

Audit and Assurance Committee Meeting

Date of Meeting	Tuesday 11 January 2022
Paper Title	Assigned College Audit Committees Annual Reports
Agenda Item	19
Paper Number	AAC2-0
Responsible Officer	Jim Godfrey, Finance and Resources Director
Status	Disclosable
Action	For noting

1. Executive Summary

- 1.1 Consider the annual reports of the assigned college audit committees, detailing the business undertaken by the audit committees of the assigned colleges during the past year.

2. Recommendations

- 2.1 The Committee is invited to **note** this report.

3. Background

- 3.1 The assigned colleges are required to submit their Audit Committee Annual Report as part of the process of compiling the regional consolidated accounts. These reports are also submitted to the Scottish Funding Council.

4. Risk and compliance implications, financial and resources implications, equalities implications and learner implications

- 4.1 Other than as reported, there are no specific aspects to be considered under these headings.

Board of Management Audit and Assurance Committee

Date of Meeting	Wednesday 15 September 2021
Paper No.	AAC1-B
Agenda Item	4.2
Subject of Paper	Committee Annual Report 2020-21
FOISA Status	Non-Disclosable
Primary Contact	Paul Clark, College Secretary/Planning
Date of production	2nd September 2021
Action	For Approval

1. Recommendations

1. To review the Committee Annual Report 2020-21.
2. To approve the report (for noting by the Board) subject to any agreed changes.

2. Purpose

To provide the Committee and the Board with a high-level review of the activities of the Committee throughout 2020-21, within the framework of the Committee's Terms of Reference.

3. Key Insights

3.1 Context

Since 2014, the Board of Management has followed an Internal Audit recommendation to prepare “an annual report...for each sub-committee and that this is used as the basis for the preparation of the annual report for the full Board ” (Ref. paper AC4-F, May 2014: "Internal Audit Report - Risk Management and Governance"). With due regard to the Committee Terms of Reference, the summary schedule of work of the Committee for 2020-21, and the considerations and discussions undertaken by the Committee through the session, the attached report provides a summary report of the Committee's activities.

3.2 Benefits

While the Annual report itself has since been streamlined, the value of this exercise has been recognised. The benefits of a Committee annual review include the following:

- It provides a reference for progress and achievement, and an accessible update on the Committee's recent and current areas of focus, within the parameters of the Committee's areas of responsibilities. This is of value to newer Committee members, other Board members, and other stakeholders.
- It enhances the transparency of the Board's Committee activities.
- It provides a sound and systematic reference for development of the College Annual Report, ensuring a robust governance framework and perspective for reportage.
- It reflects good governance practice.
- It facilitates reflection, vigilance, effectiveness and performance improvement, thereby supporting the College's Strategic Aims 5 and 6 - “To deliver excellence in performance”, and “To be efficient, effective, innovating, and vigilant”.¹

¹ City of Glasgow College Strategic Plan 2021-30

4. Impact and implications

4.1 The review process comprises a thorough review of the Committees activities in the previous academic session, informing strategic direction, and facilitating development and improvement.

4.2 It will provide further reassurance to the Board and its stakeholders, including the Regional Board, that the City of Glasgow College systems of governance review are robust, and delivered to a high standard.

Appendices:

Committee Annual Report 2020-21.

AUDIT AND ASSURANCE COMMITTEE
ANNUAL REPORT 2020-21



AUDIT AND ASSURANCE COMMITTEE

CONVENER: **Graham Mitchell**

VICE CONVENER: **Paul Hillard**

MEMBERS: **George Galloway, Lorna Hamilton, Ronnie Quinn**

Annual Report 2020-21

Introduction

The Board of Management is accountable for the stewardship of funds under its control, and is therefore responsible for:

- Safeguarding assets and ensuring the regularity of transactions by establishing adequate systems of internal control;
- Maintaining proper accounting records;
- Preparing financial statements which show a true and fair view and comply with relevant accounting standards;
- Taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- Managing its affairs to secure the economic, efficient and effective use of resources

The Audit and Assurance Committee has the unique role among all Board and College committees and other fora, of maintaining a degree of independent overview of the effectiveness of financial and other internal control systems and functions. This relates to all aspects of College activity, and the Committee's priority is to ensure that the College's systems and processes operate efficiently and economically, as well as effectively.

To assist the Committee in this task, the Committee has responsibility for selecting and recommending to the Board both an Internal and an External Auditor. The Committee plans and oversees the planning and operation of the auditors' work, monitoring its effectiveness, and receives internal and external audit reports on the agreed scope of their reviews. These may cover any aspect of College operation, and are designed to provide the Board of Management, the Principal, and other managers with assurance on the adequacy of the College's arrangements for:

- Risk Management
- Corporate Governance, and
- Internal Control
- Effective Operation

The Committee has a specific responsibility to consider the College's annual financial statements, after review by the Finance and Physical Resources Committee and prior to submission to the Board. Any changes to accounting policy, major decision matters, or

significant audit adjustments, are closely scrutinised by the Committee. Compliance with accounting standards, and the Funding Council's Financial Memorandum, is also a priority. The Audit and Assurance Committee maintains oversight of the management of Data Protection, and since 2018 has particularly focused upon the requirements and duties placed upon the College under the General Data Protection Regulations (GDPR¹), together with commensurate strategic risk. The Committee also scrutinises matters relating to potential fraud and cybersecurity breaches.

In 2020-21 the College's External Auditors were Azets (formerly Scott-Moncreiff). Henderson Loggie, have been the College's Internal Auditors since September 2016, with an expiry date following a one-year extension, of 31 July 2021 (to the conclusion of the 2020-21 audits). A full tender process was undertaken in session 2020-21, following which Henderson Loggie agreed a further contract with the College as Internal Auditors from 1 August 2021 for three years, with a further two-year option.

Review of 2020-21

Internal Audit

The role of the internal auditor is to provide an independent, objective assurance and consulting service. This is designed to improve performance, enhance processes, add value, and improve the College's operations across the full range of the College's activities and functions. The auditor's approach is to help the College accomplish its objectives through a systematic, objective, evaluative approach - to improve the effectiveness of risk management, control, assurance, and governance processes. To this end, the internal auditor also advises best practice gained from their cross-sectoral experience.

In March 2017, Henderson Loggie had provided the Committee with an Audit Needs Assessment (ANA), including a proposed internal Audit Plan covering the period 2016 – 2020. The ANA was prepared following a review of previous internal and external audits and related documents, and in consultation with a number of College managers. This assessment informed the Internal Audit plan which specified audits of particular areas of College activity throughout the period of the plan. The Plan continued through 2020-21 and provided the Committee with the following Reports:

Internal Audit Reports

- IT Systems Development/Implementation: Assurance level – **Satisfactory**, with one medium priority action agreed - to produce a suite of systems development project documents, as outlined in the IA report, and develop summary guidance for staff in relation to the College's approach to project management.
- Budgetary Control: Assurance level – **Satisfactory**. In this report the auditors reported the College's budgetary control practices and protocols. It specifically considered budget monitoring procedures in place centrally and within a sample of Faculties and Support Services, as well as cash flow reporting to senior management

¹ Data Protection Act 2018: [link](#)

and the Board, the Glasgow Colleges' Regional Board and the Scottish Funding Council (SFC). Three low level recommendations and one medium were agreed, relating to the annual budget process, ensuring consistency and identifying potential savings, as well as training for budget holders

- **External Communications and Marketing:** Assurance level – **Satisfactory**. Two low priority actions were agreed to review the College's Communications Strategy and Policy, and the development of a specific Communications Plan for students.
- **Staff Recruitment and Retention:** Assurance level – **Satisfactory**. One low level recommendation was agreed: to review the Recruitment and Selection Policy and associated Procedures
- **Asset Management:** **Satisfactory** . One medium level and four low level recommendations were agreed. The medium level recommendation was to implement an effectively managed enforcement approach to the recovery of IT devices (predominantly laptops) to alleviate the problem of digital poverty for many students, to enable effective engagement with their studies. Realistic recovery rates to be calculated in line with Scottish Government expectations in supporting digital inclusion. Other recommendations related to verification, record-keeping, and an IT solution to asset management.
- **Leadership Reorganisation:** Assurance Level – **Satisfactory**. Four low level recommendations were agreed. These related to a new protocol for the formal review of all organisational change programmes; a proportionate project management methodology for the planning and delivery of transformational projects; resource allocation to programmes and projects; and formal evaluation of training provision to new postholders.
- **General Ledger:** Assurance level – **Good**. This positive report included only one low level recommendation for agreement, involving an automated monthly journal process to improve both the business efficiency and controls in place when updating the GL accounts.

Internal Audit Report and Recommendations	High	Med	Low	Overall
IT Systems Development/Implementation	0	1	0	Satisfactory
Budgetary Control	0	1	3	Satisfactory
External Communications and Marketing	0	0	2	Satisfactory
Staff Recruitment and Retention	0	0	1	Satisfactory
Asset Management	0	1	4	Satisfactory
Leadership Reorganisation	0	0	4	Satisfactory
General Ledger	0	0	1	Good
Totals	0	3	15	

- Ref: Internal Audit Reports to the Audit Committee 2020-21: MHA Henderson Loggie

The internal Audit progress report on the 2020-21 Annual Plan was reviewed and it was noted that fieldwork activity for a number of agreed audits would be completed from June to September 2021, with reports due for presentation to the Committee in September 2021.

External Audit

The College's External Auditors are Scott-Moncrieff, having been appointed by the Auditor General for Scotland for the five-year period 2016-17 to 2020-21. In summary, the responsibilities of the College's external auditors are:

- To provide an opinion on the financial statements of the College, including an opinion on the regularity of transactions.
- To review and report on the College's corporate governance arrangements as they relate to its systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption and financial position.
- To review and report, as far as required by the Auditor General for Scotland, on aspects of the College's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources.

The External Auditor's (EA) report for 2019-20 was presented to the Committee in November 2020 (for the year ended 31 July 2020) and a summary was included in the College's Annual Report 2019-20. The report provided an unqualified audit opinion on the financial statements, and on the regularity of transactions, as well as "other prescribed matters" as required under the Public Finance and Accountability (Scotland) Act 2000. The auditor's also expressed satisfaction that there were no matters which they were required to report by exception.

Key messages:

- Financial Sustainability While noting that the following two years would be "extremely challenging" for the College, an improving position was noted with regard to the forecast underlying operating position, with a further reduced deficit in 2021/22 and a small surplus forecast for 2022/23.
- Financial Management- The Report highlighted the adjusted underlying operating deficit of £0.36m for the year. The report highlighted the need to better integrate the finance function with other College departments, and align its activities more clearly with the College's strategic objectives.
- Governance and Transparency- The report acknowledged that "Governance arrangements at the College were found to be satisfactory and appropriate, including throughout the COVID-19 pandemic to date. Effective arrangements are in place regarding financial control, prevention and detection of fraud and irregularity, and standards of conduct."
- Value for Money- "The College has appropriate performance management processes in place that support the achievement of value for money."

The Report makes references to the Covid-19 pandemic, recognising that: "The current pandemic presents a number of unprecedented challenges to the operation, financial management, and governance of an organisation. Systems and processes have been amended to support remote working; governance arrangements and decision making has moved to a virtual environment and many organisations are forecasting large operating deficits due to loss of income and additional cost pressures."

(EA Annual Audit Report 2019-20; p13)

The report further noted that: “The scale of the financial challenge for the College and the further education section over the next two financial years is unprecedented.”

(EA Annual Audit Report 2019-20; 73, p25)

Following the identification of fraud by the College in 2018/19, the external auditors undertook effectiveness reviews of both the Finance and IT function. These reports were presented to the Audit and Assurance Committee, and to the Board of Management, in September and November 2020 respectively. While noting good practice in many areas, a series of recommendations for improvement were presented in these reports, and agreed by the AAC and Board in the form of service improvement action plans for each area.

Referencing the Audit Committee Handbook, the 2018/19 EA report highlighted recommended actions thus:

- Refresh their Terms of Reference to comply with the changes outlined in the new Handbook.
- Develop an assurance framework and consider whether there are gaps or duplication in the assurance that they are receiving.
- Consider training audit committee members on the new assurance framework and other changes to the Handbook

The 2019/20 report noted that these recommendations had now been completed.

No recommendations were indicated in the 2019/20 External Auditors' Report.

Other Audit and Assurance Committee Activities

In addition to the work of the Internal and External Auditors, the Committee considered a range of other matters including:

- Review of the Finance and IT Functions
As noted above, following the discovery by College staff of a potential fraud during 2019, a number of recommendations on the appropriateness of the financial control environment and the effectiveness of controls over key IT processes were raised. As a result, the Principal had commissioned separate independent External Audit reviews of both the finance function and IT effectiveness. The main findings, including areas of good practice and key areas for improvement with recommendations were submitted for review, and action plans agreed. Updates to these action plans were provided to the Committee at each meeting, with the implementation status for each action reported.
- Assurance Framework
The new Assurance Framework includes a grid mapping all College assurances within the Three Lines of Defence Model with the College's Strategic Themes and Priorities, and mapped against the College's strategic risks. This provides a coherent and complete reference point for the Committee to assess assurance strengths and areas for further development. The Committee noted the completion of the Assurance Framework, and it was agreed to review the Framework twice yearly.

- Freedom of Information

The Committee received an update report on the nature and volume of requests received in relation to the Freedom of Information (Scotland) Act 2000 (FOISA) and the Environmental information (Scotland) Regulations 2004 (EIRs). It was noted that while the number of requests had fallen since a peak in 2017-18, this does not necessarily reflect the demands placed upon the College, as some requests are complex and the preparation of responses time-consuming. There has been a steady improvement in the College's response rates in relation to the 20-day timescale, from 90% in 2016-17, to 96% in 2019-20.

- Data Protection

The Committee reviewed an update on progress and achievements in relation to the College's Data Protection arrangements. Following the withdrawal of the College's agreement with HEFESTIS for the provision of a Data Protection Officer, a new DPO service has been entered into with the Director of Data Services at Thornton's Solicitors. A full action plan was progressed and it was reported to the Committee that, as of May 2021, there were no "red" risks. Mandatory Data Protection training had been undertaken by ELT/SMT.

- Internal Audit and External Audit Contracts

The College's Internal Audit contract was due to expire in September 2021, and a full competitive tender process was progressed via the APUC Framework. Two Committee members, including the Convener, were involved in the process.

The Committee was also advised that advised that the retender process for External Audit (EA) would be undertaken by Audit Scotland during the 2021 summer period with the appointment made and in place for session 2021-22.

- Risk Management

The College's Risk Register and Risk Management Actions Plans for key risks, and highest scoring risks, were reviewed at each meeting of the Committee. All risks have been updated as required in the context of the Covid-19 pandemic, with commensurate increases to Risk scores in some areas, given the varied impacts involved. Overall the average risk score increased from the outset of the pandemic, and has gradually diminished through 2020-21 as the consequences have been managed.

A full review of Risk Management through 2020-21 is provided below.

- Annual Report 2019-20

The Committee reviewed the draft annual report for 2019-20, noting that while whilst the statements record a deficit of over £4.7m, due to the impacts of the pandemic, the full financial statements showed an underlying operating deficit of £0.36m, in the context of an improving position.

Risk Management

The College Risk Management strategy is embodied in the following Documents:

- Risk Management Policy
- Risk Management Procedure
- Risk Management Guidance
- Risk Register
- Risk Management Action Plans (currently numbering 23 at July 2021)

The College Risk Management Policy outlines its approach to risk management and internal control, and the roles of the Board of Management and senior management, while the Risk Management Procedure outlines how this is delivered.

The Committee received an internal Audit of Risk Management in 2020 which noted that a robust risk management framework was in place, and provided an assurance level of “Good”.

The concept of Risk Tolerance has been introduced to all Risk Management documents, and explained in detail within the Risk Management Guidance. This reflects the Board’s agreement to an adjusted position with regard to risk, accepting a less risk-averse position in some areas. The Risk Policy and Procedure has been revised to reflect this adjustment, recognizing that in certain defined areas, the College’s Risk Tolerance is greater than in others, with commensurate adjustment of risk appetite in respect of some developments where there may be a strong likelihood of tangible benefit to the College and its stakeholders.

The most recent new strategic risks were previously added to the College Risk Register in 2019-20 reflecting revised strategic direction-setting by the Board, and the changing operating environment:

- Risk 26: “Failure to achieve taught degree awarding powers”
- Risk 27: “Failure to manage acute threats relating to the coronavirus outbreak”.

These additions brought the total of Strategic (Level 1) Risks on the College risk register to 23, which were highlighted and discussed by the Committee, via the individual Risk Management Action Plans. Risk scores were adjusted throughout the session, and as a consequence of various considerations, principally and most recently, the coronavirus outbreak, several risks were (at November 2020) given the highest risk rating of RED, with several also given the highest possible score. Risks which were given a RED rating in the course of the session were (with key influencing factors):

- Risk 1: Failure to support successful student outcomes (Coronavirus impact)
- Risk 6: Negative impact upon College reputation (Fraud investigation)
- Risk 7: Failure to achieve improved business development performance with stakeholders (Coronavirus impact)
- Risk 15: Failure to achieve operating surplus via control of costs and achievement of income targets. (Coronavirus impact)
- Risk 16: Failure to maximise income via diversification. (Coronavirus impact).
- Risk 24: Failure of compliance with the GDPR regulations (DPO position)

- Risk 27: Failure to manage acute threats relating to the coronavirus outbreak (various)

As the risk management actions have taken effect over the course of the session, many risk scores have been reduced. Among those which remain red, many have reduced risk scores within the “red” range. This is reflected in the following average risk score analysis:

- Average Risk Score at June 2021 = 10.7
- Average Risk Score at December 2020 = 11.3

The table below summarises the key Strategic Risks which the College managed, and which the Audit Committee monitored throughout 2020-21 (as approved by the Board of Management - June 2020):

Strategic Theme	Risk Name	RAG Status
Students	1. Failure to support student success	R
	2. Failure to establish optimal pedagogical model	G
	3. Failure to achieve good student outcome/progression levels	A
	21. Failure of the College's Duty of Care to Students	A
Growth and Development	4. Failure to realise planned benefits of Regionalisation	A
	6. Negative impact upon College reputation	A
	7. Failure to achieve improved business development performance with stakeholders	R
	8. Failure to achieve improved performance	A
	9. Failure to attract, engage, and retain suitable staff	G
	26. Failure to achieve taught degree awarding powers	A
Processes and Performance	10. Negative impact of statutory compliance failure	A
	24. Failure of Compliance with the General Data Protection Regulations (GDPR)	A
	11. Failure of Corporate Governance	G
	12. Failure of Business Continuity	A
	25. Failure of IT system security	A
	13. Failure to manage performance	G
	14. Negative impact of Industrial Action	A
Finance	15. Failure to achieve operating surplus via control of costs and achievement of income targets.	R
	16. Failure to maximise income via diversification	R
	20. Failure to obtain funds from College Foundation	G
	22. Negative impact of Brexit	A
	23. Failure to agree a sustainable model and level of grant funding within Glasgow Region	A
All	27. Failure to manage acute threats relating to coronavirus outbreak	A

At June 2021; BoM.

Closed Sessions

In 2017-18 the Committee agreed that any agenda items may be raised in closed session with the auditors and Committee members only present, supported by the College Secretary, and that this be retained as a standing item for each meeting, to be taken at the conclusion of the agenda. This practice continued in 2020-21, although the Committee held no closed sessions in this period.

Administrative Matters

Membership of the Committee totalled 5 members in 2020-21, reducing to 4 following the retirement of one member in March 2021. Committee attendance since 2014-15 has been as follows:

Audit Committee Attendance				
Year	No. of Meetings	Total Possible Attendances*	Total Actual Attendances	Percentage Attendance
2014-15	4	20	11	55%
2015-16	4	24	12	50%
2016-17	4	23	14	61%
2017-18	4	21	14	67%
2018-19	5	19	12	63%
2019-20	4	20	17	85%
2020-21	4	19	15	79%

Membership of the Committee was largely unchanged from 2019-20, with the Convenership also unchanged. One member left the Committee due to retirement from the Board in March 2021, leaving the Committee with a membership of four to June 2021. Note that if the retired member's non-attendances are excluded, the attendance for the year is 15/16 = **94%**.

*Possible attendances are a function of meetings and Committee membership at the time of meeting.

APPENDIX 1: COMMITTEE TERMS OF REFERENCE (Approved June 2021)

1. To review the processes for ensuring the effectiveness of the financial, and other internal control and governance systems of the College.
2. To advise the Board on the criteria for the selection and appointment of the internal auditor, and to select and recommend the appointment of the provider of an internal audit service.
3. To review the scope and effectiveness of internal audit's work including planning and operation of the work and the internal audit annual report, and to hold an annual closed meeting.
4. To ensure that the College has systems and procedures to promote economy, efficiency and effectiveness, including where appropriate the identification of specific value for money studies.
5. To advise the Board of the process for the appointment of the external auditor, who is currently appointed by the Auditor General for Scotland, for his/her remuneration.
6. To agree the scope of the external auditor's work and determine any non-audit services to be provided.
7. To consider the College's annual financial statements after review by the Finance Committee and prior to submission to the Board focusing in particular on any changes in accounting policy, major judgemental areas, significant audit adjustments, the going concern assumption and compliance with accounting standards and the Scottish Funding Council's Financial Memorandum.
8. To review the external auditor's Management Letter and management's response, and having direct access to the external auditor, including an annual closed meeting.
9. The committee may sit privately without any non-members present for all or part of a meeting if they so decide.
10. To review relevant reports from the Scottish Government, Auditor General for Scotland, Scottish Funding Council and other organisations.
11. To monitor the performance and effectiveness of external and internal audit.
12. To monitor and review the College's Strategic Risks and Risk Management Strategy, and review Risk Management Action Plans as appropriate, to ensure that the College's approach to managing the risks is appropriate and adequate.

13. To maintain oversight of whistleblowing, anti-fraud, anti-money-laundering, and anti-bribery policies
14. To maintain oversight of the management of Data Protection (including GDPR).
15. To ensure that all significant losses, including those in excess of the delegated limits set out in Financial Memorandum, have been properly investigated, and that the internal and external auditors and the Scottish Funding Council have been fully informed of all such losses.
16. To ensure the committee operates in compliance with the terms of the Scottish Public Finance Manual and the Glasgow Colleges' Regional Board Financial Memorandum.
17. The Committee will advise the Board and Accountable Officer on the strategic processes for risk, control and governance and the governance statement; the adequacy of management response to issues identified by audit activity; the effectiveness of the internal control environment; and assurances relating to the corporate governance requirements for the organisation.
18. To enable effective analysis of such assurance, the Committee will regularly review an Assurance Framework for the College, following Scottish Government and HM Treasury Guidance.
19. The Committee will report annually to the full Board of Management.
20. Undertake a self-evaluation exercise annually to ensure that the Audit Committee complies with best practice in relation to governance and that the internal and external audit service is satisfactory.

Approved June 2021; Board of Management

BOARD OF MANAGEMENT MEETING

Date of Meeting	15 th December 2021
Paper Title	Annual Report from Audit Committee to the Board of Management
Agenda Item	21.74
Paper Number	21.74A1, 21.74A2, 21.74A3
Responsible Officer	D Watt, Chair of the Audit Committee
Status	Disclosable
Action	For Noting

1 REPORT PURPOSE

This report provides the annual report from the Audit Committee to the Board of Management which is part of the financial year end process. A copy of the Report will be sent to the Scottish Funding Council along with the final financial statements.

2. ACTION FOR THE BOARD

The Board of Management are asked to Note the Annual Report from the Audit Committee for submission with the financial statements for the year ending 31 July 2021.

3. BRIEF BACKGROUND INFORMATION

3.1 The Audit Committee has to report annually to the Board of Management, prior to the Board approving the College Financial Statements, to inform the Board of Management of the adequacy and effectiveness of the College's internal financial and management systems controls, and the arrangements for securing economy, efficiency and effectiveness. The Report from the Audit Committee to the Board of Management is attached. Along with the annual report of the Committee the Assurance Framework Summary for all the College Committees' work during the year and the College Assurance Mapping are also attached.

3.2 The report summarises the business covered by the Audit Committee during the period of 1 August 2020 up until 24 November 2021, which was the final Committee prior to the financial statements being approved by the Board of Management.

4. RISKS

There are no specific risk implications in this paper.

5. ANY OTHER SIGNIFICANT IMPACT e.g. STUDENT EXPERIENCE/ LEGAL / FINANCIAL/ EQUALITY& DIVERSITY

It is a requirement of the Financial Memorandum that the Audit Committee provide an annual report to the governing body of the College.

BOARD OF MANAGEMENT

ANNUAL REPORT FROM THE AUDIT COMMITTEE TO THE BOARD OF MANAGEMENT

A Administrative Matters

The Audit Committee of Glasgow Clyde College met six times during the period from the start of the 2020/21 financial year up to the date of signing of the 2020/21 financial statements with meetings held in September and November 2020, and March, May, September and November of 2021.

B Remit and Membership of Committee

The remit of the Audit Committee, as approved by the Board of Management, is attached to this report. One of the points in the remit is reviewing the College's compliance with the Code of Good Governance for Scotland's Colleges and advising the Board of Management on this. As part of the remit, it states that the Committee shall satisfy itself that other Board committees provide assurance to the Board, as appropriate, on their governance related activities. There is an assurance framework which shows the reports for each Committee during the 2020/21 year against their remits to provide this assurance which is attached.

The membership of the Audit Committee for the period 1 August 2020 to the date of signing of the financial statements was as follows:

David Watt, Chair
Michael Payne
Keith Rosser (to January 2021)
Margaret Swiderska (from January 2021)
Clare Walker
Kacper Kacica (to June 2021)
Amie Watson (from August 2021)

C Internal Audit

The internal audit service for Glasgow Clyde College during the financial period 2020/21 was provided by Henderson Loggie. They were appointed for a period of three years from 2017/18 following a tendering process and was extended for twelve months to the end of 2020/21.

A tender for internal audit services for the period 2021/22 to 2023/24 was undertaken jointly between Glasgow Clyde College, City of Glasgow College and GCRB and the successful tenderer was Henderson Loggie. This three year appointment has the option to be extended to a five year contract.

BOARD OF MANAGEMENT

For the financial period 1 August 2020 to 31 July 2021 there were six internal audit reports completed on agreed areas which were reports on the following areas:

- Fraud and Bribery Prevention, Detection and Response;
- Student Support;
- Payroll;
- Digital Strategy;
- Delivery of Efficiency Savings Plan; and
- Risk management

In addition to the above the internal auditor prepared the annual plan for 2020/21 as this was an extension to the previous appointment and undertook the following annual reviews :-

- Follow Up Review report to review the progress on implementation of prior recommendations
- SFC Credits Audit
- Bursary, Childcare and Hardship funds Audit
- Education Maintenance Allowance Audit

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 the Audit Committee on an ongoing basis to ensure all recommendations are fully implemented.

The Internal Audit Annual Report for 2020/21 was considered by the Audit Committee at its meeting in November 2021. Within the annual report, Henderson Loggie's opinion was that the College has adequate and effective arrangements for risk management, control and governance and that proper arrangements are in place to promote and secure value for money. Their opinion has been arrived at taking into consideration the work they undertook during 2020/21 and the previous years since initial appointment.

D External Audit

The external auditors of Glasgow Clyde College are Azets (formerly Scott Moncrieff) who were appointed by Audit Scotland for a five-year period from 2016/17 to 2020/21.

BOARD OF MANAGEMENT

Azets outlined the scope of their audit in their external audit plan for the financial period ending 31 July 2021, which they presented to the Audit Committee at its meeting in May. The key elements in the wider scope of their audit work were summarised as a review of financial sustainability, financial management, governance and transparency, and value for money.

Following the conclusion of their external audit of the financial statements for 2020/21, Azets produced an External Audit Management Report to those charged with Governance (which is stated in that report as the Audit Committee) 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 Azets covered the following areas:

- i) Key Messages;
- ii) Introduction;
- iii) Financial Statements Audit;
- iv) Financial Sustainability;
- v) Financial Management;
- vi) Governance and Transparency; and
- vii) Value for Money.

In addition, the external audit report includes two Appendices with one covering the Respective Responsibilities of the College and the Auditor, and the second on adjusted and unadjusted differences identified during the audit.

The relevant sections of the report and the detailed recommendations and management responses contained in the external audit report for the financial period 2020/21 were reviewed by the Audit Committee at its November meeting.

Their key findings are included in the financial statements audit section of this report and there was one area of risk highlighted in the report from Azets which is that COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. The report indicates that there are still a number of uncertainties in relation to COVID, student numbers and other sector wide issues which continue to increase financial risk and uncertainty. This has been discussed within the period of the audit and there has been a significant amount of activity on this during the year both in terms of College Senior Management and in reporting through Committees and the Board of Management and in the development of the three year financial plan for the College for 2021/22 to 2023/24.

BOARD OF MANAGEMENT

In their management letter for the period ended 31 July 2021 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 2021 and on the regularity of transactions.

Azets' overall conclusion from their external audit and as included within their independent auditor's report in the financial statements are:

- an unqualified opinion on the financial statements;
- an unqualified opinion on the regularity of transactions; and
- an unqualified opinion on other prescribed matters.

The report also states that they are satisfied that there are no matters which they are required to report by exception.

Azets also indicated that they received draft financial statements and supporting papers in line with their agreed audit timetable and stated that their thanks go to all staff for their assistance throughout the audit.

There has been discussion with the external auditor on the long-term financial sustainability of the College, which is based on the Financial Forecast Return (FFR) and the College's three year financial forecast. It was emphasised that this has been discussed extensively during the year and the Board have considered the College's financial plans in detail. These have included a combination of cost reductions in staff costs and non-staff costs as well as Financial Sustainability funding in 2020/21 and 2021/22 from the Glasgow Clyde Education Foundation.

The Financial Plan will be closely monitored by the College Senior Leadership Team and the quarterly monitoring of the management accounts will provide the updated position against plan to the College Finance and Resources Committee.

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 receives updates on Glasgow Clyde College's risk management processes. The College has in place a Risk Management Policy as approved by the Board and the aim of the policy is to ensure that the College's system of internal control is effective in managing risks. The Senior Leadership Team (the designated risk management group) supports, advises on, and implements this Risk Management Policy of the Board of Management.

BOARD OF MANAGEMENT

The College has an on-going process to develop and embed the system of internal control, including financial, organisational and governance risk management which is designed to protect the College's operations, assets and reputation and assure the Board of Management that the College's risk areas are being effectively managed. For the financial period 2020/21 the College continued its risk management process with the College's Strategic Risk Register being reviewed at each Audit Committee meeting and reviewed quarterly at the full Board of Management meeting.

Based on the College's on-going activity and planned developments, the Senior Leadership Team reviews and updates the College's Strategic Risk Register on a regular basis. The College Strategic Risk Register as at the date of the signing of the financial statements has fourteen key risks identified and each risk is ranked based on assessment of impact and probability. Each risk is owned by a member of the Senior Leadership Team who identifies mitigating actions against each risk which are in place to manage these risks. Of the fourteen risks at the time of signing the financial statements, four are financial, seven are organisational, and three are governance related risks.

The Board of Management sets the College Risk Appetite across key risk activity areas and the appetite overall has been assessed as open where open is defined as being willing as an organisation to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward

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.

An external review of the Board's effectiveness was completed during 2020/21 as required by The Code of Good Governance for Scotland's Colleges, which indicates that the Board needs to undergo an externally facilitated evaluation of its effectiveness at least every three years. The external review was completed over the course of the period from November 2020 to March 2021 which concluded that the College meets its obligations under the Code of Good Governance for Scotland's Colleges and, in a number of areas, demonstrates high standards of governance.

An internal audit review was completed by Henderson Loggie on Corporate Governance in July 2017, which was a detailed desktop review against all the principles and provisions within the Code of Good Governance for Scotland's Colleges. Henderson Loggie concluded that there was satisfactory assurance in this area.

F Value for Money

BOARD OF MANAGEMENT

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 appointed 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 Audit Committee received a report on key accounting judgements at its November meeting which included consideration of the College as a going concern.

H Conclusion

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 2020/21.

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

The Committee is committed to best practice in Corporate Governance and to complying with the Code of Good Governance for Scotland's Colleges for which all material aspects are being complied.

BOARD OF MANAGEMENT

REMIT OF THE AUDIT COMMITTEE

The Committee shall satisfy itself and provide assurances to the Board on the following:

- (1) the adequacy and effectiveness of the Glasgow Clyde college's systems of internal control in relation to its financial and management systems;
- (2) the comprehensiveness, reliability and integrity of assurances including the body's governance and risk management framework; and
- (3) the adequacy of the College's external financial reporting requirements.

The Audit Committee shall fulfill its remit through, inter alia, the following actions:-

SYSTEMS OF INTERNAL CONTROL

Reviewing, and advising the Board of Management, of the Internal Auditor's and External Auditor's assessment of the adequacy and effectiveness of the College's internal financial controls and internal control and risk management systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness and value for money.

Reviewing and advising the Board of Management on its compliance with corporate governance requirements including risk management practices and best practice guidance and compliance with the requirements of the Scottish Funding Council and the Financial Memorandum with the Glasgow Colleges Regional Board.

INTERNAL AUDIT

Advising the Board of Management on the selection, appointment or re-appointment and remuneration, or removal of the contracted out Internal Audit Service (IAS) provider.

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

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

Considering salient issues arising from internal audit reports and management's responses and report to the Board on such matters.

BOARD OF MANAGEMENT

Informing the Board of Management of the Audit Committee's approval of the internal audit service's annual report.

Ensuring establishment of appropriate performance measures and indicators to monitor the effectiveness of the IAS.

Securing and monitoring appropriate liaison and co-ordination between internal and external auditors.

Ensuring good communication between the Committee and the Lead of IAS.

Responding appropriately to notification of fraud or other improprieties received from the Lead of IAS or other persons. This will include use of the College Fraud Response Plan.

GOVERNANCE AND RISK MANAGEMENT

VALUE FOR MONEY

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 protocols and reporting to the Board of Management on such matters.

Ensuring there are appropriate processes in place in the College to deliver value for money.

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.

RISK MANAGEMENT

Reviewing the College's risk management arrangements and Risk Management Policy on an annual basis.

Reviewing the College Strategic Risk Register at least twice per year or as requested by the Chair of the Committee to ensure that the College's approach to managing risk is appropriate.

The Board of Management is responsible for the review and effectiveness of the College risk management arrangements and should form its own opinion despite these delegations to the Committee.

Reviewing the College's compliance with the Code of Good Governance for Scotland's Colleges and advising the Board of Management on this. As part of this, the Committee shall satisfy itself that other Board committees provide assurance to the Board, as appropriate, on their governance related activities.

BOARD OF MANAGEMENT

Producing an annual report for the Board of Management on compliance with the Code of Good Governance for Scotland's Colleges.

FINANCIAL REPORTING

EXTERNAL AUDIT

(The College's external auditors shall be appointed by Audit Scotland)

Reviewing the External Audit Annual Plan.

To consider the fee parameters within the external audit plan.

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

Reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations.

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.

Reviewing the statement of Corporate Governance.

Holding discussions with the external auditors and ensuring their attendance at Audit Committee and Board of Management meetings as required.

Considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken by the external auditor and advising the Board of Management of any potential conflict of interest.

Securing and monitoring appropriate liaison and co-ordination between external and internal audit.

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 to these.

Reviewing reported cases of impropriety to establish whether they have been appropriately handled.

Acting in accordance with the whistle blowing policy.

Undertaking a regular self-evaluation of the Committee.

Meeting in private with the internal and external auditors at least once annually.

Liaising as appropriate with the Finance and Resources Committee.

BOARD OF MANAGEMENT

MEMBERSHIP

The membership of the Committee is no more than 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 co-option. A staff member of the Board can be a member of the Audit Committee provided 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, Vice Principal Resources and College Development and the Assistant Principal Finance and Infrastructure attend the Committee as advisors. The Committee meets at least four times per year.

QUORUM

The quorum set by the Committee is three members.

REMIT VERSION REVIEWED AND APPROVED SEPTEMBER 2021

GLASGOW KELVIN COLLEGE
BOARD OF MANAGEMENT – 13 DECEMBER 2021
ANNUAL AUDIT REPORT – FINANCIAL YEAR 2020/21
CONFIDENTIAL
REPORT BY CHAIR OF AUDIT & RISK COMMITTEE

1 Introduction

This report seeks to provide the Board of Management with an overview of the work of its Audit & Risk Committee during the academic/financial year 2020/21.

It also seeks to ensure that the Board complies with guidance in this respect issued to the Further Education Sector by the Scottish Funding Council (SFC) in the Financial Memorandum. The SFC requires Glasgow Kelvin College to submit this report and its appendices by 31 December 2021, to GCRB and the SFC.

Members will be aware that this report is required to remain confidential until such time as the Auditor General for Scotland permits publication of the Report and Accounts for the 12 months ended 31 July 2021. It is anticipated that such permission is likely to be given in Spring 2022.

2 Annual Audit Report 2020/21 – Discussion Protocols

This report has been prepared to provide the Board of Management with assurance relating to the operation of the Audit & Risk Committee and to comply with the Audit guidance issued by the SFC. It was considered by the Audit and Risk Committee at its meeting on 30 November prior to presenting to the Board.

In order to comply with the College commitment to transparency and good governance, the Report and its appendices will be placed in the Public Domain once the Auditor General authorises publication of the College Accounts.

This comprehensive report covers the following:

- 3 - Provision of Finance -related Audit Services
- 4 - Remit, Meetings and Composition of the Audit & Risk Committee
- 5 - Internal Audit Reports
- 6 - Student Activity Audit and Student Funds Audit
- 7 - External Audit – Annual Audit Report
- 8 - Financial Sustainability
- 9 - Cyber Security
- 10 - Governance
- 11 - Best Value, Public Value and Value for Money
- 12 - Risk Management
- 13 - Engagement with GCRB

- 14 - Audit and Risk Committee – Other Matters
- 15 - Self Evaluation
- 16 - Audit Committee Opinion
- 17 - Acknowledgements

3 Provision of Finance-related Audit Services

During session 2020/21 independent audit services were provided by:

- Internal Auditors: Henderson Loggie (David Archibald, Head of Public Sector and Internal Audit Services); and
- External Auditors: Azets (formerly Scott-Moncrieff) (Gary Devlin, Partner).

Members should note that Henderson Loggie were re-appointed following a competitive tender exercise which took place during 2019. The charge for Internal Audit Services in session 2020/21, excluding Value Added Tax, was £18k.

This covered the audit programme approved in the Audit Needs Assessment and audit plan, the Student Activity and Support Funds (including Educational Maintenance Allowance awards) in respect of academic session 2020/21.

Given that the COVID-19 pandemic resulted in significant disruption for public bodies and their capacity for financial reporting, the Auditor General for Scotland and the Accounts Commission for Scotland extended the current audit appointments by one year in the first instance which was in line with provisions in the current contracts that allow for extensions of up to two years. These appointments were for the audit of public bodies for the financial years of 2016/17 to 2020/21 inclusive. The extension therefore would be through to the audit of the 2021/22 year.

The External Audit requirements have been discharged by Azets, appointed by the Auditor General for a five-year term from 1 August 2016 with the one-year aforementioned extension. The external audit fee, excluding Value Added Tax, was £39k.

Members of the Audit and Risk Committee have also met, in private, with the Internal and External Auditors following the meeting on 23 March 2021. This ensures that the Committee have direct access to the auditors (and vice-versa) without members of the management team being present.

4 Remit, Meetings and Composition of the Audit & Risk Committee

The Audit & Risk Committee is required to meet a minimum of four times per year. The Committee remit, as it was during the year, is attached as **Appendix 1** to this report. The remit of the Committee was reviewed in November 2019 and changes were approved by the Board of Management in March 2020.

The Committee was chaired by John Hogg throughout the reporting period. Fiona Taylor, Anne McTaggart, Deborah Thomson, Michael O'Donnell, Dr Elaine Clafferty, Gerry Lyons and Eileen O'Neil all served on this Committee during the year.

The Committee is satisfied that it has members with extensive experience in Finance and Accounting, Risk Management and therefore meets the requirements of the Code of Good Governance in this regard.

The table below provides the dates of meetings of the Committee and attendance:

	08-Sep	26-Nov	23-Mar	15-Jun
Derek Smeall	✓	✓	✓	x
Fiona Taylor	✓	✓	✓	✓
Anne McTaggart	x	x	✓	✓
Deborah Thomson	✓	✓	✓	x
John Hogg	✓	✓	✓	✓
Eileen O'Neill (Co-opted)	✓	x	✓	✓
Dr Elaine Clafferty	✓	✓	✓	✓
Gerry Lyons	✓	✓	✓	x
Michael O'Donnell	✓	✓	✓	✓

It should be noted that neither the Chair of the Board nor the College Principal are members of the Audit & Risk Committee, although the Principal attends and this is noted in the table above for completeness. Additionally, there is no cross-over of membership between the Audit & Risk Committee and the Finance & Resources Committee. The Principal and other College staff attend the Committee at the invitation of the Chair. The Internal and External auditors are also invited to each meeting of the Committee.

Any declarations of interest are noted and both the Internal and External auditors declare an interest in respect of their roles with the Glasgow Colleges' Regional Board (GCRB) who provide funding to the College.

The minutes of the Audit & Risk Committee meetings are routinely made available to the Board of Management for information and are included as a standing item on the Board agenda to ensure the Chair of the Audit & Risk Committee has a formal opportunity to advise the full Board of any Audit or Risk issues timeously. Additionally, a summary report of each meeting has been provided to GCRB for their review. The agenda, papers and minutes of meetings are also available on the College web-site.

In compliance with the Board's Risk Management Procedures the Committee reviews the Risk Register and Risk Appetite Statement in detail at every meeting.

5 Internal Audit Reports

The initial Audit Needs Assessment and audit plan for the year was agreed by the Audit & Risk Committee in September 2018 and was then approved by the full Board of Management. The Audit Plan is summarised in the annual audit report which is attached as separate Agenda item. Its scope was agreed to be sufficient for the purposes of the External Auditors. The Henderson Loggie report summarises the work carried out by them during the year and the number of recommendations made in respect of each audit task. It also provides the overall audit conclusion in respect of each area reviewed:

Review Area 2020/21	Conclusion / Grade
Sickness Absence	Satisfactory
Cash & Bank and Treasury Management	Good
Externally Facilitated Effectiveness Review (EFER)	N/A – Positive Report Deferred from 2019/20
IT Network Arrangements	Good
Procurement and Creditors / Purchasing	Satisfactory
Credit Audit (Student Activity)	N/A Final Report Received 18 November 2021 Henderson Loggie Conclusion: <ul style="list-style-type: none"> • the student data returns have been compiled in accordance with all relevant guidance; • adequate procedures are in place to ensure the accurate collection and recording of the data; and • on the basis of our testing we can provide reasonable assurance that the FES return contains no material misstatement.
Student Support Funds – Bursary, childcare and hardship funds and EMA	N/A Final Report Received 15 November 2021 Henderson Loggie Conclusion: We were able to certify all fund statements for the year and submit these to the appropriate bodies, without reservation.

As outlined in the table above, and, due to staffing matters and then the COVID-19 pandemic, some planned audits were changed and deferred until Academic Year 2020/21.

The conclusion of the Follow-Up Review 2020/21 was reported to the Audit and Risk Committee at the meeting held on 21 September 2021. This report concluded that the College had fully implemented 14 out of 21 recommendations made in the prior year. Five were partially implemented and little or no progress had been made in relation to 2 recommendations. Revised dates agreed to finalise implementation. The Committee welcomed the progress and detailed updates provided.

The auditors completed their tasks in line with the Audit Plan, and revisions agreed during the year, and reported to the Audit Committee at each meeting.

The auditor confirmed that no significant issues which indicated major internal control issues were identified from the internal audit work completed during the year. In respect of the overall opinion, the auditor states:

“In our opinion, the College has adequate and effective arrangements for risk management, control, and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2020/21, and also the work conducted since our initial appointment.”

The Committee were pleased to note that the number of outstanding recommendations reduced during the year and good progress was made in implementing recommendations made in prior years.

Copies of all audit reports issued by the Internal Auditor are available on the website or from the College on request.

6 Student Activity Audit and Student Funds Audit

The audit of Student Activity in respect of academic year 2020/21 was completed in October 2021. The report on this is attached as a separate Agenda item. This report confirms that the College was under its activity target by around 0.5% and delivered 78,691 credits against a target of 79,093

The internal audit report is a broadly positive one which makes 1 Grade 2 recommendations for improvement. The report highlights that all 5 recommendations made last year have been fully implemented.

The report provides the Board of Management and GCRB / the SFC with assurance that in the opinion of the auditor:

- The student data returns have been compiled in accordance with all relevant guidance;
- Adequate procedures are in place to ensure the accurate collection and recording of the data; and
- On the basis of audit testing the auditor can provide reasonable assurance that the FES return contains no material mis-statement.

The Internal Auditor additionally completed the audit of Student Support Funds administered by the College and provided the required assurance to the Audit & Risk Committee, SFC and Student Awards Agency for Scotland that the funds had been administered appropriately throughout the session. Last year's recommendation regarding bursary funding was implemented and no issues were highlighted this year.

7 External Audit – Annual Audit Report

The Azets External Audit Report in respect of the accounts for the year ended 31 July 2021 attached as a separate Agenda item provides a management letter to the Board. This report summarises the financial position outlined in the accounts, confirms that the annual report is consistent with the accounts and that the accounts themselves provide a true and fair view of the financial position of the College as at 31 July 2021 (an unqualified audit opinion). The detailed review of the Annual Report and Accounts is one of the major tasks undertaken by the Committee during the year.

The report confirms that in the opinion of the External Auditor:

- the Financial Statements present a True and Fair View and there are no matters which require to be reported by exception;
- key financial systems were found to be adequate and operating effectively;
- the College has appropriate arrangements in place for financial management and the use of resources;

- the College has appropriate arrangements in place for budget setting and has developed a medium term financial strategy / Financial Forecast;
- the College has appropriate overarching governance arrangements in place; and
- the College has proper arrangements in place to promote and secure value for money.

The management letter makes two minor recommendations for improvement and adds another observation for potential action.

The External Auditor's report confirms that the auditors did not identify any significant adjustments to the unaudited annual report and accounts. Unadjusted items were deemed to be immaterial. The report also noted that the College has good administrative processes in place to prepare the annual report and accounts and the required supporting working papers.

The management letter is positive in respect of how the College has planned for, and addressed the financial challenges it was facing, with an improved position and financial stability over the next three years. However, the challenges facing the sector were highlighted and these make it difficult for the College to predict medium to long-term financial sustainability.

The management letter also provides a wider overview of the College's performance, financial position, risk management, planning and governance arrangements. The Committee is particularly pleased that the auditor reports positively in respect of all of these areas which were part of the external audit review.

8 Financial Sustainability

While the College accounts are reporting an operating surplus for the year, the challenge in relation to longer term financial sustainability has been regularly reported to the Audit Committee and the Board of Management. The main reports being the College Budget which was approved by the Board in June for three years and the Financial Forecast Return (FFR) Report. The assumptions used in compiling these figures were considered as part of the annual audit process.

The implementation of the College's Transformation and Renewal Plan, in particular the impact of the savings from the Voluntary Severance programme, have had the significant impact on the College's financial forecasts which were predicted. Nevertheless, the Committee is well aware of the ongoing challenges facing the College as it seeks to recover from the impact of the pandemic, fund pay increases and manage other inflationary pressure from efficiency savings.

The College is aware that the challenge of medium to long term financial sustainability are consistent with the financial difficulties being experienced throughout the FE sector in Scotland, as reported repeatedly by Audit Scotland. The shortened FFR and its narrative were considered in detail by the full Board of Management in August, with the full FFR considered in October.

The Audit and Risk Committee is satisfied that the Risk Register fairly reflects the current risks in respect of financial sustainability and that it has been appropriately reported to the Board and its Auditors.

9 Cyber Security

Cyber threats remain one of the most significant risks to the College and the sector.

As a result of this and the complete change of working and Learning & Teaching practices during 2019/20, significant improvements were made to the College's systems and security last year, which have continued during 2020/21.

The Director of Digital Services presented a comprehensive update paper to the Audit and Risk Committee on Cyber Resilience in March 2021 covering:

- Threat Outlook
- Operational Updates
 - External email management
 - Endpoint Detection & Response
- Training and development
 - End-user awareness training
 - 4.2 Cyber Security MSc
 - 4.3 Incident Response Exercises
- Future Plans
 - ICT Audit
 - Multi-Factor Authentication
 - Central Logging

In addition to this an Internal Audit of IT Network Arrangements/Security was concluded in June 2021. This was an extremely positive report, rated as overall Good, with only one Level 3 recommendation.

The College has again procured Cyber Security insurance to mitigate against this key risk. It is a testimony to the College's systems and documentation that it has been successful in being able to obtain this cover at all, let alone without a significant increase in costs.

The shared CISO membership continued and provided substantial value surrounding Cyber Resilience governance. The College also completed the Cyber Essentials Plus assessment in October 2020 and has continued to work through the Scottish Government's Cyber Resilience Framework self-assessment tool.

The link between GDPR, data security and Cyber Security is also well understood and approaches to these are consistent and with assurance provided by the Internal Auditors (in respect of GDPR) and by the College membership of the INFOSEC shared service and formal accreditation received.

It is, however, recognised that Cyber Security continues to remain a high-level threat to the College and all other public and private sector organisations despite actions taken to mitigate the likelihood and impact of a cyber-attack. This is reflected in the College's Risk Register and will continue to be closely monitored and managed.

10 Governance

The Audit and Risk Committee acted as a vehicle for the monitoring of progress in respect of the Governance Action Plan.

Again, the Committee is content that this plan progressed well during the year and that reporting by management and the Clerk to the Board was comprehensive and appropriate.

In addition to the annual meeting schedule, a number of Executive Committee meetings were held during the year, primarily to deal with the SFC review of Further and Higher Education, Voluntary Severance and financial forecasting. The date and primary content of these meetings is noted below:

Meeting Date	Main Agenda Items
6 August 2020	Review of Coherent Provision and Sustainability in Further and Higher Education
18 August 2020	College Budget 2020/21 - Modelling Summary
28 October 2020	<ul style="list-style-type: none"> • Long Term Budget • Coherence and Sustainability: A review of Scotland's Colleges and Universities Phase One Report: Insights to Develop Further
16 November 2020	<ul style="list-style-type: none"> • Q1, Forecast & Associated ALF Submission, AY 2020-23 • Voluntary Severance Scheme
16 December 2020	Glasgow Kelvin College Response to GCRB Call for Evidence: Regional Review of Glasgow's College Sector
17 February 2021	Final Voluntary Severance compensation package offered to staff
5 July 2021	<ul style="list-style-type: none"> • Consideration of Unison's feedback on the Support Staff VS Consultation Process • Unison Branch Response – Kelvin V.S and Restructure Proposals • Projected Year End Outturn and Funding from the Arm's Length Foundation

11 Best Value, Public Value and Value-for-Money

The Board is cognisant of its responsibilities to ensure Best Value in the discharge of its Duties within the terms of the Financial Memorandum between it and the GCRB/SFC. Again, based on the reports it has received and the opinion of the internal and external auditors the Committee is satisfied that the College is seeking to deliver value for money and Best Value and has appropriate processes and systems in place.

12 Risk Management

The College's Risk Management process was in place throughout the year, with further improvements planned for 2021/22. The Committee remain content that Risk Management is effective and again appropriately reported within the College. Both internal and external audit paid particular attention to the Risk Register which had been re-done taking due cognisance of the COVID-19 pandemic. Both auditors were content that the approach taken by the College was similar to that taken by other colleges, ie that the College was in crisis/emergency mode both now, and for the foreseeable future, due to the COVID-19 pandemic and, as such, the focus of the College had to be on critical risks and mitigating actions.

The presence of internal and external auditors at Committee is particularly helpful in ensuring that there is on-going external review of the Risk Register to help ensure emerging issues are not missed.

The key strategic risks were carefully reviewed through the year and related to:

- COVID-19 Pandemic and the negative impact upon Finance/HR/Learning and Teaching
- Financial Management/Sustainability;
- Loss of Key Staff;
- ICT Security.

The College has a developed Assurance Framework which was first approved by the Audit and Risk Committee in November 2018. This was reviewed by the Audit and Risk members in November 2019 and approved at the December 2019 Board of Management meeting. This framework is to be reviewed bi-annually.

13 Engagement with GCRB

The Committee has engaged well with GCRB throughout the year:

- summary meeting reports are provided to GCRB as requested and feedback on these has been positive; and
- feedback on all Glasgow college Risk Registers has been considered to ensure that there are no important omissions in the Glasgow Kelvin College Risk Register.

14 Audit & Risk Committee – Other Matters

The Audit & Risk Committee continues to review a wide range of reports and documents. It reviews all Technical Bulletins issued by Audit Scotland and variety of other reports published by them. These reports ensure the Committee remains aware of finance, technical accounting and governance issues which are of relevance to all public bodies and that College management are considering these and planning appropriately for the future environmental context. It also helps ensure that emerging issues are appropriately reflected in the Risk Register.

A list of other areas reviewed by the Audit & Risk Committee in the year is provided below:

- College Insurance Cover;
- Value for Money Progress;
- Governance Action Plan;
- Regular Governance Updates & Assurance Reviews;
- Suspected Fraud Incident;
- Theft/Loss of College Assets;
- VAT Angles/Lennartz Update;
- College Accounting Policies;
- Pension Assumptions;
- Cyber Resilience Update; and
- Complaints.

In respect of wider environmental issues, the Committee has been provided with a number of other reports during the Academic Year including:

- SFC - Coherence and Sustainability- A Review of Scotland's Colleges and Universities – Phase One Report;
- Scotland's Colleges 2019 – Audit Scotland Report; and
- Home Office – Protect Duty Consultation.

15 Self Evaluation

The annual Audit & Risk Committee self evaluation took place at the end of the meeting on 15 June 2021.

The session took place on Teams and was facilitated by the Clerk to the Board. Six Audit Committee Members participated and the session was attended by the Director of Corporate Services.

Feedback from Board Members was overwhelmingly positive and provided assurance in relation to the Board's governance and decision-making arrangements. Board members expressed a high degree of satisfaction, but nonetheless, and as part of the continuous improvement and development, there were a number of areas identified which will enable further improvement. As such, these were added to the Governance Action Plan and be progressed during 2021/22.

The Committee believes that its work has contributed and added value to the oversight of the College both in terms of Board level governance arrangements and oversight of the executive management of the College. Examples include leading the approach to Risk Management, particularly in relation to the COVID-19 pandemic and the College's adherence to Scottish Government COVID-19 guidelines, progressing the Cyber/Data Security agendas and scrutinising the College response to addressing the primary Risks, ie Financial Sustainability and Cyber Security.

16 Audit Committee Opinion

Having reviewed the reports of Azets (the College External Auditor), Henderson Loggie (the College Internal Auditor) and the other work summarised in this report, the Audit & Risk Committee is content with the College's standard of:

- Financial Management;
- Management of the College's Assets; and
- Corporate Governance.

The Committee is also satisfied about the control environment which the College has established for the management of its finances and other resources. Although the financial outlook for the next three years has improved, the Committee is aware that there remain challenges for the College and the sector in the longer term. The Committee is satisfied with the actions taken to date and those planned to secure the financial sustainability of the College.

In relation to the College's Balance Sheet, while the scale of pension liabilities is also of concern, this is outwith the control of the College and does not have an immediate impact on its financial position.

17 Acknowledgements

The Committee wishes to place on record its appreciation for the work undertaken by both the College's Internal and External Auditors during the reporting period.

Members also wish to place on record similar sentiments in respect of College staff who have consistently contributed to sound record keeping and management of College resources.

The Committee also wishes to thank J Hogg for Chairing the Committee effectively and diligently throughout the year.

18 Resource Implications

There are no resource implications arising from the contents of this report which have not already been reported. Audit Fees are budgeted for within the overall College budget approved by the Board.

19 Equality Impact

No adverse impacts on people with protected characteristics have been identified as a consequence of this report.

20 Risk & Assurance

There are no new risks which have been identified as a consequence of the contents of this report. The Committee reviews the Risk Register at each meeting and is content that the Risk Register reflects the risks identified by the Auditors and by the Committee.

The Audit & Risk Committee reviewed the Assurance Framework in place at the College in detail during session 2018/19 and recognised that there were no major perceived gaps. This is a three year framework and will be revised during 2021/22.

21 Recommendations

Members of the Board of Management are recommended to:

- i) approve the Chair of the Audit & Risk Committee's Annual Report for the financial year ended 31 July 2021;
- ii) note the Audit Committee Opinion outlined in section 16 of the Report; and
- iii) note that, once authorised by the Board, the Principal will forward the Annual Audit Report (and its appendices) to the Scottish Funding Council/GCRB.

22 Further Information

Members of the Board of Management can obtain additional information in respect of the contents of this report from John Hogg, Chair Audit & Risk Committee or Jeanette Evans, Vice Principal Operations, jevans@glasgowkelvin.ac.uk.

Alternatively, they can contact David Archibald (the College's Internal Auditor for the period) of Henderson Loggie on 01382 200055 or Gary Devlin (the College's External Auditor) of Azets on 0131 473 3500.

J Hogg / J Evans
Glasgow Kelvin College
November 2021