

## Audit and Assurance Committee Meeting

|                     |                                      |
|---------------------|--------------------------------------|
| Date of Meeting     | Tuesday 16 January 2024              |
| Paper Title         | Internal Audit Annual Report 2022-23 |
| Agenda Item         | 7                                    |
| Paper Number        | AAC2-C                               |
| Responsible Officer | Henderson Loggie                     |
| Status              | Disclosable                          |
| Action              | For discussion                       |

### 1. Executive Summary

1.1. To enable the Committee to review the internal audit annual report for 2022-23.

### 2. Recommendations

2.1. The Committee is invited to **consider** the internal audit annual report.

### 3. Background

3.1. As part of the internal audit programme, the internal auditors produce an annual report. A copy of Henderson Loggie's internal audit annual report is attached as an Annex to this paper.

3.2. The content of the report is for Henderson Loggie to determine. GCRB management have had an opportunity to comment on the draft report and the Committee (and the Board) can provide comments to Henderson Loggie too.

### 4. Risk Analysis and Compliance Analysis

4.1. Consideration of annual audit reports is a key part of the arrangements to ensure a proper system of governance and internal control.

4.2. There are no legal implications arising from this report.

### 5. Financial and Resource Analysis, Equalities Implications, Learner Implications

5.1. There are no additional factors arising from this report.

# Glasgow Colleges' Regional Board

**Annual Report to the Board and the Executive Director  
on the Provision of Internal Audit Services for 2022/23**

**Internal Audit report No: 2023/06**

**Draft issued: 21 December 2023**

**Final issued: 22 December 2023**



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# Annual Report and Opinion

## Introduction

- 1.1 We were re-appointed in July 2021 as internal auditors of Glasgow Colleges' Regional Board (GCRB) for the period 1 August 2021 to 31 July 2024, with an option to extend for a further 24 months at the discretion of GCRB. This report summarises the internal audit work performed during 2022/23.
- 1.2 An Audit Needs Assessment (ANA) exercise was undertaken in 2019, 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 and Assurance 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 exercise a Strategic Plan for 2019 to 2022 was developed, which was approved by the Audit and Assurance Committee at its meeting in October 2019. The three-year Strategic Plan was subsequently extended in March 2023 to cover the 2022/23 financial year through discussion with the Chair of the Audit and Assurance Committee and the Finance & Resources Director. This was approved by the Audit and Assurance Committee at its meeting in May 2023.
- 1.3 The reports submitted during 2022/23 are listed in Section 2 of this report and a summary of results and conclusions from each finalised assignment is given at Section 3. In addition, as part of the Internal Audit programme for the year, we delivered a Board risk session which linked into the emerging GCRB Strategy and involved scenario planning and a revisit of the existing GCRB risk register. All of the planned activity was delivered during the year.
- 1.4 An analysis of time spent against budget is included at Section 4.

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

- 1.5 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.
- 1.6 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.



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

- 1.7 External assessment is built into our firm-wide quality assurance procedures. Henderson Loggie LLP is a member of Prime Global, a global association of independent accountancy firms. Continued membership of Prime Global 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 review conducted in March 2019, when we were part of the MHA network, included our internal audit service. Overall, the review confirmed that the firm's policies and procedures relating to internal audit were compliant with the PSIAS in all material respects.
- 1.8 In the intervening years between formal external assessment against PSIAS we conduct our own self-assessment annually. The result of our latest self-assessment, conducted in May 2023, confirms that our service is independent of GCRB and continues to comply with the PSIAS.

## Significant Issues

- 1.9 There were no issues identifying major internal control weaknesses noted from the other internal audit work carried out during the year. In general, procedures were operating well in the areas selected, but a few areas for further strengthening were identified and action plans have been agreed to address these issues.

## Opinion

- 1.10 In our opinion, GCRB has adequate and effective arrangements for risk management, control and governance. We have concluded that appropriate 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 2022/23 and in the prior years following our initial appointment in 2015/16.



## Reports Submitted

| Number  | Title                                                                                                    | Overall Grade | Recommendations                           | Priority 1 | Priority 2 | Priority 3 |
|---------|----------------------------------------------------------------------------------------------------------|---------------|-------------------------------------------|------------|------------|------------|
| 2023/01 | Annual Plan 2022/23                                                                                      | N/A           | N/A                                       | N/A        | N/A        | N/A        |
| 2023/02 | Financial Sustainability                                                                                 | Satisfactory  | 1                                         | -          | 1          | -          |
| 2023/03 | Funding Allocations                                                                                      | Good          | -                                         | -          | -          | -          |
| 2023/04 | Follow Up Reviews 2022/23                                                                                | N/A           | 3 recommendations required further action | -          | 2          | 1          |
| 2023/05 | Summary Report on the Internal Audit Annual Reports for the Glasgow Region Assigned Colleges for 2022/23 | N/A           | N/A                                       | N/A        | N/A        | N/A        |

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.                                    |

Recommendation grades are defined as follows:

|                   |                                                                                                                                                           |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Priority 1</b> | Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit and Assurance Committee. |
| <b>Priority 2</b> | Issue subjecting the organisation to significant risk and which should be addressed by management.                                                        |
| <b>Priority 3</b> | Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.                                      |



## Summary of Results and Conclusions

### 2023/01 – Internal Audit Annual Plan 2022/23

#### Final Issued – April 2023

The purpose of this document was to present for consideration by management and the Audit and Assurance Committee the annual operating plan for the financial year ending 31 July 2023. The plan was based on the proposed allocation of audit days for 2022/23 as agreed with the Chair of the Audit and Assurance Committee and the Finance & Resources Director. The plan was approved by the Audit and Assurance Committee at the meeting in May 2023.

The outline scope and objectives for each audit assignment to be undertaken during 2022/23, together with the proposed audit approach, were arrived at following discussion with the GCRB Finance & Resources Director.



## Annual Internal Audit Report 2022/23

### 2023/02 – Financial Sustainability

The scope of this audit was to consider GCRB’s role in overseeing financial sustainability, including financial forecasting for the Glasgow region.

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

#### Strengths

- There were well established reporting mechanisms around the sharing of information which supported the annual Financial Forecast Returns (FFRs) which were submitted to the SFC, and the subsequent Mid-Year returns, recognising that the financial position of each of the three regional Colleges was different and the approach taken to achieve a more stable financial position varied across the Colleges;
- We confirmed that the FFRs for all three regional Colleges had been submitted. However, the 2023/24 budget for Glasgow Clyde College had still to be finalised and any changes to the submitted FFR arising from the approved budget would be reflected in the Mid-Year return;
- While there were significant revenue funding challenges for all three regional Colleges over the next few years, the announcement on the reduction of employers pension contribution, for those staff enrolled in the local government pension scheme, would deliver significant savings over the next two years, which would help to alleviate at least some of the cost pressures around pay awards and inflation, which were being faced by Colleges against a backdrop of flat cash funding allocations;
- The strategic risk registers for each of the three regional Colleges were submitted to GCRB to allow a summary report of key risks to be presented to the GCRB Audit and Assurance Committee. These risk registers contained risks around financial sustainability and set out the risks to achieving a financial position which met the expectations of the individual Colleges Boards, the GCRB Board (as Regional Strategic Body) and the SFC;
- It was evident from our discussions with the Finance and Resources Director that there was an in depth understanding within GCRB of the challenges facing each of the regional Colleges;
- It was evident from our analysis that there was detailed overview of the expenditure and income figures produced by each of the regional Colleges, which allowed the combined regional position to be assessed; and
- Our 2022/23 review of Budgetary Control / Financial Planning in Glasgow Kelvin College highlighted the constructive dialogue between Glasgow Kelvin College and GCRB in relation to the key assumptions which underpinned their financial modelling and therefore confirmed a transparent approach in terms of setting out the basis for revenue and capital projections.

### 2023/02 – Financial Sustainability (Continued)

### Final Issued – October 2023

| The objective of this audit was to obtain reasonable assurance that:                                                                                                          | Grade                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 1. The mechanisms in place for assessing the ongoing financial sustainability of the Glasgow Colleges are robust.                                                             | Good                 |
| 2. The collective risks arising from the financial plans prepared by the three Glasgow colleges have been assessed and discussed through the appropriate governance channels. | Requires Improvement |
| 3. The basis for the financial forecasting for the Glasgow region is underpinned by accurate and complete data for both revenue and capital.                                  | Good                 |
| <b>Overall Level of Assurance</b>                                                                                                                                             | <b>Satisfactory</b>  |



## Annual Internal Audit Report 2022/23

### **Weaknesses**

- It was our view that the scale of the financial challenges facing the Glasgow region should illicit a collaborative approach to managing regional financial risks, which put learners at the centre of decision making process, in order to challenge the delivery model and drive efficiencies through significant structural change in terms of what was delivered and where it was delivered.



2023/03 – Funding Allocations

The scope of this audit focused on evaluation of the systems put in place to calculate and distribute both revenue and capital funding allocations.

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

**Strengths**

- The final GCRB budget for 2022/23 was considered at the June 2022 meeting of the Performance and Resources Committee. In the final allocation to the three Glasgow Colleges, the total GCRB budget remained unchanged from the indicative budget, with a top slice of £496,000 allocated for GCRB running costs and £419,000 ringfenced for the regional programme of action;
- The distribution of various blocks of funding was based on a formulaic approach, which remained largely unchanged from previous financial years;
- The methodology utilised to calculate the distribution of funding was aligned to SFC requirements and had been discussed with the three Glasgow colleges, recognising that the way in which the funding had been distributed in 2022/23 did not utilise the powers available to GCRB to redirect funds to meet agreed shared regional priorities.
- We were also comfortable that the calculation of the distribution of funding had been conducted accurately.
- The year end spreadsheet utilised by the Finance and Resources Director, demonstrated that the additional in year allocations for 2022/23 were distributed in line with the allocations decided through delegated authority (or in the case of FWDF funding by the GCRB Board) and were distributed to Colleges in a timely manner following the decision being taken on the amounts to be distributed to each college; and
- Our analysis of the FWDF reconciliation spreadsheet demonstrated how Glasgow Kelvin College and City of Glasgow College benefited in financial year 2022/23 because GCRB was in a position to fund these colleges additional delivery from the underspend reported by Glasgow Clyde College. This was an example of the regional funding process working to the benefit of the Glasgow colleges, by avoiding the scenario whereby funding would be returned to the SFC by a college which under-delivered in terms of the level of activity attached to the relevant funding.

Final Issued – October 2023

| The objective of this audit was to obtain reasonable assurance that:                                                                                                   | Grade       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 1. There is an agreed methodology for calculating the funding allocations which is aligned to SFC requirements and has been discussed with the three Glasgow Colleges. | Good        |
| 2. The methodology used to calculate the latest funding allocations has been deployed accurately                                                                       | Good        |
| 3. Any variations to the initial funding allocations have been calculated and distributed appropriately.                                                               | Good        |
| 4. All funding allocations have been communicated effectively and timeously to both the GCRB Board and the three Glasgow colleges.                                     | Good        |
| <b>Overall Level of Assurance</b>                                                                                                                                      | <b>Good</b> |



## Annual Internal Audit Report 2022/23

### 2023/03 – Funding Allocations (continued)

#### **Weaknesses**

- There were no weaknesses identified through the work conducted.



## Annual Internal Audit Report 2022/23

### 2023/04 – Follow Up Reviews 2022/23

#### Final Issued – December 2023

As part of the Internal Audit programme for GCRB for 2022/23, we carried out a follow-up review of the recommendations made in the Internal Audit reports issued during 2021/22. These were:

- Internal Audit Report 2022/02 – GCRB Organisation Specific Governance;
- Internal Audit Report 2022/04 – Follow Up Reviews 2021/22;
- Internal Audit Report 2022/06 – Disaster Recovery ; and
- Internal Audit Report 2022/07 – Influencing ROA Development.

Recommendations made in the reports listed above were revised in May 2023 and an updated management response was provided for each. This Follow-Up report reflected the recommendations and management responses as they were following the May 2023 revision.

Overall, the Board had made good progress in implementing actions that were past their completion date. Six recommendations (66%) were assessed as fully implemented. Three recommendations (33%) were assessed as partially implemented and will be followed up again as part of the internal audit plan for 2023/24. No recommendations were assessed as showing Little or no Progress Made.



## Annual Internal Audit Report 2022/23

### 2023/04 – Follow Up Reviews (continued)

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

| From Original Reports                                                           |               |               | From Follow-Up Work Performed |                       |                            |                                 |                                |
|---------------------------------------------------------------------------------|---------------|---------------|-------------------------------|-----------------------|----------------------------|---------------------------------|--------------------------------|
| Area                                                                            | Rec. Priority | Number Agreed | Fully Implemented             | Partially Implemented | Little or No Progress Made | Not Past Agreed Completion Date | Considered But Not Implemented |
| 2022/04 – Follow Up Reviews 2021/22 (and 2022/07 – Influencing ROA Development) | 1             | -             | -                             | -                     | -                          | -                               | -                              |
|                                                                                 | 2             | 1             | 1                             | -                     | -                          | -                               | -                              |
|                                                                                 | 3             | 5             | 4                             | 1                     | -                          | -                               | -                              |
| <b>Total</b>                                                                    |               | <b>6</b>      | <b>5</b>                      | <b>1</b>              | <b>-</b>                   | <b>-</b>                        | <b>-</b>                       |
| 2022/02 – GCRB Organisation Specific Governance                                 | 1             | -             | -                             | -                     | -                          | -                               | -                              |
|                                                                                 | 2             | 2             | 1                             | 1                     | -                          | -                               | -                              |
|                                                                                 | 3             | -             | -                             | -                     | -                          | -                               | -                              |
| <b>Total</b>                                                                    |               | <b>2</b>      | <b>1</b>                      | <b>1</b>              | <b>-</b>                   | <b>-</b>                        | <b>-</b>                       |
| 2022/06 – Disaster Recovery                                                     | 1             | -             | -                             | -                     | -                          | -                               | -                              |
|                                                                                 | 2             | 1             | -                             | 1                     | -                          | -                               | -                              |
|                                                                                 | 3             | -             | -                             | -                     | -                          | -                               | -                              |
| <b>Total</b>                                                                    |               | <b>1</b>      | <b>-</b>                      | <b>1</b>              | <b>-</b>                   | <b>-</b>                        | <b>-</b>                       |
| <b>Grand Totals</b>                                                             |               | <b>9</b>      | <b>6</b>                      | <b>3</b>              | <b>-</b>                   | <b>-</b>                        | <b>-</b>                       |

## Annual Internal Audit Report 2022/23

### **2023/05 – Summary Report on the Internal Audit Annual Reports for the Glasgow Region Assigned Colleges for 2022/23**

#### **Final Issued – December 2023**

This report summarised the internal audit outputs for City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College for 2022/23, including the overall internal audit opinion on each College. This report does not form part of the approved annual plan but has been included for completeness.



## Time Spent - Budget v Actual 2022/23

|                               | Report number     | Planned days | Actual days feed | Days to fee at Jan 2024 | Days to spend / WIP | Variance |
|-------------------------------|-------------------|--------------|------------------|-------------------------|---------------------|----------|
| <b>Finance</b>                |                   |              |                  |                         |                     |          |
| Financial sustainability      | 2023/02           | 5            | 5                | -                       | -                   | -        |
| Funding allocations           | 2023/03           | 4            | 4                | -                       | -                   | -        |
| Scenario Planning / Risk      | N/A               | 3            | 3                | -                       | -                   | -        |
| <b>Other Audit Activities</b> |                   |              |                  |                         |                     |          |
| Management and Planning       | 2023/01 & 2023/06 | 3            | 2                | 1                       | -                   | -        |
| Follow-up reviews             | 2023/04           | 2            | -                | 2                       | -                   | -        |
| <b>Total</b>                  |                   | <u>17</u>    | <u>14</u>        | <u>3</u>                | <u>-</u>            | <u>-</u> |
|                               |                   | =====        | =====            | =====                   | =====               | =====    |

## Operational Plan for 2023/24

- 5.1 An Audit Needs Assessment (ANA) exercise was undertaken in 2019, based on the areas of risk that GCRB was 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 exercise a Strategic Plan for 2019 to 2022 was developed, which was approved by the Audit and Assurance Committee at its meeting in October 2019.
- 5.2 Following our re-appointment as internal auditors of GCRB for the period 1 August 2021 to 31 July 2024 the three-year Strategic Plan was subsequently extended to cover the 2022/23 financial year through discussion with the Chair of the Audit and Assurance Committee and the Finance & Resources Director. This was approved by the Audit and Assurance Committee at its meeting in May 2023. There is now a need to develop the programme of internal audit activity for financial year 2023/24 and this will be undertaken following discussion with GCRB management and the Chair of the Audit and Assurance Committee.

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