AUDIT COMMITTEE

AUDIT COMMITTEE

The Twenty-First meeting of the Audit Committee will be held on Wednesday 22nd May 2019 at 4.30pm in the Boardroom, Langside Campus.

A G E N D A

19.12	Welcome and Apologies		D Watt
19.13	Declarations of Interests		D Watt

Minutes of Previous Meeting

19.14	Minute of the Audit Committee meeting of 27.03.19	P	D Watt
19.15	Matters Arising – Action Grid	P	D Watt

Items for Discussion/Decision

19.16	Internal Audit Reports - Budgetary Control - Systems Development / Implementation - Performance Reporting / KPIs	P	Henderson Loggie
19.17	Internal Audit 2018/19 Plan Progress and Plan for 2019/20	P	Henderson Loggie
19.18	External Audit Planning Memorandum for 2018-19	P	Scott Moncrieff
19.19	Certificate of Assurance	P	J Thomson
19.20	College Assurance Framework	P	J Thomson
19.21	College Strategic Risk Register	P	J Thomson

Items for Information/Noting

19.22	Internal and External Audit Rolling Action Plan	P	T Elliott

Continual Improvement

19.23	Equalities Impact Assessment on Decisions Made		D Watt
19.24	Review of Papers (including Disclosable status)		D Watt
19.25	Any Other Business		D Watt

Date of the next meeting: 2 October 2019 at 4.30pm, The Boardroom, Langside Campus

AUDIT COMMITTEE MEETING

Date of Meeting	22 May 2019
Paper Title	Internal Audit Reports: Budgetary Control Systems Development / Implementation Performance Reporting / KPIs
Agenda Item	19.16
Paper Number	19.16A, 19.16B, 19.16C
Responsible Officer	Henderson Loggie, Internal Auditors
Status	Disclosable
Action	For Discussion

1.   **REPORT PURPOSE**

The purpose of this paper is to submit to the Committee for discussion the following reports which have been produced by the College's Internal Auditors, Henderson Loggie.

- Budgetary Control
- Systems Development / Implementation
- Performance Reporting / KPIs

2.   **RECOMMENDATION**

Members of the Audit Committee are invited to discuss the attached papers.

3.   **BACKGROUND**

3.1   The Budgetary Control report concludes that there is a satisfactory level of assurance in this area meaning that the system meets control objectives with some weaknesses present.   There are four low priority recommendations in the report.

3.2   The Systems Development / Implementation report concludes that there is a satisfactory level of assurance in this area meaning that the system meets control objectives with some weaknesses present.   There is one medium priority and one low priority recommendation in the report.

3.3   The Performance Reporting / KPIs report concludes that there is a satisfactory level of assurance in this area meaning that the system meets control objectives with some weaknesses present.   There are two low priority recommendations in the report.

4. **RISK ANALYSIS**

There are no specific risk implications in this paper.

5. **LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS**

The College is required to have an internal audit function undertaken each year as part of the Financial Memorandum.

6. **HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT**

N/A

Glasgow Clyde College

**Internal Audit Progress Report
2018/19 Annual Plan and
Proposed allocation of audit days for 2019/20**

22 May 2019

Now, for tomorrow

**mha
HENDERSON LOGGIE**

Internal Audit Progress Report
May 2019

Progress with the annual plan for 2018/19 is shown below.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Annual Plan 2018/19	November 2018	Draft 12/11/18 Final 28/11/18	2019/01	N/A	28/11/18	
Health and Safety	September 2019					Agreed start date for fieldwork 17/07/19
Student Recruitment and Retention	March 2019	Draft 11/03/19 Final 14/03/19	2019/02	Good	27/03/19	
Student Welfare – Duty of Care	March 2019	Draft 11/03/19 Final 15/03/19	2019/03	Good	27/03/19	
Budgetary Control	May 2019	Draft 15/04/19 2nd Draft 06/05/19 Final 08/05/19	2019/05	Satisfactory	22/05/19	
ESF Funding	September 2019					Agreed start date for fieldwork 17/06/19
Performance Reporting / KPIs	May 2019	Draft 08/05/19 Final 13/05/19	2019/07	Satisfactory	22/05/19	
Partnership Working (incl. Regional Engagement)	March 2019	Draft 12/03/19 Final 15/03/19	2019/04	Good	27/03/19	

mha HENDERSON LOGGIE

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Systems Development / Implementation	May 2019	Draft 02/05/19 Final 13/05/19	2019/06	**Satisfactory**	22/05/19	
Follow-Up Reviews	September 2019					Agreed start date for fieldwork 05/08/19

mha
HENDERSON LOGGIE

Internal Audit Progress Report
May 2019

In addition, College management has requested that we undertake the following audits, which are required by the Scottish Funding Council but not included in the internal audit programme:

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Credits audit	September 2019 – Audit Committee November 2019					
Bursary, childcare and hardship funds	September 2019 – Audit Committee November 2019					
EMA audit	September 2019 – Audit Committee November 2019					

mha
HENDERSON LOGGIE

Appendix 1 – Strategic Plan 2017 to 2020

We were re-appointed in September 2017 as internal auditors of the College for the period 1 August 2017 to 31 July 2020 with an option to extend for a further year. An Audit Needs Assessment (ANA), based on the areas of risk that the College is exposed to, was prepared as part of our internal audit programme for 2017/18 (internal audit report 2018/01, issued November 2017). Following on from the ANA a Strategic Plan was formulated, covering the normal three-year internal audit cycle (2017/18 to 2019/20), and this was approved by the Audit Committee, together with the ANA, at its meeting on 22 November 2017.

The proposed allocation of audit days for 2019/20, as set out in the Strategic Plan, is noted in the following table together with previous actual coverage in 2017/18 and 2018/19.

One change to the allocation set out in the above Strategic Plan was made in 2018/19, where a review of Student Welfare – Duty of Care (including Safeguarding) was added at the request of the Audit Committee.

Audit Committee members are asked to consider whether any changes are required to the proposed allocation of audit days for 2019/20 to ensure that the internal audit work is properly focused on current issues and key risks.

Proposed Allocation of Audit Days for 2019/20

	Category	Priority	Actual 17/18 Days	Actual 18/19 Days	Planned 19/20 Days
Reputation					
Publicity and Communications	Gov	M			4
Health and Safety	Gov	M		5	
Student Experience					
Curriculum	Perf	H/M	6		
Quality	Perf	M			5
Student support (Business Process Review)	Perf	M	5		
Student recruitment and retention	Fin/Perf	H		5	
Student welfare – Duty of Care	Perf	H/M		4	
Student Association	Gov	M			
Staffing Issues					
Staff recruitment and retention)	Perf	M/L			5
Staff development)	Perf	H/M			
Payroll	Fin	M			
Estates and Facilities					
Building maintenance)	Fin/Perf	M	3		
Estates strategy / capital projects)	Fin/Perf	H/M	3		
Space management	Perf	H			
Asset / fleet management	Perf	L			
Financial Issues					
Budgetary control	Fin	H		5	
Student fees and contracts / registry	Fin	M			
ESF funding	Gov/Fin	M		4	
General ledger	Fin	M			
Procurement and creditors / purchasing	Fin	M	5		
Debtors/ Income	Fin	M			
Cash & Bank / Treasury management	Fin	M			4
Commercial Issues					
Business Development	Fin/Perf	H/M	6		
International Activities	Gov/Fin/Perf	H/M			5
Organisational Issues					
Risk Management	Perf	M			
Business Continuity	Perf	L			
Corporate Governance	Gov	M			
Corporate Planning	Perf	M			

	Category	Priority	Actual 17/18 Days	Actual 18/19 Days	Planned 19/20 Days
Performance reporting / KPI	Perf	M		4	
Partnership Working (incl. Regional Engagement)	Gov/Perf	M		4	
Equalities	Gov	M			4
Information and IT					
IT network arrangements	Perf	H/M			5
Data protection	Gov	H	4		
FOI	Gov	L			
Systems development/ implementation	Perf	M		5	
IT strategy	Perf	M			
Other Audit Activities					
Management and Planning)			5	5	5
External audit / SFC)					
Attendance at audit committees)					
Follow-up reviews		Various	3	3	3
Audit Needs Assessment					
Total			40 ====	44 ====	40 ====

Key

Category: Gov – Governance; Perf – Performance; Fin – Financial

Priority: H – High; M – Medium; L – Low

AUDIT COMMITTEE MEETING

Date of Meeting	22 May 2019
Paper Title	2018/19 External Audit Planning Memorandum
Agenda Item	19.18
Paper Number	19.18A
Responsible Officer	Scott Moncrieff, External Auditors
Status	Disclosable
Action	For Discussion

1.   REPORT PURPOSE

The purpose of this paper is to present to the Committee the 2018/19 External Audit Plan.

2.   RECOMMENDATION

Committee Members are invited to review and discuss this paper.

3.   BACKGROUND

In preparation for the forthcoming external audit, the external auditors Scott Moncrieff have prepared the attached 2018/19 External Audit Plan.

The College's external auditors are Scott Moncrieff as appointed by Audit Scotland. This is the second year of their five year appointment.

There are a number of areas covered within the plan which highlights the nature and scope of the audit work including the responsibilities and the auditor's planned approach. The key section of the plan is their considered risk areas for the audit and the section on the wider scope of the audit. In addition the report indicates their timetable and planned fees.

4.   RISK ANALYSIS

There are no specific risk implications in this paper.

5. LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

Scott Moncrieff were also appointed by Audit Scotland as the external auditors of the Glasgow Colleges Regional Board, City of Glasgow College and Glasgow Kelvin College.

6. HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

AUDIT COMMITTEE MEETING

Date of Meeting	22 May 2019
Paper Title	Certificate of Assurance 2018/19
Agenda Item	19.19
Paper Number	19.19A
Responsible Officer	Janet Thomson, Vice Principal – Resources & College Development
Status	Disclosable
Action	For Noting

1 **REPORT PURPOSE**

This paper summarises the Certificate of Assurance process for the College for 2018/19.

2. RECOMMENDATION

The Committee are requested to NOTE the Certificate of Assurance process for the College and the signed Certificate of Assurance for 2018/19.

3. BACKGROUND

3.1 To comply with the Scottish Public Finance Manual (SPFM) the College has to have in place a Certificate of Assurance process to support the governance statement in the financial statements and to enable the overall Certificate of Assurance for the College to be signed by the Principal

3.2 The Principal has to complete a Certificate of Assurance statement to the GCRB who in turn complete one for Scottish Funding Council as part of their year-end process (their financial period end is March) and the SFC will in turn complete a statement for submission to the Scottish Government.

3.3 This request was received in mid-April as attached with the response required by 26th April. There are fifteen items on the Schedule of Required Assurances for the Certificate of Assurance, which are as shown at the back of the letter requesting completion. In addition, this year there is a schedule of compliance with the financial memorandum.

3.4 The College has an internal process where identified senior managers provided assurances to the Principal on the elements within the assurance checklist with five members of senior staff providing assurances to the

Principal across these items and Certificates of Assurance were signed by these staff for the subset of the items within the checklist.

3.5 A copy of the Certificate of Assurance for 2018/19 signed by the Principal is attached.

3.6 For each of the items on the Schedule of Required Assurances, the Principal has either to confirm that these controls have been, and are, working well, and there are in his opinion no significant matters arising in the college which would require to be raised specifically in the assurance to be given, or draw attention to any matter(s) which should be considered by GCRB in the preparation of their governance statement.

3.7 The full document as returned to the GCRB is attached showing any exceptions raised by the senior officers signing the assurance.

3.8 This matter drawn for their attention is a point of clarity on how the College's planning and objective setting operates and did not have any impact on GCRB's preparation of their governance statement.

4.   RISK ANALYSIS

The risk implication in this paper is that the Corporate Governance Statement in the financial statements can only be completed if there is an overall Certificate of Assurance compliant with the SPFM in place.

5.   LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

The College needs to complete a Certificate of Assurance as part of its requirements under the Scottish Public Finance Manual.

6.   HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

1 April 2019

Mr Robin Ashton
Executive Director
Glasgow Colleges' Regional Board
City of Glasgow College
City Campus
190 Cathedral Street
Glasgow   G4 0RF

Dear Robin

Certificate of Assurance

This letter sets out the duty placed on you as Chief Officer to provide an annual certificate of assurance (Annex A) to the Chief Executive/Accountable Officer (AO) of the Scottish Funding Council (SFC).

This assurance allows the SFC AO, in turn, to provide a certificate to the Principal Accountable Officer (Permanent Secretary) of the Scottish Government, providing the necessary assurance to support her in the signing of the governance statement which forms part of the Scottish Government consolidated accounts for the period 1 April 2018 to 31 March 2019.

The reporting requirements are set out in the Scottish Public Finance Manual (SPFM) and can be accessed through the following link, where it states that *Other organisations to which the SPFM is directly applicable – including separate accounting bodies sponsored by the SG – should arrange for appropriate assurance frameworks consistent with this guidance to be put in place.*
http://www.gov.scot/Topics/Government/Finance/spfm/assurancecerts

In order to complete this process, it is necessary for you in turn to receive a Certificate of Assurance from the Chief Executive Officer of each assigned incorporated college (Annex B). I should be grateful if you would send a copy of this letter to the Chief Executive Officer at each assigned incorporated college and ensure its completion prior to your completion and signing of Annex A.

Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD
T 0131 313 6500
F 0131 313 6501
www.sfc.ac.uk

In establishing this procedure, every effort has been made to build upon the assurance work which GCRB and its assigned incorporated colleges already undertake. I understand that the work being carried out by internal and external audit for the July year-end will not conclude for some time. I expect, however, that reliance will be placed on a variety of sources such as:
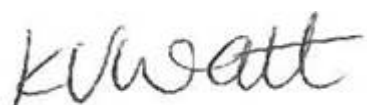
- Minutes from board committees dealing with Audit, Risk, Finance, Planning and HR
- The 2017-18 audit opinion and any audit work carried out in the period from August 2018 to March 2019
- Your own and your assigned incorporated colleges' chief executive officers' views of the operational effectiveness of the controls, processes and procedures in place within the assigned incorporated colleges

To assist you on the final point I have attached, at Annex C, a schedule of assurances based on the SPFM internal control checklist.

The completed certificate of assurance must be with the AO of the SFC by 26 April 2018 to enable the AO to make the sector return to the Scottish Government by 3 May 2019.

If you have any questions regarding the content of this letter please contact Lorna MacDonald, Director of Finance at lornamacdonald@sfc.ac.uk in the first instance.

Yours sincerely

Karen Watt
Chief Executive

cc Janie McCusker, GCRB Chair

GLASGOW CLYDE COLLEGE

AUDIT COMMITTEE MEETING

Date of Meeting	22 May 2019
Paper Title	College Assurance Framework
Agenda Item	19.20
Paper Number	19.20A
Responsible Officer	Janet Thomson, Vice Principal – Resources & College Development
Status	Disclosable
Action	For Noting

1   **REPORT PURPOSE**

This paper summarises the plans for updating the College Assurance Framework for 2018/19 following the update by the Scottish Government to their Audit Committee Handbook.

2.   **RECOMMENDATION**

The Committee are requested to DISCUSS the College Assurance Framework and the planned updates for 2018/19.

3.   **BACKGROUND**

3.1   The Scottish Government issued an update to the Audit Committee Handbook in April 2018 which includes some amendments for Audit Committees to address.

3.2   Scott Moncrieff have summarised the main changes to the Audit Committee Handbook and their summary document is attached. The main areas of change are shown on page 1 of the attached which are:-

- Audit and Assurance Committees to refresh their remit to comply with the changes
- An Assurance Framework to be developed/updated to consider whether there are any gaps or overlaps in assurances for the Committee
- Consider any training for Committee on the new assurance framework and handbook

3.3 The College had created an Assurance Framework for the Audit Committee in quarter four of 2018 which listed all the College Committees' Remits and highlighted how the reporting to each Committee addressed each of the areas of the respective remits.

3.4 Following the update to the Scottish Government Audit Committee Handbook the College Assurance Framework will need to be reviewed and updated as well as an update to the Committee's Remit. It is proposed to undertake this review in the coming months with assistance from Scott Moncrieff and in discussion with the Chair of the Audit Committee to provide an updated Assurance Framework by the time of the November meeting with an interim report to the next Committee in October.

4. RISK ANALYSIS

The risk implication is in ensuring compliance with the updated Audit Committee Handbook of the Scottish Parliament.

5. LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

The College needs to comply with the Audit Committee Handbook as part of its status as a public body.

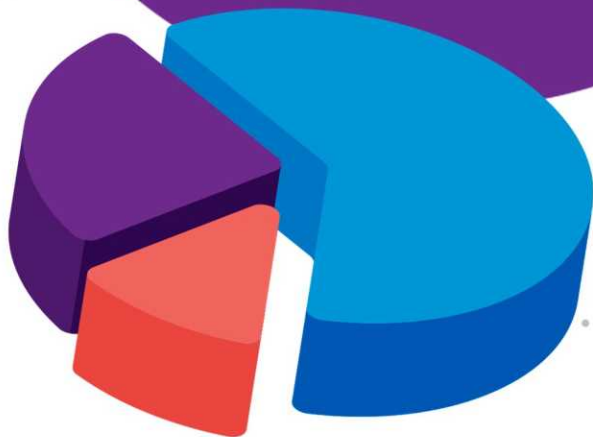**6. HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT**

N/A
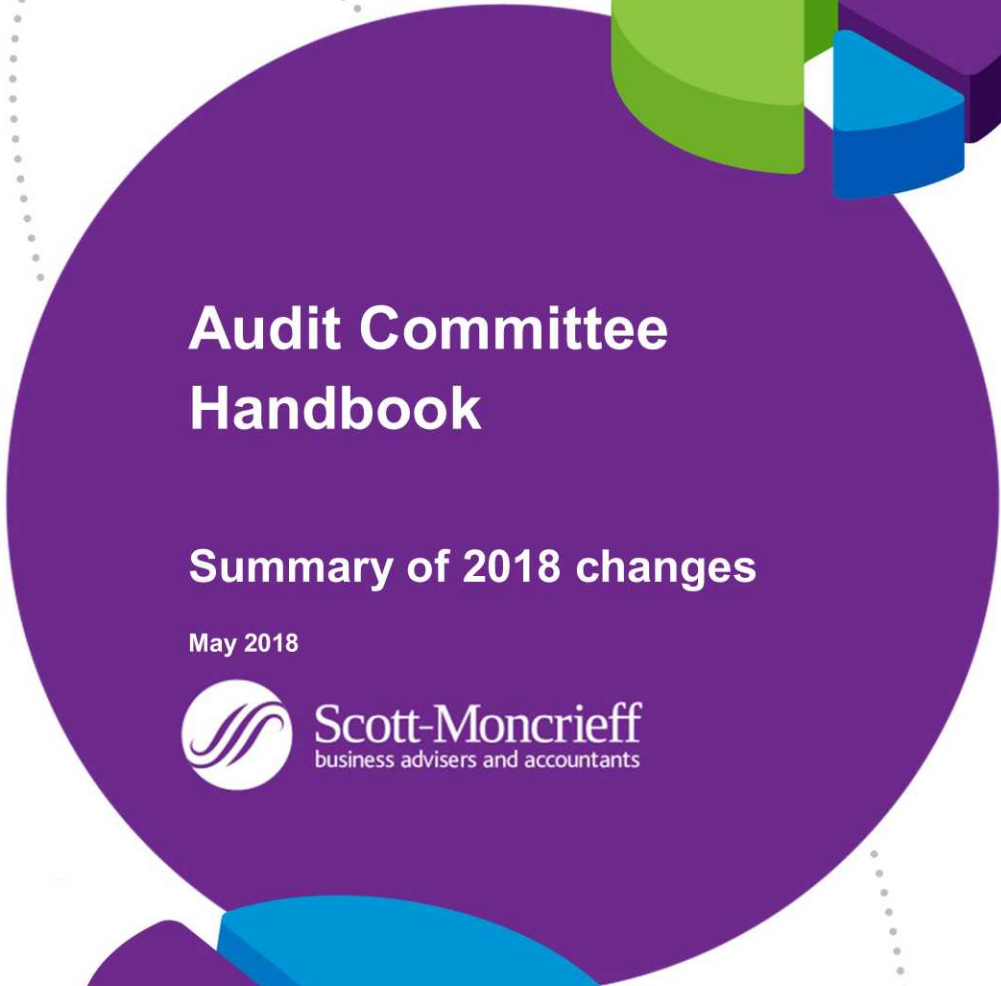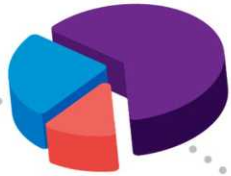
Audit Committee Handbook

Summary of 2018 changes

May 2018

Scott-Moncrieff
business advisers and accountants

Audit Committee Handbook

Summary of 2018 changes

Overview

The Scottish Government issued an update to the Audit Committee Handbook (ACH) in April 2018. This included a number of minor amendments as well as one major addition that impacts upon a number of aspects of governance and audit committee responsibilities.

The key change within the amendment is the increased responsibilities for the audit committee to clearly set out its assurance framework and to understand the various sources of assurance they receive and the roles that those assurance providers play. The new ACH advocates using the 'three lines of defence' model to help articulate this framework. The full requirements are contained within Chapter 4 of the ACH.

These changes mean that Audit Committees will need to:

- Refresh their Terms of Reference to comply with the changes outlined in the new ACH
- Develop an assurance framework and consider whether there are gaps or overlaps in the assurance that they are receiving
- Consider training audit committee members on the new assurance framework and other changes to the ACH (to meet the new requirements introduced within Annex G)

Full details of all changes to the ACH are contained within this paper.

Changes to main body

Chapter 1: Good Practice Principles for Audit and Assurance Committees

The role of the audit committee has been removed as a principle and the Role and Scope principal has been extended to include the following paragraph:

"*The committee should support the Accountable Officer and Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.*"

Chapter 2: Membership, Independence, Objectivity and Understanding

As there is no longer a principal for the audit committee it has been removed and chapter two for 2018 is chapter 3 in 2008.

Independence

The 2018 handbook provides more explicit detail on who should make up an audit committee it states:

"*The Accountable Officer and Board should be supported by an Audit and Assurance Committee with no executive responsibilities, comprising of at least three members. The Chair should be a Non-Executive Member (NEBM) [sometimes called a Non-Executive Director (NXD)] with relevant experience. There should be at least one other NEBM/NXD on the committee; when there are insufficient NEBMs/NXDs to form the committee, independent external members will need to be appointed.*"

Relationship with the Executive of the organisation

The 2018 handbook has an extra paragraph under this section which states:

"*It is also good practice for the Chair of the Audit and Assurance Committee to meet the Accountable Officer, the Finance Director, the Head of Internal Audit and the External Auditor's senior representative outside of the formal committee structure (see Chapter 5: Communication and Reporting).*"

Terms of appointment

The section is expanded to detail that members should also have a clear understanding of:

- *"Training required and how this will be provided."*

Chapter 3: Skills

Range of Skills

The 2018 handbook adds in an additional bullet point which states that:

"*3.4 Although Audit and Assurance Committee members are recruited for their individual skills, it is vital that they are able to work collaboratively.*"

Training and development

The 2018 handbook adds another paragraph which states;

"The Chair should, in addition, ensure that all committee members have an appropriate programme of engagement with the organisation and its activities to help them understand the organisation, its objectives, business needs, priorities and risk profile. Consideration should be given to underpinning such programmes with training and/or learning plans."

Chapter 4: Role and Scope

The section titled 'Overall Assurance' in the 2008 Handbook has been removed from the 2018 handbook. The 2018 handbook has added a section which is noted below:

Supporting the Board and Accountable Officer

"4.1 Accountable Officers and Boards have many issues competing for their attention. One of the challenges they face is knowing whether they are giving their attention to the right issues. Key to addressing this is assurance, defined as: "an evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework"

4.2 Assurance draws attention to the aspects of risk management, governance and control that are functioning effectively and, just as importantly, the aspects which need to be given attention to improve them. An effective risk management framework and a risk-based approach to assurance helps an Accountable Officer and Board to judge whether or not its agenda is focussing on the issues that are most significant to achieving the organisation's objectives and whether best use of resources is being made. The Audit and Assurance Committee can help the Accountable Officer and Board to formulate their assurance needs, and then consider how well assurance received actually meets these needs by gauging the extent to which assurance on risk management is comprehensive and reliable. Assurance cannot be absolute so the committee will need to know that the organisation is making effective use of the finite assurance mechanisms at its disposal, targeting areas of greatest risk. This can include carrying out a 'Deep Dive' exercise of risks that the committee determine are key threats to the organisation.

4.3 Formulation of the specific assurance need is key to determining the resource that needs to be dedicated to delivery of assurance in the organisation. Key elements include:

- *The strategic outcomes and objectives which the organisation is charged to deliver, and the associated risks and control mechanisms;*
- *The sources of assurance available; and*
- *The level of confidence required in assurances, including the extent to which the range of assurance providers can be relied on by Internal Audit in delivering its overall opinion on risk, control and governance in accordance with the Public Sector Internal Audit Standards.*

4.4 A well designed assurance framework will help. At its simplest, this will identify all the key sources of assurance in the organisation and seeks to orchestrate them to best effect. This can help to ensure that gaps are reduced or eliminated and unnecessary duplication avoided. A conceptual model that is often used to help to categorise the various sources of assurance is the 'three lines of assurance'. By defining the sources of assurance in three broad categories, it helps to understand how the type and nature of the mechanisms can contribute to the bigger assurance picture:

- *First line: management assurance from "front line" or business operational areas;*
- *Second line: oversight of management activity, including effective management information, separate from those responsible for delivery, but not independent of the organisation's management chain; and*
- *Third line: independent and more objective assurance, including the role of Internal Audit and from external bodies (e.g. accreditation and Gateway reviews). Further detail of the role of Internal Audit is provided later in this chapter.*

4.5 An understanding of the three lines of assurance can help the Audit and Assurance Committee to play a key role in helping the Accountable Officer and Board establish an optimum mix of assurance. For example, management and oversight assurance activities can be harnessed to provide coverage of routine operations, with Internal Audit activity more effectively targeted at riskier or more complex areas. As well as strengthening assurance arrangements, this helps the Audit and Assurance Committee to demonstrate added value to the organisation. Advice on developing assurance frameworks is available in the Treasury Assurance Framework Guidance document.

4.6 The overall provision of assurances to the Accountable Officer and Board should be reviewed by the Audit and Assurance Committee, which should constructively challenge:

- *Whether the nature and scope of the assurance providers' activity meets the Accountable Officer's and Board's assurance needs;*
- *The credibility and independence of each provider; and*
- *Where appropriate, the actual assurances to test that sufficient reliable evidence and that conclusions are reasonable in the context of the evidence.*

The committee should also be proactive in commissioning assurance work from appropriate sources if it identifies any significant risk, governance and control issues which are not being subjected to sufficient review, and in seeking assurance on weaknesses identified by reviews are actually remedied by management.

A "prompt" list of questions for Audit and Risk Assurance Committees to ask is provided at Annex F.

4.7 The overall committee view may draw attention to areas where:

- *Risk is being appropriately managed (no action needed);*
- *Risk is inadequately controlled (action needed to improve control);*
- *Risk is over controlled (resource being wasted which could be diverted to other use); and/or*
- *There is lack of evidence to support a conclusion. If this concerns areas material to the organisation's operations more assurance work may be needed, subject to an assessment of costs and benefits.*

4.8 Assurance should be obtained on risks across the organisation. The governance structure of the departmental family/group will therefore need to ensure that there is effective communication on risks and control to ensure appropriate visibility of and timely action on such matters as well as to feed into the annual Governance Statement.

4.9 Similarly assurance on the risk and control environment should also encompass services outsourced to external providers, including shared service arrangements, so that all key elements of the organisation are considered as parts of the wider organisation and business function.

4.10 It is also good practice to have reasonable oversight of risks that cross organisational boundaries, for example, in major projects. This could include a Chairs of Audit and Assurance Committee Forum. Any such forum should focus on assurances on cross organisational governance, risk and control arrangements."

Internal and External Audit

The 2018 handbook has added in a section under 4.13 under which states:

"In central government, the Auditor General is responsible for securing the external audit of most public sector bodies in Scotland and reporting on their financial health and performance. Audit work is carried out by Audit Scotland staff and appointed auditors including private firms. This includes the audits of financial statements as well as performance and Best Value audits. All external auditors appointed by the Auditor General are required to follow the Code of Audit Practice which outlines their responsibilities. Once appointed, auditors act independently in carrying out their responsibilities and in exercising professional judgement."

There have been two extra bullet points added to the role of the audit committee in relation to advising the accounting officer and board in relation to Internal Audit. These are noted below:

- *The annual Internal Audit opinion and annual report; and*
- *The performance of Internal Audit, including conformance with the applicable standards, expected performance measures, and the results of both internal and external quality assessments.'*

Extra information: The 2018 Handbook has extended the internal and external audit section which provides details on the Code of Audit Practice and professional requirements. The extract is noted below:

4.15 Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK and Ireland) and professional requirements. These include:

- *Undertaking statutory duties, and complying with professional engagement and ethical standards*
- *Providing an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions*
- *Reviewing and reporting on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports*
- *Notifying the Auditor General when circumstances indicate that a statutory report may be required.*

4.16 The Code of Audit Practice defines a wider scope for public audit that goes beyond the financial statements. This includes work that contributes to audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability. External auditors will report annually to those charged with governance on the results of their work covering both the financial statements and wider scope audit work. Audited annual financial statements including the independent auditors' reports, and reports by the Auditor General are sent to Scottish ministers to be laid before the Scottish Parliament.

4.17 It is important that the Audit and Assurance Committee engages regularly with external audit. The committee should consider the results of external audit work and the proposed actions against audit recommendations. The committee should also consider planned external audit activity and enquire about the level of coordination and engagement between internal and external audit to ensure there is no unnecessary duplication of audit work.

Two sub-sections have been added to the External and Internal section for the 2018 Handbook and these have been copied below:

Governance

4.18 It is essential that the committee understands how governance arrangements support achievement of the organisation's strategies and objectives, especially:

- *The organisation's vision and purpose;*
- *Mechanisms to ensure effective organisational accountability, performance and risk management;*
- *Role definitions, committee and other structures to support effective discharge of responsibilities, decision making and reporting;*
- *Promotion of appropriate ethics and values within the organisation;*
- *Communication of management information, including on risk and control among the board and to appropriate areas of the organisation; and*
- *Relations with ALBs including reporting functions to relevant AACs and Scottish Government.*

Risk management and the control environment

4.19 It is also essential that the committee:

- *Understands the organisation's business strategy, operating environment and the associated risks, taking into account all key elements of the organisation as parts of an "Extended Enterprise";*
- *Understands, where applicable, the role and activities of the Board (or equivalent senior governance/advisory body) in relation to managing risk;*
- *Discusses with the Board its policies, attitude to and appetite for risk to ensure these are appropriately defined and communicated so management operates within these parameters;*
- *Understands the framework for risk assessment, management and assurance and the assignment of responsibilities;*
- *Critically challenges and reviews the risk management and assurance framework, without second guessing management, to provide assurance that the arrangements are actively working in the organisations; and*
- *Critically challenges and reviews the adequacy and effectiveness of control processes in responding to risks within the organisation's governance, operations, compliance and information systems.*

Financial Management and Reporting

This has been extended from the 2008 Handbook and now includes more detail in relation to the procedures which should be followed for financial reporting circumstances. The extra detail is noted below:

"4.20 The committee should consider significant accounting policies, any changes to them and any significant estimates and judgements, if possible before the start of the financial year. It should also review the clarity and completeness of disclosures in the year-end financial statements and consider whether the disclosures made are set properly in context.

Ideally, the committee should expect a comprehensive overview of the financial statements by the Finance Director, including comparisons with the prior year and current year budget, and an explanation for any issues arising."

The 2018 handbook has also added an extra bullet point which the committee should consider in reaching a view on the accounts this is noted below:

- *"Reports, advice and findings from external audit (especially the Audit Completion Report – ISA 260 Report)"*

Terms of Reference

As the Audit Committee section has been removed from the 2018 Handbook, the terms of reference are brought in under external and internal audit instead. The terms of reference held under the 2018 handbook provide more detail than the 2008 handbook. The new extracts are added below:

"It is important that a balance is struck during meetings between corporate governance, risk management, control and financial reporting items. The terms of reference should be reviewed annually alongside the performance of the committee.

The responsibilities assigned to the committee should not provide any conflict with the guidance in this handbook, in particular by compromising independence. The committee should not have any executive responsibilities or be charged with making or endorsing any decisions, although it may draw attention to strengths and weaknesses in control and make suggestions for how such weaknesses might be dealt with. The overarching purpose of the committee is to advise the Accountable Officer and Board; it is then the Accountable Officer and Board that make the relevant decisions.'

The Accountable Officer and Board need adequate and timely feedback on the work of the committee in order to consider its contributions formally. A schedule of the committee's agreed delegations from the Board, and the mechanisms for feedback and assurance, should be formally documented.

To fulfil their role, most committees will need to meet at least four times a year. A model "core programme" of work for a Committee meeting four times a year is provided at Annex E"

Chapter 5: Communication and Reporting

A section has been added to the 2018 handbook under communication and reporting titled 'improving relationships'. The new material is noted below:

"It is important for the committee to have good relationships and communication with those it seeks briefings from, and those it provides assurance to. This ensures that it is effectively engaged with the organisation and able to fulfil its function. This should include where risks cross organisational boundaries, for example, in major projects."

Annual Report

Both the 2008 and 2018 handbook state 'The Annual Report should summarise the Audit Committee's work for the year past, and present the Audit Committee's opinion. The 2018 handbook has added an extra bullet point to this list which is detailed below:

- *"The effectiveness of governance, risk management and control"*

Bilateral communications

The 2008 handbook stated that *"there should be an annual bilateral meeting between the Chair of the Audit Committee and each of these parties[1] to ensure that there is clear understanding of expectations and mutual understanding of current issues"*.

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[1] *the Accountable Officer, Head of Internal Audit and the External Auditor.*

The 2018 handbook states that "*periodic discussions outside the formal meeting help to ensure that expectations are managed and that there is a mutual understanding of current risks and issues*".

Changes to annexes

Annex A: The role of the chair: good practice

Extensions to role of the chair from 2008 handbook:

- *"Meeting time should be optimised by making sure that all agenda papers are issued in good time and then having each paper summarised outlining the key points, cross referred to the organisational business and risk agenda and stating what action the committee is required to take.*
- *The Chair of the Audit and Assurance Committee should establish a mechanism enabling key stakeholders to consider the overall risk and assurance needs (see 5.3).*
- *Encouraging good, open relationships between the committee, Accountable Officer, Finance Director and Internal and External Auditors. There are a number of ways that a Chair can encourage this."*

A section is added to the 2018 Handbook which outlines how the profile of the committee can be raised by actions of the chair. The extract is noted below

"The profile of the committee can be raised to support and add weight to audit work by:

- *promoting audit issues internally with relevant Board members and other directors to make sure they appreciate the value of audit;*
- *holding managers within the organisation to account for the implementation of audit recommendations;*
- *calling appropriate business heads to meetings, for example, to explain how they are delivering their agreed actions on risks for which they are responsible;*
- *Arranging separate meetings for the Chair, Non-Executives and independent members and Internal and External Auditors to help establish open working relationships;*
- *Arranging meetings with the Chair, Internal Auditors and the Finance Director etc in the weeks leading up to the committee meeting to discuss areas for the agenda and papers that should be provided;*
- *Arranging meetings with the Internal Auditors (and possibly External Audit) immediately before the committee meeting to help give focus to discussions; and*
- *The Chair should ensure that there is an appropriate process between meetings for action points arising from committee business to be appropriately pursued. The Chair should also ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence. Chairs may choose to rely on the Secretariat to take these actions."*

Appointments

The appointments section of the 2018 handbook is increased to include the following;

'The Chair should also be actively involved in the appointment of the Head of Internal Audit'.

Annex B: Committee support: good practice

An extra responsibility is added to the Audit Committee Secretariat in the 2018 Handbook. This is noted below;

- *Arranging the Chair's bilateral meetings with the Accountable Officer, the Head of Internal Audit, the External Auditor, and, in ALBs, with the Chair of the Board etc;*

The following paragraph has been removed from the 2018 handbook which was included within the 2008 Handbook:

"Careful consideration should be given to ensuring that the secretariat function is able to demonstrate independence from operational and management issues. If the function is provided by Internal Audit or Finance there may be a risk of bias towards their interests."

Annex C: Model letter of appointment

Appointment and purpose

The appointment and purpose paragraph has been extended and now contains four bullet points which outline the purpose of the committee. These are noted below:

"The committee is a committee of the Board of (organisation) and its purpose is to:

- *Review the comprehensiveness of assurances in meeting the assurance needs of the Board and Accountable Officer;*
- *Review the reliability and integrity of these assurances;*
- *Review the integrity of the financial statements; and*
- *Advise the Board and Accountable Officer about how well assurances consequently support them in decision taking and in discharging their accountability obligations"*

Annex D: Model Terms of Reference

Information Requirements

The list detailing the information that will be produced as and when appropriate has been extended for the 2018 and has 4 new items which are noted below:

- *A report on the Counter Fraud and Bribery arrangements and performance;*
- *The annual Internal Audit Plan*
- *Business update reports from the Accountable Officer;*
- *Reports from other sources within the "three lines of assurance" integrated assurance framework (eg Best Value self-assessment Reviews, Gateway Reviews, Health Check Reviews, ICT Assurance Reviews, Digital 1st Service Standard Reviews, Procurement Capability Reviews, Procurement Key Stage Reviews).*

Annex E: Example of annual core work

For all of the four meetings across the year (Spring, Summer, Autumn and Winter) one extra aspect has been added to all of the agendas which is noted below:

"New issue to be added to the agenda;

- *Consider any reports from other sources within the "three lines of assurance" integrated assurance framework"*

Annex F: Key Lines of enquiry

Risk Management

Within the key lines of enquiry section the section on risk management processes has been supplemented. The extension has been noted below:

"'On risk management processes, how do we know:

If risks are handled well:

- *Key strategic risks can change very quickly?*
- *Scenario planning and stress testing?*
- *Bubbling under' risks?*

Risk focus is wide enough:

- *External and emerging risks are considered?*
- *'Financial' risks and 'non-financial' risks are reviewed?*

That management are regularly reviewing top risks?"

Results of both internal and external audit

Key lines of enquiry has also been extended in relation to assurance of internal and external audit activity. The supplementary sections are noted below:

"On the planned activity and results of both internal and external audit, how do we know:

- *That Internal Audit takes appropriate account of other assurance activity, especially in the first and second line (and that this assurance is understood and owned by management)? that Internal Audit recommendations that have been agreed by management are timeously implemented?*
- *That the quality of Internal Audit work is adequate? What does application of the Internal Audit Quality Assessment process tell us about the quality of the Internal Audit service?*
- *The Accountable Officer and Board have taken all necessary steps to make themselves aware of any relevant information and that auditors are aware of that information?*

A more detailed tool for evaluation of the quality of the Internal Audit service is the "Internal Audit Quality Assessment Framework" produced by HM Treasury."

Accounting Policies

The key lines of enquiry surrounding the accounting policies and annual report has also been extended, extract of supplementary aspects copied below:

"'On the accounting policies, the accounts, and the annual report of the organisation, how do we know:

- *How effective and accurate budgeting and in-year forecasting is?*
- *If the finance function is fit for purpose?*
- *What the "hidden" financial risks are, relating to (inter alia):*

- *HR?*
- *VAT?*
- *Overruns?*
- *Sudden loss of funding/revenue?"*

Corporate Governance

The assurances in relation to corporate governance have been changed significantly in the 2018 Handbook in comparison to the 2008 handbook. Three prompts have been removed and replaced with the new requirements noted below;

"On assurances relating to the corporate governance requirements for the organisation, how do we know:

- *Corporate governance arrangements operate effectively and are clear to the whole organisation?*
- *The Accountable Officer's Governance Statement is meaningful, and that robust evidence underpins it?*
- *The Governance Statement appropriately discloses action to deal with material problems?*
- *The Board/Executive is appropriately considering the results of the effectiveness review underpinning the annual Governance Statement?*
- *The range of assurances available is sufficient to facilitate the drafting of a meaningful annual Governance Statement?*
- *Those producing the assurances understand fully the scope of the assurance they are being asked to provide, and the purpose to which it will be put?*
- *Effective mechanisms are in place to ensure that assurances are reliable and adequately evidenced?"*

Annex G: Competency Framework

Competency framework for committee members has been extended to include the following;

"All members of the committee should have, or acquire as soon as possible after appointment:

- *Understanding of the organisation's three lines of assurance and sources of assurance"*

AUDIT COMMITTEE

Date of Meeting	22 May 2019
Paper Title	College Strategic Risk Register
Agenda Item	19.21
Paper Number	19.21A
Responsible Officer	Janet Thomson, Vice Principal Resources and College Development
Status	Disclosable
Action	For Discussion

1   **REPORT PURPOSE**

The Report considers the College's Strategic Risk Register which is updated regularly and reported to each Audit Committee and to the Board of Management on a quarterly basis.

2.   **RECOMMENDATION**

Members are invited to DISCUSS this paper.

3.   **BACKGROUND**

The College Strategic Risk Register is a key part of the College's risk management framework, which is updated regularly and considered quarterly by College Senior Management.

4.   **RISK ANALYSIS**

4.1   The College Strategic Risk Register as at 13 May 2019 is attached. There are a range of changes to the Risk Register since last reported to the Board of Management and Audit Committee in March, which are all highlighted in red. This register will be submitted to the Board at its June meeting.

4.2   There are two main amendments which follow on from discussion at the last Audit Committee. The first is to include a new risk "Failure to reduce College cost base on managed basis to meet requirements of the five year financial forecast" and to split the previous risk "Failure to achieve surplus targets for non-SFC/commercial activity" into two separate risks. This therefore means there are now 14 risks on the College Strategic Risk Register and both of these two new/separated risks have high scores and are both scoring as 15 after mitigating actions (probability of 3 and impact of 5).

4.3   Of the 14 risks on the College Strategic Risk Register there are now 3 risks scoring as high after mitigating actions. These are the two new/split risks as per paragraph 4.2 which are now F1 and F2 which are high due to the challenges of the College's five year financial plan, plus risk O1 – Negative impact on employee relations (e.g. national bargaining, industrial action, local consultation). This is scoring as probability of 3 and impact of 5 after mitigating actions. Some of the key issues in this risk are associated with national decisions that are not within the College's direct control.

5.   LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

The College is required to have a risk register as part of the Financial Memorandum.

6.   HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

AUDIT COMMITTEE MEETING

Date of Meeting	22 May 2019
Paper Title	Internal and External Audit Rolling Action Plan
Agenda Item	19.22
Paper Number	19.22A
Responsible Officer	Tracy Elliott, Assistant Principal – Finance & Infrastructure
Status	Non-Disclosable
Action	For Noting

1 **REPORT PURPOSE**
This report is provided to each Committee meeting to update on the implementation status of previous internal and external audit recommendations which have not already been reported as fully implemented. The purpose is to ensure that all recommendations are followed through to full implementation.

2. **RECOMMENDATION**
Members of the Audit Committee are invited to note this paper.

3. **BACKGROUND**
3.1 The Internal and External Audit Rolling Action Plan is attached. Within the action plan as at 13 May 2019 there are 4 previous recommendations areas shown, of which 3 are partially implemented or within timescale and 1 is fully implemented.

3.2 An update of this action plan is reported to each Audit Committee which is a monitor of actions through to full implementation.

4. **RISK ANALYSIS**
There are no specific risk implications in this paper.

5. **LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS**
There are no specific legal, financial or Regional Outcome Agreement implications within this paper.

6. **HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT**
N/A

GLASGOW CLYDE COLLEGE

ROLLING ACTION PLAN FOR INTERNAL AND EXTERNAL AUDIT PRIOR RECOMMENDATIONS

UPDATE

AS AT 13 MAY 2019

Contents

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN
Partially implemented, within timescale or outstanding previous recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Recommendation Status	Report Ref	Update at 13 May 2019
1.1	**Business Development** The development of a series of short, sector / industry focused prospectuses may be beneficial in driving website traffic and sales enquiries.	**Low**	Assistant Principal International and Business Development	August 2019 (revised from December 2018 and March 2019)	**Partially implemented**	Business Development Internal Audit Report	Sector-focused CPD materials are being developed as part of an integrated marketing campaign as part of the 5-year commercial growth plan. Materials will be available by March 2019. Brochure for Health and Childcare is available. A separate brochure for commercial part-time courses split by Faculty area (sector) is under production and another for CPD for professionals on Additional Support Needs will be commissioned.

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN
Partially implemented, within timescale or outstanding previous recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Recommendation Status	Report Ref	Update at 13 May 2019
1.2	**Long Term Financial Sustainability** That the college use zero based budgeting to identify further savings to support their medium term financial position. The college should formally develop savings options for service redesign and income generation to ensure the college achieves a balanced budget over the short and medium term. The college must establish a long term sustainable financial model which addresses the current future deficit forecast position.	**Medium**	Vice Principal Resources and College Development and the Senior Leadership Team	June 2019 and then plans ongoing.	**Within timescale**	2017/18 External Audit Report	The Board had already requested that the College bring further information to them on this following the presentation to the Board of the five year financial plan. The College plan to follow a three pronged approach to address it being through planned increased income, seeking further funding, and reductions in costs which will have to be substantially staffing. The commercial income and surplus growth plan was approved by the Board and the College have commenced with their plans for staff cost reductions. An update will be provided to the Board at its June meeting and then plans ongoing into the future.

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN

Partially implemented, within timescale or outstanding previous recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Recommendation Status	Report Ref	Update at 13 May 2019
1.3	**Governance and transparency** In May 2018, the Scottish Government updated its guidance for audit committees in the public sector through an update to its Audit Committee Handbook. The revised handbook sets out the fundamental principles relating to the role, membership and work of the Audit and Assurance Committees. Scott Moncrieff has summarised the changes to the Audit Committee Handbook and these may require action from the Audit Committee to ensure it remains compliant. Their work in 2018/19 will include consideration of actions to align to the new handbook.	**Medium**	Vice Principal Resources and College Development	October 2019	**Within timescale**	Action added at Nov 18 Committee following 2017/18 External Audit Report discussions	A paper on the timescale and plan for this will be considered at the Audit Committee meeting 22 May 2019. Updated framework will be implemented by time of signing 2018/19 financial statements.

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN
Fully implemented recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Recommendation Status	Report Ref	Update at 13 May 2019
2.1	**Board Development Plan** 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.	**Medium**	Board and Clerk	March 2019	**Fully implemented**	2017/18 Follow up Review	The Nominations Committee received a presentation from Changing the Chemistry at its last meeting. The Committee decided to open recruitment and engage the services of Changing the Chemistry to assist in the process – CtC will consider the application, criteria, process and assist with a Board Information Event. The Committee recognises the importance of diversity in the board membership.