

## Audit Committee Meeting

Date of Meeting	Monday 20 February 2017
Paper Title	Implementation of Internal Audit Recommendations
Agenda Item	9
Paper Number	AC3-E
Responsible Officer	Robin Ashton, GCRB Executive Director
Status	Disclosable
Action	For discussion

### 1. Report Purpose

- 1.1. Consider GCRB management progress made to complete actions made in response to recommendations made within GCRB Internal Audit work undertaken during 2015-16.

### 2. Recommendations

- 2.1. The Committee is invited to:
- **note** the GCRB management update on recommendations made within GCRB Internal Audit for 2015-16 attached as Annex A; and
  - **agree** that GCRB management should bring forward a further report to the Committee's next meeting setting out how GCRB has addressed any outstanding recommendations contained within the 2015-16 internal audit reports.

### 3. Background

- 3.1. In 2015/16, the following areas for GCRB internal audit were identified:
- ROA development/monitoring of progress against ROA:
  - GCRB risk management/oversight of assigned colleges risk management
  - Financial performance monitoring (GCRB and assigned colleges)
- 3.2. For each of the related internal audit reports, recommendations were specified to address the areas of weakness, including action owners and planned completion dates.
- 3.1. Annex A provides an overview of all GCRB internal audit recommendations, with the final column providing a GCRB management update on actions taken in response to these recommendations.
- 3.2. Three recommendations currently remain outstanding (numbers 8, 11 and 12 in Annex 1). These relate to GCRB monitoring arrangements for college student record and financial information, and the standardising of assumptions are used by assigned colleges when preparing their FFR information. These will be progressed as part of

work to put in place arrangements for GCRB to gain fully-operational fundable body status.

- 3.3. GCRB management will bring forward a further report to the Committee's next meeting setting out how GCRB has addressed any outstanding recommendations contained within the 2015-16 internal audit reports.

#### **4. Risk Analysis**

- 4.1. The reports provide evidence that GCRB is responding to areas of weakness identified through internal audit and taking action to improve internal controls.

#### **5. Legal Implications**

- 5.1. There are no specific legal implications.

#### **6. Financial Implications**

- 6.1. The provision of internal audit is a necessary component of an organisation's overall governance arrangement with regard to both financial and other matters.

#### **7. Regional Outcome Agreement Implications**

- 7.1. Through the Regional Outcome Agreement and associated requirements, GCRB has to have effective governance arrangements, of which internal audit is part.

**Management Update on Recommendations made within GCRB Internal Audit 2015/16**

Observation	Risk	Recommendation	Management Progress Update
<p>We asked the Interim Chief Officer whether there were any processes to gain assurance that the information being submitted by the assigned colleges was accurate and were advised there were no such processes, with trust being placed on each college to ensure the figures were correct. We were advised by the Executive Director however that in the past information had been extracted directly from student registry systems and uploaded by each college into a portal where data was aggregated. We note that this was no longer in use but would be beneficial in providing some assurance over the figures submitted.</p>	<p>ROA progress data submitted may not be accurate, leading to insufficient time to undertake any corrective action to ROA targets and this could lead to ultimately ROA targets not being met</p>	<p><b>R8</b> The Executive Director should obtain information from each assigned college’s student records system and analyse this to gain assurance that assigned colleges’ ROA progress information submitted is reasonable.</p>	<p><b>Not yet implemented:</b> Arrangements for monitoring by GCRB of college student record data to form part of SFC/GCRB fully-operational fundable body status implementation plan.</p>
<p><b>Assigned College Financial Performance Reporting</b> Reporting on assigned colleges has developed during 2015/16, and as noted under Objective 4 above the P&amp;RC and Sustainability Sub-Group have discussed their requirements for the level of detail in future reports. Further consideration is needed around what will be reported to each meeting during the annual cycle. It is acknowledged that as a minimum each P&amp;RC meeting should receive a forecast outturn/actual versus budget report similar to that provided in March 2016. Other items for consideration include an annual summary of FFRs and a summary of actual outturns.</p>	<p>Without formally setting out what financial reports should go to each P&amp;RC meeting there is a risk that financial monitoring reports provided to the P&amp;RC are insufficient.</p>	<p><b>R11</b> The P&amp;RC should agree what financial monitoring report/s they should receive in each of their annual cycle of four meetings. The format (both headings within the narrative section of the report, and the layout of the financial information) should also be agreed.</p>	<p><b>Not yet implemented:</b> Arrangements for monitoring by GCRB of college financial data form part of draft GCRB Financial Procedures Manual.</p>

**FFR Assumptions**

We note that the 2015 FFRs prepared by the assigned colleges were prepared using different assumptions. To ensure that the P&RC can appropriately compare and analyse the FFR information it is important that there are the same key assumptions used and that these are clearly set out. If there are any different assumptions used then the impact of these should be set out.

Financial forecasts from assigned colleges may be misleading if they are not based on the same assumptions.

**R12** Ensure that the same key assumptions are used by assigned colleges when preparing their FFR information. Key assumptions should be reported to the P&RC along with a high level explanation for why these assumptions were considered reasonable.

**Not yet implemented:** Discussions on standardising key assumptions currently being undertaken with GCRB and college Finance management.