Glasgow Clyde College

Corporate Governance

Internal Audit Report No: 2017/07

Draft Issued: **01 November 2017**

Final Issued: **04 December 2017**

LEVEL OF ASSURANCE   **Satisfactory**

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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:

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

Action Grades

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

1. Overall Level of Assurance

Satisfactory	System meets control objectives with some weaknesses present.

2. Risk Assessment

This review focused on the controls in place to mitigate the following risk on Glasgow Clyde College's (the College's) Risk Register:

- Failure to meet all legislative and regulatory requirements and/or recommended guidance (risk ranking: green)

3. Background

As part of the Internal Audit programme at the College for 2016/17 we reviewed the College's compliance with the revised Code of Good Governance for Scotland's Colleges (2016) ('the Code'). Our Audit Needs Assessment, completed in March 2016, identified this as an area where risk can arise and where internal audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

4. Scope, Objectives and Overall Findings

The scope of this audit was to undertake a desktop review of compliance with the revised Code of Good Governance for Scotland's Colleges arising from the consultation exercise that took place in June 2016. The table below notes the objective for this review and records the results:

Objective		Findings			
The specific objective of the audit was to obtain reasonable assurance that:		**1**	**2**	**3**	**Code compliance points noted**
		No. of Agreed Actions			
1. The College complies with the principles of good governance set out in the revised Code of Good Governance for Scotland's Colleges	Satisfactory	0	0	9	7
Overall Level of Assurance	Satisfactory	System meets control objectives with some weaknesses present			

5. Audit Approach

We reviewed the individual Code principles and from discussion with the Clerk to the Board and review of key documents, including the Governance Effectiveness Review compiled by Polley Solutions Limited (published March 2017), we carried out an evaluation of the extent to which the College was complying with the Code.

6. Summary of Main Findings

Our review took a high-level, holistic approach to considering whether Code principles have been met, including considering all actions the College has undertaken regardless of whether these were formal or informal (including where management assertions were made but no formal evidence was made available to corroborate such actions).

We found that the College was fully complying with all but seven of the Code principles. For these seven, some areas for further development were noted, the details of which are set out in detail in Section 8 – Code Compliance Findings. These recommendations will be integrated into the Board's Development Plan and implementation tracked through that separate process.

We also noted a number of improvement points that although not a prerequisite to achievement of compliance with the Code, we consider that the governance framework would be enhanced by implementing these improvement actions. These are set out in Section 9 – Improvement Points and will be tracked via the audit follow up process, hence the inclusion of management responses, the responsible manager for implementing and target implementation dates for each of the recommendations.

7. Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during the course of our audit visit.

8. Code Compliance Findings

This report has been compiled **by exception**, with only seven items which were considered to demonstrate a level of compliance which falls short of the specific provisions set out in the Code which are set out below.

Code Provision	Findings
Section A: Leadership and Strategy	
1) A.7 The board must ensure that a comprehensive performance measurement system is in place which identifies key performance indicators. It must ensure that it scrutinises performance measures and reports these on their website in a manner that is both timely and accessible to stakeholders. This will allow the board to determine whether or not the vision and mission of the region or college are being fulfilled and that the interests of stakeholders are being met.	Currently there is a range of performance information that is provided to the Board and Board committees, with papers available on the College website. There are also a range of educational performance indicators reported on the College website. A draft balanced scorecard has been produced and KPIs were discussed at the Board development event held in October 2017. These have yet to be formally measured, reported on to the Board and reported on the College website. The Board Effectiveness Review from Polley Solutions issued in March 2017 states 'The Board and its committees already monitor the Key Performance Indicators (KPIs) relating to the college's commitments in the ROA, but the Board agreed at its facilitated board workshop that it wishes to take stock of the full range of performance information relating to the strategic goals. This will allow members to monitor progress against all of those college's strategic goals, while ensuring that the Board and its committees focus on the key strategic priorities.' **Recommendation: Embed the agreed KPIs as they relate to the College's strategic goals and regularly report these KPIs to the Board.**

| 2) A.13 The board must seek to reflect in its membership, the make-up of the community through offering maximum opportunity of membership to a range of potential members and removing potential barriers to membership, in partnership with its regional strategic body, as appropriate. | The Board Effectiveness Review states 'the recent recruitment pack for new board members stated that 'it is a priority of the Board to work towards gender balance and broad representation of the population of the Glasgow region'. While the latter goal has not yet been achieved, the recruitment pack also asked that new members have the ability 'to understand how diverse, excluded, and/or under-represented groups of people are affected by what a college does'. During the one to one discussions with board members, it was suggested that the Board should pay particular attention to the requirements of the local community, including the needs of ethnic minorities. At its facilitated board workshop in February, the Board agreed that gaining an understanding of the local community should be one of its development priorities this year.'

We note there is an improvement action for the Board to 'Use board development activity, including meeting local stakeholders, to build understanding of the external environment in which the college operates'. According to the Clerk to the Board the equalities lead at the College has agreed to provide recommendations as to how the application process can be improved to better attract a broader range of board members. The 31 August 2017 Board minutes stated 'G Murray outlined the importance of establishing a Nominations Committee to take forward items such as Board Succession Planning and actioning the Board's commitment to equality and diversity. The Board agreed that a draft Remit of the Nominations Committee should be brought to a future meeting of the Board'.

Recommendation: The processes used to fill Board vacancies have focussed on selection based on skills and experience of the applicants which may not lead to the Board being reflective of the make-up of its community. We recognise that this is a challenge for all Colleges and therefore this is not an issue which is unique to the College. The Nominations Committee should consider the following:
a) identify appropriate community composition benchmark/s;
b) review the appraisal criteria and consider changing from only focussing on skills and experience to also considering other aspects, (although ensuring that Equalities Act requirements are met);
c) ensure that there is adequate focus on promoting vacant posts through communication channels which target areas of the community for which the Board wishes to increase Board membership from. |

Section B: Quality of the Student Experience	
3) B.4 The college board must have regard to the Framework for the Development of Strong and Effective College Student's Associations in Scotland . It must put in place robust partnership procedures (e.g. partnership agreement) to work together to achieve change and which are supported by regular and open communications.	The Assistant Principal Student Experience advised that the Students' Association works to the Framework for the Development of Strong and Effective College Students' Associations in Scotland and a draft self-evaluation has been completed which is directly referenced to the Framework. He also advised that part of this work has been the development of a Students' Association / College partnership agreement which is still to be finalised, but is planned to be implemented during 2017/18. **Recommendation: The self-evaluation analysis against the Framework for the Development of Strong and Effective College Students' Associations, the partnership agreement and any related action plans should be completed and be taken to the Board or Learning and Teaching Committee or other relevant committee for their review.**
Section C: Accountability	
4) C.9 The board must ensure every board committee has a specified member of the management team to provide objective, specialist advice to support it to discharge its remit, including by explaining in an accessible way the matters under discussion and the possible implications of different options.	The committee structure chart sets out more than one designated member of the senior management team for each Committee rather than single members. At the Board meeting on 31 August 2017 the Board advised they wished to retain this, and this is considered to be acceptable within the interpretation of the Code. The Remuneration Committee and Nominations Committee do not have any management team member assigned to them on the committee structure chart however, in practice, the Assistant Principal Human Resources provides support to the Remuneration Committee. The Nominations Committee has not yet met but it is proposed that the Assistant Principal Human Resources and the Clerk to the Board will support that Committee. We were advised that the committee structure chart will be updated after the review of each Committee's terms of reference. **Recommendation: Specify in the committee structure chart member/s of the management team with responsibility for providing advice to a) the Remuneration Committee and b) the Nominations Committee.**

5) C.14 The scope of the Audit Committee's work must be defined in its terms of reference and encompass all of the assurance needs of the board and the principal.	Although the Code provision states that the Audit Committee should encompass all the assurance needs of the Board, there are areas of assurance that are covered by other committees, such as the Learning and Teaching Committee and Finance and Resources Committee. **Recommendation: The Audit Committee Terms of Reference should contain details as what assurance is provided by other Board committees and how the Audit Committee will obtain assurance in those areas from the other Board committees.**
6) C.19 It is essential that members of the Remuneration Committee understand their role and responsibilities. Members must undertake the online training module for Remuneration Committees provided by the College Development Network within one month of appointment.	We reviewed the makeup of the Remuneration Committee (as at 22 August 2017) and noted that the required College Development Network training had been completed by 3 of the 4 Remuneration Committee members. We noted that the remaining member completed this training on 26 August 2017. We noted however that all members had completed the training after the required date (more than one month after appointment or one month after the training was introduced on 31 October 2016). **Recommendation: Ensure that in future any new Remuneration Committee members undertake the online training module for Remuneration Committee members provided by the College Development Network within one month of appointment.**
Section D: Effectiveness	
7) D.9 The college board must ensure a clear process is in place to set and agree personal performance measures for the principal. This process should seek the views of students and staff. The chair, on behalf of the board, should monitor, review and record the principal's performance, at least annually, against the agreed performance measures.	We were advised there was a process of performance management in place with the previous College Principal which the Chair of the Board was responsible for, although this was not formally agreed. It is planned that once the new Principal has settled in to the role the Chair will agree and formalise a performance management process, and in doing so the Chair will consult with all Board Members (including staff and student members of the Board). **Recommendation: Ensure that there is a clear and documented process for setting and agreeing personal performance measures for the Principal which has been reviewed and approved by the Board.**

9. Improvement Points

The following are a list of improvement points noted when undertaking this audit. These do not constitute breaches of the Code, but we consider the governance framework would be strengthened by implementing these. All recommendations are **Priority 3** recommendations.

Code Principle and Observation	Risk	Recommendation	Management Response
Section A: Leadership and Strategy			
A.2 Every board member must ensure that they are familiar with and their actions comply with the provisions of their board's Code of Conduct. **Observation** Board members must sign a statement annually to confirm they have read and agree to comply with the Code of Conduct. We noted that not all Board members had completed this confirmation.	Board members may not understand their responsibilities under the Code of Conduct and may therefore inadvertently fail to comply with these.	**R1** Ensure that all Code of Conduct annual statements are completed and returned on a timely basis.	This is an ongoing process when there are changes in Board membership. The remaining signed code of conduct statements will be followed up. **To be actioned by:** Clerk to the Board **No later than:** 31 December 2017

Section B: Quality of the Student Experience

B.1 The board must have close regard to the voice of its students and the quality of the student experience should be central to all board decisions. **Observation** The Learning and Teaching Committee reviews certain aspects which affect students and they and the Board receive a regular update from the Students' Association President. We noted however that the Students' Association President's report focusses on activities the Students' Association is involved with rather than any issues and how they are being dealt with or have been resolved.	The Board may not have sufficient regard to issues raised by students.	**R2** There is the potential for the Students' Association report to the Learning and Teaching Committee to also note issues raised by students and what action has been undertaken, or is planned, to address these issues.	The existing Student President's report to each meeting of the Learning and Teaching Committee will be extended to include a section of feedback gained by the Students' Association through class rep meetings and other forms of student engagement regarding any issues. The actions which have been taken and/or planned will be highlighted within this report. **To be actioned by:** Student President **No later than:** 28 February 2018

B.9 The board must ensure appropriate mechanisms are in place for the effective oversight of the quality and inclusivity of the learning experience in the college or region. The board must ensure that the college works in partnership with sector quality agencies and other appropriate bodies to support and promote quality enhancement and high quality services for students. **Observation** There are a range of quality mechanisms in place that are reported to the Learning and Teaching Committee including: periodic College internal quality audits; external verification visits; and the Education Scotland quality framework. There are also annual self-evaluations undertaken by departments. However, there is a lack of reporting to the Board providing assurance that students are receiving high quality services, such as student support, funding guidance, and counselling.	The Board is not receiving assurance over the quality of student services, and potentially there could be issues with the adequacy of these.	**R3** Consider what assurance can be gained over the quality of services for students and how this can be reported to an appropriate Board Committee.	A report on student experience activity, issues and development will be presented at each meeting of the Learning and Teaching Committee. **To be actioned by:** Assistant Principal Student Experience **No later than:** 28 February 2018

Section C: Accountability			
C.7 The board must ensure that its decision-making processes are transparent, properly informed, rigorous and timely… This includes: the prompt production, dissemination and online publication of board/committee agendas, minutes and papers to the public…. **Observation** During the audit it was noted that: not all Board and Committee papers were on the website; one document referred to an incorrect date of a meeting; and one website link did not work. We were advised by the Board Secretary that all identified errors have now been corrected.	There is a lack of transparency without all Board documents being published on the College website, or reasons provided for not providing certain documents or redacting minutes.	R4 Periodically review all of the Board papers and minutes on the College website for completeness, accuracy and to ensure all links are working. If there are any Board papers not provided, or any sections in minutes or papers redacted, then there should be a note on the website as to why these papers or sections have not been provided.	The papers are currently sent by the Clerk to Marketing to put on to the website. For the new website the Clerk can publish them directly and hence will be able to ensure all papers are there and links working each time. **To be actioned by:** Clerk to the Board **No later than:** 31 December 2017

C.13 The Audit Committee must support the board and the principal by reviewing the comprehensiveness, reliability and integrity of assurances including the body's governance, risk management and internal control framework. **Observation** The Principal must sign a Certificate of Assurance for the year to 31 March each year as part of GCRB requirements and a report on this is provided to the Audit Committee. We noted that the paper presented to the December 2016 Audit Committee meeting was an extract from the standard Scottish Public Finance Manual version. The actual version to be signed by the Principal was not available until April 2017, which was provided by GCRB and was in the SFC format. with an internal controls checklist attached.	The process used to complete the annual Certificate of Assurance may not be robust, with potentially issues being omitted.	R5 Provide the Audit Committee with a signed copy of the Principal's Certificate of Assurance and a completed copy of the internal controls checklist.	A copy of the signed Principal's Certificate of Assurance will be provided to the Audit Committee. **To be actioned by:** Vice Principal Resources and College Development **No later than:** 31 December 2017
C.20 The Board must have a formal procedure in place for setting the remuneration of the principal by a designated committee of non-executive members. The board may wish to supplement this by taking evidence from a range of sources. In particular, staff and students should have a role in gathering and submitting evidence in relation to the college principal to the relevant committee. **Observation** The Code recommends that staff and students should have a role in gathering and submitting evidence in relation to the College Principal to the Remuneration committee.	The process for considering the remuneration of the Principal may not reflect the views of staff and students, which are key stakeholders, when considering performance and remuneration of the Principal.	R6 Consideration should be given as to whether the Board wants to allow staff and students to have a role in gathering and submitting evidence for the Remuneration Committee when considering the remuneration of the College Principal. If the Board wants to progress this, then there is a need to consider how this will be delivered in practice.	Process to be prepared, in discussion with the Principal, and presented to the Board. **To be actioned by:** Chair of the Board **No later than:** 30 June 2018

| C.27 The Board must comply with the nationally agreed college sector Staff Governance Standard.

Observation
We were advised that although the Staff Governance Standard had not been taken to the current Board, it would have been taken to previous Boards and that it had formed the basis of discussions with the unions and the recently developed "Staff Voice". We note that no evidence had been provided to the Board of how the College was complying with the Staff Governance Standard. | Without evidence of how the College is complying with the Staff Governance Standard it is difficult for the Board to ensure there is compliance with it. | R7   Provide a copy of the Staff Governance Standard to the Board along with details of how the main aspects of this are being complied with. | The Staff Governance Standard, along with details of the main actions being taken, will be taken to the December 2017 Board meeting.

To be actioned by:
Assistant Principal HR

No later than:
31 December 2017 |

Section D: Effectiveness

D.13 The board as a whole must appoint a board secretary who is responsible to it and reports directly to the chair in their board secretary capacity. The board secretary may be a member of the senior management team in their board secretary capacity, but they cannot hold any other senior management team position at the same time. The appointment and removal of the board secretary is a decision of the board as a whole. **Observation** The Articles of Governance state, regarding removal of the Board Secretary, 'Where the Secretary holds a permanent contract of employment the normal Terms and Conditions of Employment for College Support Staff will apply.' This means that removal of the Board Secretary can only be made through the College's disciplinary process which is undertaken by management. We note that there has not been any removal of the Board Secretary and in practice if this happened it is likely this would be undertaken by the Board, and legal advice would be sought where necessary. We consider that there would be benefit in clarifying the processes to be applied if the Board Secretary was removed, taking into account this Code principle.	It is not clear what involvement the Board would have in the event of the Board Secretary being removed, and potentially there could be non-compliance with the Code.	**R8** The College should consider what the process should be for removal of the Board Secretary and consider whether the Articles of Association require to be amended.	The Articles of Association will be amended to reflect the requirements of the Code. **To be actioned by:** Depute Principal/ Clerk to the Board **No later than:** 31 March 2018

D.18 The board is responsible for ensuring appropriate arrangements are in place for the conduct of student elections and nominations, and elections of staff members to the board. **Observation** The elections are run by the Students' Association with some oversight by the Assistant Principal Student Experience and the National Union of Students. The Students' Association President provides details in their annual report to the Board about the student election outcomes, however they are not independent of the process. We consider there would be benefit in more formal procedures about the student nomination and election to be created, including what oversight should by undertaken by College management, and that there should be reporting by College management to the Board, both before (about the arrangements in place for the conduct of student elections and nominations) and afterwards (about how the student elections actually progressed and any issues and how these were resolved).	There is a risk that without independent oversight and information about the student nominations and elections that arrangements for these may not be appropriate.	**R9** Consider putting in place more formal oversight and procedures over the student elections and provide more comprehensive reporting from management to the Board both before and after the student elections.	A pre-election report on the procedures and processes over the student elections will be submitted to the Board of Management in December of each session (Stage 1). A post-election evaluative report will be presented to the Board of Management in June of each session (Stage 2) **To be actioned by:** Assistant Principal Student Experience **No later than:** 31 December 2017 – Stage 1 30 June 2018 – Stage 2