



# **Glasgow Colleges' Regional Board**

**Annual Report to the Board and Executive Director on the Provision of Internal Audit Services for 2018/19**

**Internal Audit Report No: 2019/06**

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# 1. Annual Report and Opinion

## Introduction

- 1.1 We were re-appointed in September 2016 as internal auditors of Glasgow Colleges' Regional Board (GCRB) for the period 1 August 2016 to 31 July 2020. This report summarises the internal audit work performed during 2018/19.
- 1.2 An Audit Needs Assessment (ANA) was undertaken, based on the areas of risk that GCRB is exposed to. The ANA was prepared following discussion with the GCRB Executive Director and the Chair of the Audit Committee, and from a review of various GCRB documents. The ANA was based on GCRB's risk register supplemented by our own assessment of the risks faced by GCRB. Following on from the ANA an Annual Plan for 2018/19 was drawn-up (see internal audit report 2019/01, which was approved by the Audit Committee at its meeting on 18 December 2018).
- 1.3 In developing the Annual Plan for 2018/19, the planned coverage for 2018/19 set out in the Strategic Plan was reviewed to determine whether any changes should be made. The key changes made related to the removal of the planned four day review of Academic Quality Arrangements. These days were reallocated to a three day Corporate Governance review, to examine the progress across the Glasgow Region in progressing the recommended improvement actions arising from the Externally Facilitated Board Effectiveness Review, with the remaining day added to the proposed review of Monitoring of Achievement of Target Student Numbers and delivery of enhanced regional outcomes to allow a separate summary report on Further Education Statistics (FES) to be compiled. The internal audit work undertaken in the year followed that set out in the Annual Plan for 2018/19, with the exception of the planned review of Monitoring of Achievement of Target Student Numbers, which has been deferred into the 2019/20 Annual Plan following discussion with management.
- 1.4 The reports submitted during 2018/19 are listed in Section 2 of this report and a summary of results and conclusions from each finalised assignment is given at Section 3.
- 1.5 An analysis of time spent against budget is included at Section 4.

## Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.6 GCRB has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent, risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:
  - Confirm our independence;
  - Provide information about the year's activity and the work planned for next year in this report; and
  - Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.

### Public Sector Internal Audit Standards (PSIAS) Reporting Requirements (Continued)

1.7 Self-assessment is undertaken through:

- Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
- Ensuring compliance with best professional practice, in particular the PSIAS;
- Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
- Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
- Annual completion of a checklist to confirm our PSIAS compliance. This is undertaken annually in May.

1.8 The results of our self-assessment are that we are able to confirm that our service is independent of the College and complies with the PSIAS.

1.9 External assessment is built into our firm-wide quality assurance procedures. MHA Henderson Loggie is a member of MHA, a national association of independent accountancy firms. Continued membership of MHA is dependent on maintaining a high level of quality and adhering to accounting and auditing standards in the provision of our services. Annual quality reviews are conducted to confirm our continuing achievement of this quality. The independent MHA review conducted in March 2019 included our internal audit service. This was a comprehensive independent review of our internal audit function as required every five years by PSIAS. Overall the review confirmed that the firm's policies and procedures relating to internal audit were compliant with the PSIAS in all material respects.

### Significant Issues

1.10 There were no significant issues identifying major internal control weaknesses arising from our internal audit work during the year. In general, procedures were operating well in the areas selected.

### Opinion

1.11 In our opinion, GCRB 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 2018/19 and also in previous years.

## 2. Reports Submitted

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2019/01	Annual Plan	N/A	N/A	N/A	N/A	N/A
2019/02	Risk Management Workshop Summary	N/A	N/A	N/A	N/A	N/A
2019/03	Corporate Governance	Good	-	-	-	-
2019/05	Follow Up Reviews	N/A	All 11 of the recommendations reviewed were Fully Implemented	-	-	-

Overall gradings are defined as follows:

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

### Action Grades

Recommendation grades are defined as follows:

<b>Priority 1</b>	Issues which require the consideration of the Board or one of its committees.
<b>Priority 2</b>	Significant matters that the Executive Director can resolve.
<b>Priority 3</b>	Less significant matters, which do not require urgent attention, but which should be followed up within a reasonable timescale.



### 3. Summary of Results and Conclusions

#### 2019/01 – Annual Plan

#### Final Issued – December 2018

The purpose of this document was to present, for consideration, by the Audit Committee, the annual operating plan for the year ended 31 July 2019. The plan was based on the proposed allocation of audit days for 2018/19 set out in the Strategic Plan 2016 to 2019, although a number of changes were made to the planned activity as described in paragraph 1.3 above.

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### 2019/02 – Risk Management Workshop Summary

#### Final Issued – May 2019

The agreed scope of our work was to focus on the work which is conducted within GCRB to assess the collective risks facing the Glasgow Region and the mechanisms deployed to conduct horizon scanning activity to ensure that emerging risks and opportunities are identified and effectively planned for.

The objectives of the workshop were to challenge the extent to which the current risk framework for the Glasgow Region allows risks to be effectively identified, managed and reported on by GCRB and the Regional Colleges.

This report summarised the work conducted to plan and deliver the Risk Workshop and the outcomes from the group discussions on the day.

The consensus reached on the day was that the approach to managing the risks for the Glasgow Region was working well with no significant changes required. In particular the option of creating a suite of standard Regional Risks, which would be incorporated within assigned college risks registers, was discounted. Therefore, there were no implications arising from the workshop on the way that regional risks are dealt with at institution level.

It was agreed that the current reporting mechanisms for sharing risks at institutional level are effective and that there is no requirement for changes to be made at College level in terms of the way that risks are identified, mitigated and reported.

A view was taken by those present that responsibility for managing risk was shared between the risks facing individual entities and the collective responsibilities facing the Glasgow Region and that the current arrangements allow both types of risk to be managed effectively.

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### 2019/03 – Corporate Governance

#### Final Issued – May 2019

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

The overall objective of the audit was to obtain reasonable assurance that the Regional Board's corporate governance processes are sufficiently developed to allow the organisation to meet the requirements set out in the updated Code of Good Governance for Scotland's Colleges ('the Code').

The table opposite notes the objective for this review and records the results.

#### Strengths

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

#### Weaknesses

- There were no weaknesses identified during our review.

Objective	Findings			
	1	2	3	
<b>The main objective of the audit was to obtain reasonable assurance that:</b>	<b>No. of Agreed Actions</b>			
1. An annual self-evaluation exercise is conducted which examines the effectiveness of existing governance arrangements and identifies areas for improvement.	Good	0	0	0
2. There is a Board development plan in place, which is subject to effective monitoring to ensure that it is delivered	Good	0	0	0
3. Reporting to the Board and to the SFC is adequate to demonstrate progress and is reported in line with agreed timescales.	Good	0	0	0
<b>Overall Level of Assurance</b>	<b>Good</b>	<b>0</b>	<b>0</b>	<b>0</b>
		<b>System meets control objectives</b>		



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### 2019/05 – Follow-Up Reviews

#### Final Issued – July 2019

We carried out a follow-up review of recommendations made in Internal Audit reports issued during 2017/18. The objective of each of our follow-up reviews was to assess whether recommendations made in previous reports had been appropriately implemented and to ensure that, where little or no progress had been made towards implementation, that plans were in place to progress them.

The Board had made very good progress in implementing the recommendations followed-up as part of this review, with all 11 of the 11 actions being assessed as 'fully implemented'.

Our findings from each of the follow-up reviews has been summarised below:

Area	From Original Reports		From Follow-Up Work Performed		
	Rec. Priority	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made
Externally Facilitated Effectiveness Review	N/A	10	10	-	-
<b>Total</b>		<b>10</b>	<b>10</b>	-	-
Follow-Up Reviews: Compliance with SFC Financial Memorandum	1	-	-	-	-
	2	1	1	-	-
	3	-	-	-	-
<b>Total</b>		<b>1</b>	<b>1</b>	-	-
<b>Overall Total</b>		<b>11</b>	<b>11</b>	-	-

## 4. Time Spent – Actual v Budget

	Report number	Planned days	Actual days fee'd	Days to fee at December 2019	Days to spend / WIP	Variance
<b>Corporate Governance</b>						
Oversight of assigned colleges governance arrangements	2019/03	3	3	-	-	-
<b>Corporate Planning</b>						
Monitoring of achievement of target student numbers	2019/04	4	-	-		4
<b>Finance</b>						
Scenario planning / Risk	2019/02	3	3	-	-	-
<b>Other Areas</b>						
Follow-Up Reviews	2019/05	2	2	-	-	-
<b>Audit Management</b>						
Management and planning )	2019/01 / 2019/06	3	3	-	-	-
External audit liaison )						
Attendance at Audit Committee )						
		_____	_____	_____	_____	_____
<b>Total</b>		15	11	-	-	4
		=====	=====	=====	=====	=====

## 5. Operational Plan for 2019/20

- 5.1 Through discussions with management and review of key documentation (including the Strategic Plan 2019-2022, the strategic risk register and previous internal and external audit reports) we have built up a picture of the key issues facing the Board. This analysis informed a meeting with the Chair of the Audit Committee and the Finance & Resources Director to discuss the key risks, issues and priorities for the Board over the next three years. The topics selected for internal audit review are intended to address both the current and emerging issues facing the Board, which have developed since the move to Fundable Body status.
- 5.2 Undertaking this work allows us to consider the level of risk and complexity of each area of your operations and to assess the internal audit resources required to allow adequate coverage of the elements of the audit universe where it is appropriate for internal audit to focus attention. The audit universe utilised has been tailored specifically for the circumstances of the Regional Board. From this exercise we have drawn up a new 3 Year Strategic Plan for the period 2019 to 2022 setting out proposed areas for audit over the internal audit cycle.
- 5.3 An extract from the Strategic Plan, in relation to 2019/20, is shown below, adjusted for the deferral of the 'Monitoring of achievement of target student numbers' review from 2018/19.

	Priority	Budgeted 19/20 Days
<b>Corporate Planning</b> Monitoring of achievement of target student numbers	High	4
<b>Risk Management</b> Glasgow Region risk management	High	3
<b>Finance</b> Shared Services	Medium	4
<b>Performance</b> Collaborative Training Provision BPR	Medium	4
<b>Other areas</b> Follow-up reviews	Various	1
<b>Audit Management</b> Management and planning ) External audit / SFC ) Attendance at Audit Committees )		3
<b>Total</b>		19

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