

## Board Meeting

Date of Meeting	Monday 28 January 2019
Paper Title	Audit Committee Annual Report
Agenda Item	11
Paper Number	BM2-M
Responsible Officer	Paul Buchanan, Committee Chair
Status	Disclosable
Action	For Noting

### 1. Report Purpose

- 1.1 Provide the Board with a report on Committee activity during the past year.

### 2. Recommendations

- 2.1 The Board is invited to **note** work undertaken by the Committee during the past year and its priorities for the year ahead.

### 3. Background

- 3.1 It is good practice for committees to produce annual reports for their boards that review their activity over the course of the year and priorities for the year ahead.
- 3.2 The Audit Committee has advisory responsibility for: risk management, internal control, accounting policies, the annual accounts, internal and external audit, anti-fraud policies, whistle-blowing processes, arrangements for special investigations, and the annual reports received from the assigned colleges' heads of internal audit.
- 3.3 The Committee considered and agreed the following report at its meeting on 17 January 2019. The report provides an overview of activity during the period from November 2017 to December 2018.

### 4 Terms of Reference

- 4.1 The Committee reviews its terms of reference annually, and these were considered at the meeting on 17 January 2019.
- 4.2 It was agreed to undertake a further review on the advice of the External Auditor that some changes to the Audit Committee Handbook in 2018 may have implications for the Committee's work. It was agreed that any proposed changes would be considered at the next meeting of the Committee and brought to the March meeting of the Board for approval.

## 5 Membership and meetings

5.1 Over the period under review, the Committee membership has been as follows:

- Paul Buchanan (Chair)
- Caroline MacDonald (resigned 18 June 2018)
- Edward McGrachan (appointed 2 October 2018)
- Maureen McKenna
- Grahame Smith (resigned 31 May 2018)
- Mike Ward

5.2 Representatives from GCRB's internal and external auditors attend meetings of the Committee on a regular basis. The GCRB's Executive Director and Finance and Resources Director also attended meetings. The Chair of GCRB also attended the meeting of the Committee in May 2018 as an observer.

5.3 During the period from November 2017 to December 2018 the committee met on:

- 5 December 2017
- 6 March 2018
- 29 May 2018
- 2 October 2018
- 18 December 2018

5.4 Attendance at the committee meetings was as follows:

<b>Board Member</b>	<b>Meetings Attended/ Meetings in Period</b>
Paul Buchanan	5 of 5
Caroline MacDonald	2 of 3
Edward McGrachan	2 of 2
Maureen McKenna	1 of 5
Grahame Smith	1 of 2
Mike Ward	5 of 5

5.5 The average attendance for this period was 73%.

5.6 The minutes of Audit Committee meetings are routinely made available to the Board for information and are included as a standing item on the Board's agenda. This provides the Chair, and other members of the Audit Committee, with the opportunity to raise any matters of concern at a full Board meeting.

5.7 The agenda, papers and minutes of meetings are also available on the GCRB website.

5.8 In compliance with the Board's risk management procedures, the Audit Committee also had an opportunity to identify and discuss any new risk management issues which were consequential to its discussions at each meeting.

## 6 Main Activities

6.1 The Committee's main activities are described below.

### *Internal audit*

6.2 Henderson Loggie are GCRB's internal auditor for the period 2016-17 to 2020-21.

6.3 Based on a comprehensive audit needs analysis process, the Committee recommended to the Board three areas for internal audit in 2017-18. These are listed below with the respective audit findings in terms of overall level of assurance:

<b>Audit Area</b>	<b>Audit Grading</b>
Monitoring Progress Against Corporate Plan	Good
Receipt of Funds and Funding Allocation	Good
Externally Facilitated Board Effectiveness Review	N/A

### *External audit*

6.4 The External Auditor is responsible for the audit of the GCRB Annual Report and Accounts 2017-18. The Annual Report of the External Auditor was considered by the Audit Committee at its meeting on 17 January 2019.

6.5 The External Auditor issued an unqualified opinion on;

- the consolidated financial statements;
- the regularity of transactions; and
- other prescribed matters.

6.6 In addition, the External Auditor made some recommendations in terms of further enhancements to the internal processes of GCRB. These recommendations have been accepted and will be implemented by the GCRB executive.

### *Risk Management Processes*

6.7 At each meeting the Committee receives updates from the most recent meetings of the assigned college audit committees.

### *Arrangements for special investigations*

6.8 The Committee conducted no special investigations.

### *Annual reports received from the assigned colleges' heads of internal audit*

6.9 At each meeting the Committee receives updates from the most recent meetings of the assigned college audit committees.

6.10 The assigned colleges also provide GCRB with a copy of the annual report of their audit committee on an annual basis.

### ***Audit Scotland Reports***

**6.11** The Committee considered Audit Scotland reports on Scotland's colleges and noted the recommendations therein.

### **Committee effectiveness**

**6.12** The Committee undertakes a review of its effectiveness annually as part of the Board's annual evaluation cycle.

### **Future work**

**6.13** The Committee's focus over the next period will be on:

- ensuring that GCRB has in place the appropriate arrangements for assurance, accountability, and internal control for a fully-operational fundable body;
- consideration of detailed internal audit reports; and
- implementation of internal, and external, audit recommendations.

## **7 Risk Analysis**

**7.1** Consideration and production of annual reports by audit committees is a key part of the arrangements to ensure a proper system of governance and internal control.

## **8 Equalities Implications**

**8.1** There are no equalities implications arising from this report.

## **9 Legal Implications**

**9.1** There are no legal implications arising from this report.

## **10 Resource Implications**

**10.1** There are no specific resource implications arising from this paper.

## **11 Strategic Plan Implications**

**11.1** Through the conditions of grant associated with the Regional Outcome Agreement, GCRB and the assigned colleges are required to conduct their affairs in accordance with the expected standards of good governance, which include operating appropriate audit arrangements.