

Performance & Resources Committee Meeting

Date of Meeting	Monday 10 October 2016
Paper Title	Internal Audit Reports 2015/16
Agenda Item	12
Paper Number	PRC2-H
Responsible Officer	Robin Ashton, GCRB Executive Director
Status	Disclosable
Action	For noting

1. Report Purpose

- 1.1.** Consider the GCRB Internal Audit Reports for 2015/16 on ROA development and financial performance monitoring.

2. Recommendations

- 2.1.** The Committee is invited to:

- **note** the attached internal audit reports from 2015/16 on ROA development and financial performance monitoring;
- **note** the attached GCRB management update on recommendations made within GCRB Internal Audit for 2015/16; 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. Internal Audit Reports 2015/16

- 3.1.** Following an audit needs assessment process, three areas for GCRB internal audit in 2015/16 were identified, and the table below lists these and the respective audit findings in terms of overall level of assurance.

Area of Audit:	Level of Assurance:
ROA development/monitoring of progress against ROA:	Good
GCRB risk management/oversight of assigned colleges risk management	Satisfactory
Financial performance monitoring (GCRB and assigned colleges)	Satisfactory

- 3.1.** The reports on ROA development and financial performance monitoring relates directly to the remit of the Performance and Resources Committee and these are attached for members information as Annexes 1 and 2.

- 3.2. The reports highlighted a number of areas of strength, alongside identifying some weaknesses. Section 8 in each report provides an action plan to address these areas of weakness, including action owners and planned completion dates.

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

- 4.1. Attached as Annex 3 is an update from GCRB management on actions taken to address internal audit recommendations. Overviews of these actions are provided below according to the audit focus.

Recommendations made in relation to monitoring by GCRB of college performance data

- 4.2. Two recommendations (number 1 and 4 in Annex 1) relate to GCRB monitoring arrangements for college student record and financial information. These are not yet implemented as arrangements for monitoring by GCRB will form part of a SFC/GCRB fully-operational fundable body status implementation plan which is currently being developed to be presented to the GCRB at its meeting of 31st October, 2016.

Recommendations made in relation to financial procedures

- 4.3. A finance-related internal audit recommendation (numbers 9) asked GCRB to amend the GCRB Financial Procedures Manual to reflect the current budgetary control processes in use. Attached as Annex 5 for members' consideration and agreement are updated Financial Procedures which address these points..
- 4.4. Recommendation 10 requested that GCRB include in its Scheme of Delegation that the GCRB Board Chair must sign off the Executive Director's expense claims. An amended Scheme of Delegation will be provided to the Audit Committee for comment and, subject to any amendment, the updated scheme will then be presented to the next meeting of the GCRB Board for approval.
- 4.5. 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.

5. Risk Analysis

- 5.1. The reports provide evidence that the areas audited meet control objectives.

6. Legal Implications

- 6.1. There are no specific legal implications.

7. Financial Implications

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

8. Regional Outcome Agreement Implications

- 8.1. 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
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.	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	R1 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.	Not yet implemented: Arrangements for monitoring by GCRB of college student record data to form part of SFC/GCRB fully-operational fundable body status implementation plan.
GCRB has a Financial Procedures Manual which includes 15 sections. Within section 13, 'Budgetary Control Procedures for Running Costs', the process for budget setting and monitoring is set out. This includes details of the annual budget timetable, responsibilities of the Executive Director and City of Glasgow College (CoGC) (which provides financial support to set the budget, process transactions and provide budget monitoring reports), the budget setting process, the staff budget, and budget monitoring and management checks. We reviewed these procedures and consider that they are adequate, however we noted that these were slightly different from what was being undertaken in practice.	If budgetary control procedures are not clearly set out this may lead to the budgetary control framework not being as robust as it might be	R2 Amend section 13 'Budgetary Control Procedures for Running Costs' of the GCRB Financial Procedures Manual to reflect the current budgetary control processes in use.	Not yet implemented: To be considered at GCRB Performance and Resources Committee on 10.10.16
Although the GCRB Financial Procedures Manual sets out the requirements of CoGC regarding processing transactions and budgetary control this is not a legally binding document on CoGC. We asked the Head of Finance at the CoGC, who process expenditure on behalf of GCRB, whether there was any formal service level agreement between GCRB and CoGC setting out the requirements of CoGC and what authorisation was required before processing GCRB expenditure, including expense claims of the Executive Director/Interim Chief Executive and we were advised that there is no	CoGC may pay amounts for GCRB which have not been appropriately reviewed or not been through a process appropriate segregation of duties (i.e. only checked and authorised	R3 Include in the Scheme of Delegation that the GCRB Board Chair must sign off the Executive Director's expense claims. In addition, formally agree with CoGC what	Not yet implemented: To be considered at GCRB Audit Committee on 07.10.16

formal agreement in place. The Interim Chief Officer advised that he did not claim any expenditure reimbursement through GCRB, with any such expenditure being borne by the SFC. He advised that in future he would expect the GCRB Board Chair to sign off the expense claims for the Executive Director. Section 7 of the Financial Procedures Manual requires that the person requesting GCRB expenditure has this authorised by another person, however how this will work in practice is not set out, given that there are only two staff in the GCRB executive.	by one person)	authorisation they must receive before processing GCRB payments.	
Assigned College Financial Performance Reporting Reporting on assigned colleges has developed during 2015/16, and as noted under Objective 4 above the P&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&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.	Without formally setting out what financial reports should go to each P&RC meeting there is a risk that financial monitoring reports provided to the P&RC are insufficient.	R4 The P&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.	Not yet implemented: Arrangements for monitoring by GCRB of college financial data to form part of SFC/GCRB fully-operational fundable body status implementation plan. However, the format of the collated financial forecast return has been agreed.
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.	R5 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.



Glasgow Colleges' Regional Board

Financial Performance Monitoring (GCRB and Assigned Colleges)

Internal Audit Report No: 2016/03

Draft Issued: 30 May 2016

Final Issued: 3 June 2016

LEVEL OF ASSURANCE

Satisfactory

Content

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Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

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

Action Grades

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

1. Overall Level of Assurance

Satisfactory

System meets control objectives with some weaknesses present.

2. Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Glasgow Colleges' Regional Board's (the GCRB's) Risk Register:

- If key stakeholders lose confidence in GCRB, leverage of current and future partnership resources for delivery of the ROA will be impaired (net risk score: 2); and
- If there is breakdown in performance in the assigned colleges (including academic quality management arrangements), the Regional Outcome Agreement targets may not be achieved (net risk score: 3).

3. Background

GCRB Budget

The GCRB's initial budgeted expenditure for 2015/16 was £295,000. The Interim Chief Officer's costs were top sliced from funding for the GCRB and the amount of this was advised by the SFC to the City of Glasgow College so that this can be accounted for in the GCRB financial statements. The remaining expenditure was processed by the City of Glasgow College using their finance systems on behalf of GCRB, and the City of Glasgow College applied to the SFC for a cash drawdown for these expenses as part of its monthly cash forecast return to SFC.

Assigned Colleges' Financial Performance

The GCRB's objectives include performance monitoring and once GCRB receives fundable body status it will have certain formal governance responsibilities for the three Glasgow region colleges. As a result it is important that the GCRB reviews the financial stability and financial performance of the three assigned colleges, as if any assigned college gets into financial difficulty this may have a direct impact on the delivery of the Regional Outcome Agreement.

Key financial information includes:

- Financial Forecast Returns (FFR) that are required to be submitted by colleges each year in June and which cover the forecast outturn for the academic year just being completed and the two following years; and
- In year management accounts from assigned colleges reporting on actual expenditure against budget (year to date) or against forecast outturn, which are aggregated.

4. Scope, Objectives and Overall Findings

The scope of this audit covered budget monitoring and management procedures in place for both GCRB and GCRB oversight of the assigned colleges, including reporting to the Board and the Scottish Funding Council.

The objective of our audit was to obtain reasonable assurance that budget monitoring and management procedures in place are adequate.

The table below notes each separate objective for this review and records the results:

Objective	Findings			
The specific objectives of the audit were to obtain reasonable assurance that:		1	2	3
		No. of Agreed Actions		
1. Budget monitoring and management policies and procedures are formally documented	Satisfactory	0	1	1
2. Responsibility for managing performance against budget is clearly set out	Good	0	0	0
3. There are regular budgetary control reports prepared for the Interim Chief Officer in relation to GCRB running costs	Good	0	0	0
4. Reports are requested from assigned colleges that are appropriate to monitor financial performance, and the risk of financial difficulties at each assigned college, and are: received on a timely basis; comprehensive enough to analyse current issues and the risk of financial difficulties arising; and identify what action is being undertaken to address any financial issues	Good	0	0	0
5. Adequate financial performance monitoring reports covering both the GCRB and assigned colleges are provided to the GCRB Board and the Performance and Resources Committee (P&RC) on a regular basis	Satisfactory	0	0	2
6. There is adequate and timely reporting of financial performance information to the Scottish Funding Council as requested	N/A	Not yet required pending Fundable Body status		
Overall Level of Assurance	Satisfactory	0	1	3
		System meets control objectives with some weaknesses present.		

5. Audit Approach

We discussed the budget monitoring and management processes with the GCRB's Interim Chief Officer. Financial performance monitoring reports were then reviewed to determine whether these were adequate. The arrangements in place for monitoring financial performance of the assigned colleges were discussed with the Vice Principal Resources at Glasgow Clyde College.

6. Summary of Main Findings

Strengths

- There is a process in place for preparing reports on GCRB expenditure and the financial performance of assigned colleges and these are reviewed by the P&RC; and
- The City of Glasgow College finance section and the Vice Principal Resources of Glasgow Clyde College are involved which reduces the administrative burden for the small team at GCRB regarding producing financial monitoring information and reports.

Weaknesses

- There is no formal agreement between City of Glasgow College and GCRB setting out what authorisations (including ensuring there is segregation of duties between the GCRB expenditure requester and the GCRB expenditure authoriser) are required to be received before processing GCRB expenditure transactions;
- There was the ability to amend the existing GCRB financial procedures around budget monitoring to better tailor these to reflect actual practice and the structure of GCRB;
- Although assigned colleges' financial monitoring reporting to the P&RC was in place there was the opportunity to improve and refine this, and agree on what reports should be provided to the P&RC over their annual cycle of meetings; and
- Assigned colleges' assumptions in the 2015/16 FFRs were not all the same and there would be benefit in aligning these, with the key assumptions applied being reported to the P&RC.

7. Acknowledgements

We would like to take this opportunity to thank the staff at the GCRB and assigned colleges who helped us during the course of our audit visit.

8. Action Plan

Objective 1: Budget monitoring and management policies and procedures are formally documented

Observation	Risk	Recommendation	Management Response	
GCRB has a Financial Procedures Manual which includes 15 sections. Within section 13, 'Budgetary Control Procedures for Running Costs', the process for budget setting and monitoring is set out. This includes details of the annual budget timetable, responsibilities of the Executive Director and City of Glasgow College (CoGC) (which provides financial support to set the budget, process transactions and provide budget monitoring reports), the budget setting process, the staff budget, and budget monitoring and management checks. We reviewed these procedures and consider that they are adequate, however we noted that these were slightly different from what was being undertaken in practice.	If budgetary control procedures are not clearly set out this may lead to the budgetary control framework not being as robust as it might be	R1 Amend section 13 'Budgetary Control Procedures for Running Costs' of the GCRB Financial Procedures Manual to reflect the current budgetary control processes in use.	Agreed. A draft updated Financial Procedures Manual will presented for agreement at the next meeting of the GCRB Audit Committee. To be actioned by: Head of Finance, City of Glasgow College No later than: August 2016	
			Grade	3

Objective 1: Budget monitoring and management policies and procedures are formally documented

Observation	Risk	Recommendation	Management Response
Although the GCRB Financial Procedures Manual sets out the requirements of CoGC regarding processing transactions and budgetary control this is not a legally binding document on CoGC. We asked the Head of Finance at the CoGC, who process expenditure on behalf of GCRB, whether there was any formal service level agreement between GCRB and CoGC setting out the requirements of CoGC and what authorisation was required before processing GCRB expenditure, including expense claims of the Executive Director/Interim Chief Executive and we were advised that there is no formal agreement in place. The Interim Chief Officer advised that he did not claim any expenditure reimbursement through GCRB, with any such expenditure being borne by the SFC. He advised that in future he would expect the GCRB Board Chair to sign off the expense claims for the Executive Director. Section 7 of the Financial Procedures Manual requires that the person requesting GCRB expenditure has this authorised by another person, however how this will work in practice is not set out, given that there are only two staff in the GCRB executive.	CoGC may pay amounts for GCRB which have not been appropriately reviewed or not been through a process appropriate segregation of duties (i.e. only checked and authorised by one person)	R2 Include in the Scheme of Delegation that the GCRB Board Chair must sign off the Executive Director's expense claims. In addition, formally agree with CoGC what authorisation they must receive before processing GCRB payments.	<p>Agreed. A draft updated Financial Procedures Manual will presented for agreement at the next meeting of the GCRB Audit Committee.</p> <p>To be actioned by: Executive Director, GCRB</p> <p>No later than: August 2016</p>
			<div>Grade</div> <div>2</div>

Objective 2: Responsibility for managing performance against budget is clearly set out

Responsibility for managing performance against budget is clearly set out within the GCRB Financial Procedures Manual as resting with the Executive Director. This is considered appropriate.

Objective 3: There are regular budgetary control reports prepared for the Interim Chief Officer in relation to GCRB running costs**Budget Setting:**

For 2015/16 the budget was set through discussion of the GCRB Interim Chief Officer and Head of Finance at CoGC based on the different types of expenditure that were expected to be incurred, and with estimates of amounts based on known expenditure (such as for salaries) or what was considered an appropriate figure. This process was considered appropriate. The original budget was pulled together by CoGC Finance section and provided to the Interim Chief Officer.

Budget Monitoring:

The 'Budgetary Control Procedures for Running Costs' sets out the detailed requirements for budget monitoring, with the CoGC finance section preparing management reports each month (both in summary and detail) and the Interim Chief Officer / Executive Director reviewing these and following up any queries with the CoGC finance section. In addition there are details about preparation of forecasts of expenditure against budget to the year-end on a regular basis.

We noted that, at time of audit testing in early April 2016, that there had been regular budgetary control reports prepared for the Interim Chief Officer in relation to GCRB running costs, with schedules provided in October and December 2015 and January and February 2016 (March had yet to be provided at time of audit fieldwork). These were considered regular and adequate for their purpose.

Objective 4: Reports are requested from assigned colleges that are appropriate to monitor financial performance, and the risk of financial difficulties at each assigned college, and are:

- **received on a timely basis;**
- **comprehensive enough to analyse current issues and the risk of financial difficulties arising;**
- **identify what action is being undertaken to address any financial issues**

Reporting on assigned colleges' financial performance has developed over the course of 2015/16 after the Performance and Resources Committee (P&RC) was formed in October 2015. The Interim Chief Executive obtained agreement that a staff member from one of the assigned colleges would prepare financial reports for the P&RC, and they would request financial information from the other assigned colleges in order to prepare their reports.

To date the items presented to P&RC have been:

- 5 October 2015—Review of FFR forecasts, including analysis of financial performance and liquidity, prepared by City of Glasgow College;
- 14 December 2015 – Review of 16/17 FFR against 15/16 FFR prepared by Glasgow Clyde College; and
- 12 March 2016 – update on individual college forecast outturns for 15/16 (or YTD actual v budget for GKC) prepared by Glasgow Clyde College.

The P&RC and the Sustainability Sub-Group have discussed their requirements for the level of detail in future reports and staff are considering the information that should be reported to each meeting and the assigned college information that will be required to enable this. Further information is noted under Objective 5.

Objective 5: Adequate financial performance monitoring reports covering both the GCRB and assigned colleges are provided to the GCRB Board and the Performance and Resources Committee on a regular basis**GCRB Expenditure:**

We note that adequate financial performance monitoring reports covering the GCRB expenditure were provided to the P&RC and the Board in 2015/16.

Assigned College Financial Performance:

Assigned colleges' financial monitoring reports are prepared for each meeting of the P&RC, which meets approximately quarterly, and this is considered timely. The minutes of the P&RC are provided to the GCRB Board.

We considered whether the reports provided to the P&RC regarding the assigned colleges were comprehensive enough to analyse current issues and the risk of financial difficulties arising. We reviewed the three financial monitoring reports provided to the P&RC.

- The first report (5 October 2015) highlighted some high level areas, but was not comprehensive enough to identify current issues and risks, with only a small section on 'risk analysis'.
- The second report (14 December 2015) set out movements between FFR balances (movements between 2016/17 and 2015/16 figures) but did not always explain why these movements had taken place. This included a section on 'Institutional Financial Sustainability Issues' outlining the main areas of concern, but this did not highlight what the assigned colleges were doing or planning to do regarding these issues.
- The third report (12 March 2016) was succinct, identifying variances (in outturns against original budget or actual versus budget year to date figures), reasons for these and providing outturns, and there was a short section on risk. This covered assigned colleges' financial performance for the first 6 months of the 2015/16. We reviewed the report to determine whether it identified what action was being undertaken to address any financial issues. This was the first report provided to the P&RC with such figures. From this report we noted that:
 - ◆ Glasgow Clyde College was forecasting a deficit but it was explained that this was being covered through the use of net depreciation which the SFC had approved. This would mean that although there would be a 'technical deficit' that the College would still have an operating cash flow breakeven or surplus;
 - ◆ CoGC were forecasting a surplus. The Interim Chief Officer advised that this was discussed at the P&RC March meeting and members were advised that the expected outturn forecast was still a surplus although this would be less than the surplus forecast as at January 2016;
 - ◆ Glasgow Kelvin College had a small adverse variance of £39,000 (they only provided a year to date actual versus budget figure and not an outturn forecast) which was not of a scale that required any corrective action to be identified.

We consider this was appropriate to allow monitoring of assigned college financial performance.

Objective 5: Adequate financial performance monitoring reports covering both the GCRB and assigned colleges are provided to the GCRB Board and the Performance and Resources Committee on a regular basis (Continued)

Observation	Risk	Recommendation	Management Response
Assigned College Financial Performance Reporting Reporting on assigned colleges has developed during 2015/16, and as noted under Objective 4 above the P&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&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.	Without formally setting out what financial reports should go to each P&RC meeting there is a risk that financial monitoring reports provided to the P&RC are insufficient.	R3 The P&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.	Agreed. The colleges' Sustainable Institutions Group will draft financial monitoring report/s for consideration at the next meeting of the GCRB Performance and Resources Committee.
			To be actioned by: Chair of Colleges Sustainable Institutions Group
			No later than: August 2016
			Grade 3

Objective 5: Adequate financial performance monitoring reports covering both the GCRB and assigned colleges are provided to the GCRB Board and the Performance and Resources Committee on a regular basis (Continued)

Observation	Risk	Recommendation	Management Response		
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.	R4 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.	Agreed. The colleges' Sustainable Institutions Group will consider key assumptions and provide a report on these for consideration at the next meeting of the GCRB Performance and Resources Committee. To be actioned by: Chair of Colleges Sustainable Institutions Group No later than: August 2016		
			<table><tr><td>Grade</td><td>3</td></tr></table>	Grade	3
Grade	3				

Objective 6: There is adequate and timely reporting of financial performance information to the Scottish Funding Council as requested

The Interim Chief Officer advised there is no requirement for the GCRB to undertake reporting of financial performance information to the SFC as it is not yet a fundable body and they also said that the SFC had not requested any in 2015/16.



Glasgow Colleges' Regional Board

**Regional Outcome Agreement (ROA) Development /
Monitoring of Progress against ROA**

Internal Audit Report No: 2016/04

Draft Issued: 30 May 2016

Final Issued: 3 June 2016

LEVEL OF ASSURANCE

Good

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Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

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

Action Grades

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

1. Overall Level of Assurance

Good	System meets control objectives.
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2. Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Glasgow Colleges' Regional Board's (the GCRB's) Risk Register:

- If there is a lack of consensus between GCRB and the assigned college boards on a shared strategy for the Glasgow region, GCRB's ability to make a positive impact on learning opportunities for students will be reduced (net risk score: 2);
- If the quality of governors or senior personnel at one of the assigned colleges falls below the required level, the strategic and operational effectiveness of the college will be impaired (net risk score: 3);
- If key stakeholders lose confidence in GCRB, leverage of current and future partnership resources for delivery of the Regional Outcome Agreement (ROA) will be impaired (net risk score: 2); and
- If there is breakdown in performance in the assigned colleges (including academic quality management arrangements), the ROA targets may not be achieved (net risk score: 3).

3. Background

Outcome agreements were introduced in 2012/13 and are intended to enable colleges and the SFC to demonstrate the impact of the sector and its contribution to meeting Scottish Government priorities clearly and consistently to key stakeholders.

The SFC is the main funder for the GCRB's assigned colleges, and makes payment to GCRB assigned colleges of grant in aid, capital and estates maintenance funding and other ring-fenced funding. As part of SFC's Standard Conditions of Grant it states 'Grant is provided to allow colleges to deliver their regional outcome agreements under the terms of section 5 of the Further and Higher Education (Scotland) Act 2005' and 'If the college – or the colleges collectively in a multi-college region – does not deliver the outcome agreement and the targets within it, or the other conditions of grant in this document, the SFC will consider clawback of grant or reductions in future funding.' It is therefore important that there are robust processes in place for the preparation and monitoring of the ROA to avoid any financial implications that may result from not meeting targets.

4. Scope, Objectives and Overall Findings

The scope of this audit covered whether the procedures in place to develop, review and approve the ROA were adequate, and to determine whether there was appropriate monitoring of progress against ROA targets.

The table below notes each separate objective for this review and records the results:

Objective	Findings			
		1	2	3
The specific objectives of the audit were to obtain reasonable assurance that:		No. of Agreed Actions		
1. There is a robust process to prepare, review and approve the Regional Outcome Agreement, including identifying local skills needs and establishing baselines against which progress with development towards a fully regional strategic approach can be compared in future years	Good	0	0	0
2. There are appropriate mechanisms to ensure that the impact of the curriculum and estates review phase I (in progress) is taken into account in allocation of education provision and funding between assigned colleges	Good	0	0	0
3. Processes and procedures are in place to obtain accurate and up-to-date information from assigned colleges to monitor progress against Regional Outcome Agreement targets on a regular basis	Satisfactory	0	0	1
4. The GCRB Board and Performance and Resources Committee (P&RC) regularly receive and review information measuring progress against Regional Outcome Agreement targets, including monitoring any corrective action	Good	0	0	0
Overall Level of Assurance	Good	0	0	1
		System meets control objectives		

5. Audit Approach

We discussed with the Interim Chief Officer, Executive Director at City of Glasgow College (Chair of the Sustainability Sub-Group) and Director of Curriculum at Glasgow Kelvin College (on behalf of the Depute Principal, Glasgow Kelvin College, Chair of the Learning and Teaching Sub-Group) the processes around preparing the ROA and monitoring progress against ROA targets. We also obtained and reviewed relevant documents, including ROAs, minutes of meetings, and GCRB Board and committee papers.

6. Summary of Main Findings

Strengths

- There was a robust framework in place underpinning the development of the 2016/17 ROA, which was based on the regional Curriculum and Estates Plan 2015-2020, the ROA 2014/15 – 2016/17, and input from a range of staff in the GCRB assigned colleges;
- A ROA programme was in place during the development setting out tasks, owners and deadlines, and
- There was a strong process to monitor progress against the 2015/16 ROA, with information gathered from the assigned colleges, reviewed in detail by the Performance and Resources Committee (P&RC), and also provided to the GCRB Board for oversight of progress.

Weaknesses

- Reliance was placed on assigned colleges to provide accurate updates on progress against the ROA targets throughout the year, with no process in place to obtain assurance over whether these were reasonable. We have recommended that underlying student records information is obtained from the assigned colleges and reviewed to provide extra assurance in this area.

7. Acknowledgements

We would like to take this opportunity to thank the staff at the GCRB and the assigned colleges who helped us during the course of our audit visit.

8. Action Plan

Objective 1: There is a robust process to prepare, review and approve the Regional Outcome Agreement (ROA), including identifying local skills needs and establishing baselines against which progress with development towards a fully regional strategic approach can be compared in future years

The starting point for the 2016/17 ROA development was the Curriculum & Estates Plan 2015-2020 which sets out the direction of travel for GCRB's assigned colleges, with certain rationalisation of curriculum and estates. We reviewed the process to develop this and noted that it was comprehensive and include consideration of local skills needs, mapping of existing curriculum across the three assigned colleges, and consideration of estates rationalisation.

The next step was the production of a three year ROA for the period 2014/15 to 2016/17. The outputs and outcome targets in this were based on existing performance and working towards the Curriculum & Estates Plan's five year outcomes. This document has a range of supporting information and has been through a review process with the SFC to ensure that it meets their outcome agreement requirements. From our review of this document it provided a robust basis for identifying areas of change and improvement, and setting ROA targets.

The 2016/17 ROA was prepared based on the 3 year ROA, which had already identified the key outputs and outcomes to be measured for the Glasgow region. The process to prepare the 2016/17 ROA and agree targets included key staff in GCRB's assigned colleges working together to come up with the specific targets for each of the assigned colleges. These draft targets were reviewed through the Learning and Teaching Sub-Group (which has senior curriculum staff from the three assigned colleges on it), the Glasgow Colleges' Group (which has the principals from the three assigned colleges on it), and the Performance and Resources Committee (P&RC). The ROA was also taken to the GCRB Board for their approval. We consider that this was a robust process to prepare, review, and approve the ROA. The Sustainability Sub-Group was also involved in considering financial implications of the proposed ROA.

We noted that there was a ROA programme setting out what tasks had to be undertaken and by when to ensure that the ROA was developed by its deadline.

The ROA targets are working towards continuous improvement in a range of areas. Minor changes may allow the assigned colleges to make improvements towards meeting the ROA targets however there will be a stage where a major change in processes or structure will be required to drive improvement to a higher level. This will require significant effort and in order to focus resources it is important that GCRB consider its strategic priorities. We were informed that a Regional Strategic Plan is being developed during 2016/17 and this should help inform the priorities within the ROA where such action could be focussed.

Objective 2: There are appropriate mechanisms to ensure that the impact of the curriculum and estates review phase I (in progress) is taken into account in allocation of education provision and funding between assigned colleges

The Curriculum and Estates Plan 2015-2020 was taken into account in the development of the three year ROA, which fed into the 2015/16 and 2016/17 ROA development and includes consideration of the allocation of educational provision. The funding between assigned colleges is agreed between the SFC and the assigned colleges, with input of the Sustainability Sub-Group containing senior finance staff from each of the assigned colleges. The Learning and Teaching Sub-Group and Glasgow Colleges' Group have also considered the impacts of the Curriculum and Estates Plan initiatives and actions have been reported to the P&RC and GCRB Board on these. These mechanisms are considered appropriate to ensure the audit objective has been met.

Objective 3: Processes and procedures are in place to obtain accurate and up-to-date information from assigned colleges to monitor progress against Regional Outcome Agreement targets on a regular basis

During 2015/16 the Interim Chief Officer devised a template for capturing information on progress by assigned colleges against the ROA targets. This template was emailed out to relevant staff in the assigned colleges for them to complete and return to the Interim Chief Officer. Once returned this was collated and then reported on quarterly to the Learning and Teaching Sub-Group, Glasgow Colleges' Group and P&RC and Board for monitoring. We considered this was done on a sufficiently regular basis.

Observation	Risk	Recommendation	Management Response	
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.	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	R1 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.	Agreed. The Colleges' Learning and Teaching group will liaise with college MIS managers to provide regular in-year data returns. To be actioned by: Chair of Colleges Learning and Teaching Group No later than: November 2016	
			Grade	3

Objective 4: The GCRB Board and Performance and Resources Committee regularly receive and review information measuring progress against Regional Outcome Agreement targets, including monitoring any corrective action

The P&RC regularly receives detailed updates on progress against ROA targets, including estimates and narrative, which it reviews. The minutes of the P&RC go to the GCRB Board. In addition the GCRB Board receives similar information so that it can have an understanding of progress being made against ROA targets.

Corrective action should be undertaken by individual colleges, however it is recognised that in many instances it is difficult to influence the ROA targets once the academic year has started. For example:

- Scottish Index of Multiple Deprivation (SIMD) rates depend largely on the number of successful applications received from those in the low SIMD areas with the majority of applicants starting in August or September so there is limited ability to influence this through smaller cohorts starting in January. Furthermore retention of SMID students can be affected by many factors such as family circumstances; and
- Attainment often depends on motivation and ability and this can be influenced by a range of factors such as the makeup of student cohorts and availability of student funding.