERSHIP

The membership of the Committee is six Board members, of which one will provide the role of Chair of the Committee, and one will act as Vice Chair if elected. The Chair is elected by the Board of Management and the Vice Chair is elected by the Committee. There should be no overlap of Board members with the Finance and Resources Committee. The Chair of the Board should not be a member of the Audit Committee, although he/she can attend as an observer. The membership should include a qualified accountant and if no member of the Committee is a qualified accountant then arrangements should be made for a co-option. A staff member of the Board can be a member of the Audit Committee, providing they do not have executive authority within the College which is taken as being the College Management Team level. The Board reviews the membership every four years. The Principal, the Vice Principal Resources and the Director of Finance attend the Committee as advisers. The Committee meets at least four times per year.

QUORUM

The quorum set by the Committee is three members.