

## Audit Committee Meeting

Date of Meeting	Monday 13 June 2016
Paper Title	Implementation of External Audit Recommendations
Agenda Item	8
Paper Number	AC3-D
Responsible Officer	Robin Ashton, Executive Director
Status	Disclosable
Action	For discussion

### 1. Report Purpose

- 1.1. To update Committee members on GCRB action to implement the external audit recommendations made within Scott-Moncrieff's external audit report for 2014-15.

### 2. Recommendations

- 2.1. The Committee is invited to:
- **note** the implementation update report; and
  - request the Executive Director to bring a further management update to the next meeting of the GCRB Audit Committee in September 2016.

### 3. Background

- 3.1. As part of the audit of the annual accounts, the external auditors produce an external audit report. A copy of the final version of the external audit report is sent to the Scottish Funding Council, Audit Scotland and the Scottish Government. The Scottish Government lays a copy of the external audit report in the Scottish Parliament, along with the annual report and accounts.
- 3.2. Three areas of issue were identified within the external audit report. These related to:
- Governance;
  - Uncertainty regarding the benefit to GCRB of certain legal costs; and
  - Absent contract documentation.
- 3.3. Recommended actions were specified in relation to Governance and contract documentation. No actions were required in relation to legal costs as the auditor was satisfied that a scheme of delegation had since been introduced by management.
- 3.4. The annex to this paper provides for members' information an update on GCRB management action to implement the recommendations made by the auditor. Further work is required to implement the auditor's recommendations and the Executive

Director will bring a further progress update to the next meeting of the GCRB Audit Committee in September 2016.

**4. Risk Analysis**

**4.1.** Where arrangements over the supply of goods and services are not formally documented and agreed, there is a risk that the interpreted terms and conditions may be breached by either party, having a detrimental effect on the GCRB being able to successfully deliver its responsibilities. Further, unforeseen costs may arise, outwith the scope of the GCRB budget, putting additional pressure on delivering an efficient and effective service within the funding allocated.

**5. Legal Implications**

**5.1.** The annual report and accounts were prepared in accordance with all relevant legal and regulatory requirements and the external auditors did not notify GCRB of any omissions in that regard.

**6. Financial Implications**

**6.1.** The draft annual report and accounts is the formal statement of GCRB's expenditure for its first accounting period.

**7. Regional Outcome Agreement Implications**

**7.1.** There are no specific implications for the 2015-16 Regional Outcome Agreement.

Annex 1.

Action plan point	Issue & Recommendation	Management Update
1. Governance	<p>The GCRB has not yet been awarded fully-operational fundable body status by the SFC and is therefore not in a position to fully exercise its strategic management and coordination duties as set out under the Post-16 Education (Scotland) Act. Despite this, the GCRB has been operational during the course of 2014/15, supported by public funds. As required by paragraph 17 of part 1 of the Financial Memorandum with Fundable Bodies in the College Sector, the GCRB must comply with the principles of good governance set out within the Code of Good Governance for Scotland's Colleges. The GCRB 2014/15 Accounts Direction, as issued by the SFC, further clarifies that the GCRB governance statement should adequately explain the GCRB's unique governance arrangements in place during the period. In line with the principles of comply or explain, explanation should be provided in the event that the GCRB's practices are not consistent with principles. The GCRB must clearly set out a timetable and action plan detailing how it will comply with the good governance requirements of the SFC in order to achieve fully-operational fundable body status as soon as practical. This action plan and timetable should be formally agreed with the SFC.</p>	<p>The SFC wrote to GCRB in January 2016 to inform it that a final decision with regard to status would be appropriate between May and July 2016, aiming at GCRB taking on full responsibility for all its functions from 1 August 2016. Two aspects were cited as being critical to providing the Scottish Funding Council with the required assurance:</p> <ul style="list-style-type: none"> <li>• the recruitment of a permanent Executive Director; and</li> <li>• finalisation of the AY2016-17 Glasgow Regional Outcome Agreement and associated funding allocation.</li> </ul> <p>A permanent Executive Director was recruited in May 2016.</p> <p>With respect to finalising the AY2016-17 Glasgow Regional Outcome Agreement, following the recent publication by the Scottish Funding Council of final funding allocations for AY2016-17, GCRB plan to hold a full board meeting on June 20th to agree the AY2016-17 Glasgow Regional Outcome Agreement, including associated assigned college funding, and activity and performance targets.</p> <p>Given this progress, the GCRB has written to the SFC to clarify what further conditions exist to preclude it being granted fully-operational fundable body status within the timescale outlined in their January letter.</p>

Action plan point	Issue & Recommendation	Management Update
<p>3. Absent contract documentation</p>	<p>Observation from the audit work performed - we have identified three instances where we would have expected formal contracts / equivalent to have been in place between the GCRB and the bodies supplying the goods or services, yet they did not exist:</p> <ul style="list-style-type: none"> <li>▪ The GCRB's Executive Assistant is on secondment to the GCRB from Glasgow Clyde College. There is no documented secondment agreement in place to support this arrangement.</li> <li>▪ The GCRB rented two office spaces within Glasgow Caledonian University during the 2014/15 period. There was a letter of agreement in place between the SFC and Glasgow Caledonian University regarding the larger of the office spaces, however no similar documentation could be provided in respect of the second room. We are satisfied that no further action is required by management with regard to this matter, as office accommodation is now provided free of charge by the City of Glasgow College.</li> <li>▪ During 2014/15, there were no Service Level Agreements in place between the GCRB and the member colleges in respect of the administrative services being provided to the GCRB free of charge e.g. finance, HR, IT, accommodation etc. However we consider that management have already taken appropriate steps in rectifying the absence of such documentation: the agreement with Glasgow Clyde College has now been formalised and the agreements with City of Glasgow College and Glasgow Kelvin College are currently in draft form.</li> </ul> <p>Recommendation:</p> <p>The GCRB should ensure that all such arrangements entered into are formally documented and approved, satisfying that there is a clear audit trail in place should any problems arise.</p>	<p>A secondment agreement is currently being drafted. The GCRB Executive Director will seek to report on the completion of this activity at the next meeting of the GCRB Audit Committee in September 2016.</p> <p>Draft agreements with Glasgow Kelvin and City of Glasgow College are currently being developed. The GCRB Executive Director will seek to report on the completion of this activity at the next meeting of the GCRB Audit Committee in September 2016.</p>