

Audit and Assurance Committee Meeting

Date of Meeting	Tuesday 17 January 2023
Paper Title	Internal Audit Annual Report 2021-22
Agenda Item	9
Paper Number	AAC2-E
Responsible Officer	Jim Godfrey, Finance and Resources Director
Status	Disclosable
Action	For discussion

1. Executive Summary

1.1. To enable the Committee to review the internal audit annual report for 2021-22.

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 2021/22**

Internal Audit report No: 2022/08

Draft issued: 9 January 2023

Final issued: 9 January 2023



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Annual Report and Opinion

Introduction

- 1.1 We were 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 2021/22.
- 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 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.
- 1.3 The Annual Internal Audit Plan for 2021/22 mirrored year three of the three-year Strategic Plan, with the exception of the addition of a review of GCRB's organisation specific governance, which was injected into the programme following discussion with the Chair of the Audit and Assurance Committee and GCRB senior management.
- 1.4 The reports submitted during 2021/22 are listed in Section 2 of this report and a summary of results and conclusions from each finalised assignment is given at Section 3. All of the planned activity was delivered during the year.
- 1.5 An analysis of time spent against budget is included at Section 4.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.6 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.
- 1.7 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)

- 1.8 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.
- 1.9 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 2022, confirms that our service is independent of GCRB and continues to comply with the PSIAS.

Significant Issues

- 1.10 Internal Audit Report 2022/02 – GCRB Organisation Specific Governance, was graded as 'Requires Improvement'. This report highlighted issues related to the lack of agreed protocols between the GCRB Board and the three College Boards with regard to required reporting routes, format of reporting, and timelines for reporting of different types of events including those that require notification to the SFC.
- 1.11 There were no other 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

- 1.12 In our opinion, with the exception of the issue highlighted in paragraph 1.10 above, 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 2021/22 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
2022/01	Annual Plan 2021/22	N/A	N/A	N/A	N/A	N/A
2022/02	GCRB Organisation Specific Governance	Requires Improvement	2	-	2	-
2022/03	Oversight of Programme of Action	Good	-	-	-	-
2022/04	Follow Up Reviews 2021/22	N/A	7	-	1	6
2022/05	Summary Report on the Internal Audit Annual Reports for the Glasgow Region Assigned Colleges for 2021/22	N/A	N/A	N/A	N/A	N/A
2022/06	Disaster Recovery	Satisfactory	1	-	1	-
2022/07	Influencing ROA Development	Satisfactory	1	-	-	1

Overall 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.

Recommendation grades are defined as follows:

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



Summary of Results and Conclusions

2022/01 – Internal Audit Annual Plan 2021/22

Final Issued – March 2022

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 2022. The plan was based on the proposed allocation of audit days for 2021/22 as set out in the Internal Audit Strategic Plan 2019 to 2022 with the exception of the addition of a review of GCRB's organisation specific governance, which was injected into the programme following discussion with the Chair of the Audit and Assurance Committee and GCRB senior management.

The outline scope and objectives for each audit assignment to be undertaken during 2021/22, together with the proposed audit approach were arrived at following discussion with the GCRB Executive Director and the Finance & Resources Director.



Annual Internal Audit Report 2021/22

2022/02 – GCRB Organisation Specific Governance

The scope of this audit was to consider GCRB’s organisation-specific governance and approach, providing a future-facing insight to provide clarity for any future incidents. This included consideration of reporting lines between the three assigned colleges and GCRB in relation to the reporting of significant events.

The table opposite notes the objectives for this review and records the results.

Strengths

- The mechanisms for reporting significant events to GCRB, as Regional Strategic Body, were embedded within the Financial Memorandum between GCRB and the three Glasgow Colleges and the requirement of college chief executive officers to report significant adverse events to the RSB’s Chief Officer “without delay of any circumstance” was clearly set out;
- The Financial Memorandum between GCRB and the three assigned colleges included examples of a significant threat to the colleges’ financial position; a significant fraud; and a major accounting breakdown to provide sufficient clarity for the assigned colleges in determining the circumstances in which a notification was required; and
- The Glasgow College Region Memorandum of Understanding (MoU): ‘working effectively in partnership to achieve shared strategic goals’ was agreed in 2017 and sets out the expectation that “*The four boards recognise that observance of the nine Principles of Public Life in Scotland will underpin effective partnership working and the boards will seek to undertake all their communications and other activities in a manner that is consistent with those principles*”. One of the three overarching commitments described in the MoU is the need for proactive and Open Communication.

Final Issued – May 2022

The objective of this audit was to obtain reasonable assurance that:	Grade
1. The mechanisms for reporting significant events to GCRB, as Regional Strategic Body, are embedded within the Financial Memorandum between GCRB and the three Glasgow Colleges.	Good
2. The requirement to report significant events is appropriately defined in order to remove any ambiguity.	Good
3. There is an agreed protocol in place between the GCRB Board and the three College Boards regarding required reporting routes, format of reporting, and timelines for reporting of different types of events.	Requires Improvement
4. The reporting of significant events to the Scottish Funding Council is a matter reserved for GCRB and the role of the GCRB Board and Audit and Assurance Committee in evaluating evidence to ensure appropriate reporting to SFC is clearly set out and communicated to stakeholders.	Requires Improvement
Overall Level of Assurance	Requires Improvement



2022/02 – GCRB Organisation Specific Governance (continued)

Weaknesses

- There was no agreed protocol in place between the GCRB Board and the three College Boards regarding required reporting routes, format of reporting, and timelines for reporting of different types of events;
- While the Financial Memorandum between GCRB and the SFC and the GCRB Audit and Assurance Committee terms of reference set out the requirement for GCRB to report specific serious or significant issues to SFC, it was not explicitly stated that the GCRB Board or the Audit and Assurance Committee had responsibility for evaluating evidence to allow appropriate reporting to SFC (in line with the Financial Memorandum between GCRB and SFC); and
- The role of the GCRB Board and Audit and Assurance Committee in evaluating evidence and reporting significant issues to the SFC had not been formally communicated to stakeholders, including the three assigned colleges.



2022/03 – Oversight Programme of Action

Our review examined the mechanisms put in place to ensure oversight of the Programme of Action with a specific focus on social impact and economic growth.

The table opposite notes the objectives for this review and records the results.

Strengths

- The POA comprised of a range of collaborative projects which linked directly to Scottish Government priorities;
- The POA was linked to the Glasgow Region Strategic Plan for College Education 2017 – 2022 (“the Strategy”);
- The POA was also linked to the Regional Outcome Agreement, and this ensured that a focus on care experienced learners was a key priority across the programme;
- Our review of the documentation for the projects within the POA demonstrated a clear linkage between the planned outcomes for each project and key national and regional priorities;
- Project Initiation Documents (PIDs) were developed for the POA projects, which were signed off by the former Director of GCRB. These set out the objectives for each of the projects and described the roles and responsibilities of key partners in delivering the objectives;
- Each of the Programme Groups discussed alignment with individual College priorities. These groups included the nominated lead within each College; and
- Annual reports were produced for each of the strands within the POA and these were reported to the GCRB Board.

Weaknesses

- There were no weaknesses arising from the fieldwork undertaken.

Final Issued – October 2022

The objective of this audit was to obtain reasonable assurance that:	Grade
1. High-level regional commitments and planned outcomes adequately reflect the need for social impact and economic growth.	Good
2. Planned actions are articulated in such a way that key stakeholders understand their role in driving forward the Programme of Action and have appropriate mechanisms in place to assess the risks associated with the delivery of Regional Actions.	Good
3. Planned actions are connected to the priorities of key stakeholders to ensure alignment with supporting financial, people, digital and estates strategies.	Good
4. There are appropriate reporting arrangements in place to allow effective oversight and monitoring of delivery.	Good
Overall Level of Assurance	Good



Annual Internal Audit Report 2021/22

2022/04 – Follow Up Reviews 2021/22

Final Issued – October 2022

As part of the Internal Audit programme for GCRB for 2021/22, we carried out a follow-up review of the recommendations made in the Internal Audit reports issued during 2020/21. These were:

- Internal Audit Report 2021/02 – Follow Up Reviews 2020/21
- Internal Audit Report 2021/04 – Strategic Planning
- Internal Audit Report 2021/05 – Stakeholder Mapping / Engagement

There were no recommendations in reports 2021/01 – Annual Report, or 2021/03 – Summary Report on the Internal Audit Annual Reports for the Glasgow Region Assigned Colleges for 2020/21, and as such no follow up has been undertaken for these reports.

Overall, the Board had made some progress in implementing actions that were past their completion date. Two recommendations (22%) were assessed as fully implemented. A further seven recommendations (78%) were assessed as partially implemented and will be followed up again as part of the internal audit plan for 2022/23. No recommendations were assessed as showing Little or no Progress Made.



Annual Internal Audit Report 2021/22

2022/04 – 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
2021/22 – Follow Up 2020/21	1	-	-	-	-	-	-
	2	1	-	1	-	-	-
	3	5	2	1	-	-	2
Total		6	2	2	-	-	2
2021/04 – Strategic Planning	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	4	-	4	-	-	-
Total		4	-	4	-	-	-
2021/05 – Stakeholder Mapping / Engagement	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	1	-	1	-	-	-
Total		1	-	1	-	-	-
Grand Totals		11	2	7	-	-	2

Annual Internal Audit Report 2021/22

2022/05 – Summary Report on the Internal Audit Annual Reports for the Glasgow Region Assigned Colleges for 2021/22

Final Issued – January 2023

This report summarised the internal audit outputs for City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College for 2021/22, 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.



2022/06 – Disaster Recovery

The objectives of this audit were to assess the ability of GCRB and the three Glasgow Colleges to execute backup plans and operate critical priority operations during an unplanned event and recover to business as usual (BAU) after the unplanned event.

The table opposite notes the objectives for this review and records the results.

Strengths

- The GCRB risk register contains a specific cross cutting risk around scenario planning and stress testing to mitigate against major incidents;
- In GKC the Audit and Risk Committee now receive a bi-annual report on the Business Continuity Plan (BCP);
- The adequacy of the Business Continuity Plan for GKC was reviewed in early 2020, as part of the Internal Audit programme for 2019/20. The College also commissioned a separate review of the Business Continuity Plan, which was conducted by external consultants as part of the contract with UMAL, the College’s insurance provider. Both internal audit and UMAL reported that the Business Continuity Plan was robust and was operating effectively.
- In GKC a tabletop exercise was conducted in May 2022 which created a scenario of a major power outage affecting central Scotland. The exercise allowed the College to rehearse the incident management and business continuity response and rehearse the ability of the team to respond and recover to the incident;
- In January 2019 COGC engaged external consultants to conduct a full cross-College business impact analysis, to inform the development of detailed Business Recovery Planning across all College teaching and support functions;
- In CoGC, the IT Management Team participated in a National Cyber Security Centre (NCSC) supported BCP\Cyber Response exercise on 15 September 2022 to run through how the College would cope with a ransomware attack. This exercise was conducted in advance of an externally facilitated scenario test of the ICT recovery plans, which was conducted by Ashton Resilience in October 2022;

Final Issued – January 2023

The objective of this audit was to obtain reasonable assurance that:	Grade
1. There are effective arrangements in place around: <ul style="list-style-type: none"> • Documentation of business continuity and disaster recovery requirements and procedures; • Identification and prioritisation of business operations; • Identification of requirements for continued operations in the event of an emergency or service disruption; • Backup/scenario and workaround planning; • Testing of backup and recovery systems, locations and personnel; and • Tracking and reporting of business continuity testing results. 	Satisfactory
Overall Level of Assurance	Satisfactory



2022/06 – Disaster Recovery (Continued)

Strengths (Continued)

- In GCC, Business Continuity Planning was subject to internal audit review as part of a review of Risk Management conducted in the College as part of the 2020/21 programme of internal audit activity. The grading of this report was Satisfactory. This report (issued in May 2021) confirmed that a Business Continuity Plan was in place, which was subject to ongoing review by the Senior Leadership Team. We also confirmed that a business continuity test exercise was undertaken in February 2020, in advance of the COVID-19 pandemic.

Weaknesses

- Although regular updates are provided to the GCRB Audit and Assurance Committee, regarding issues discussed at the College Audit Committees, there is no systematic process in place to allow GCRB to obtain confirmation that there are effective disaster recovery arrangements in place and that these disaster recovery arrangements have been subject to appropriate testing.



2022/07 – Influencing ROA Development

Our review focused on the processes put in place to ensure effective engagement with stakeholders in developing the Glasgow Region Outcome Agreement.

The table opposite notes the objectives for this review and records the results.

Strengths

- We confirmed that the Glasgow Region Outcome Agreements (ROAs) for 2021/22 and 2022/23 were developed through ongoing dialogue with the GCRB Board and direction reference to the relevant SFC guidance. The planned outcomes set out in the ROAs link directly to the GCRB Strategy and to the ministerial statement;
- The ROAs describe five focus statements which set out the key priorities, both regionally and nationally, which connect into the wider themes emerging from Scottish Government, SFC and bodies such as Skills Development Scotland;
- The themes developed have remained constant over the last few years and have been developed in consultation with the GCRB Board. The themes were developed prior to the publication of the current GCRB Strategy;
- One of the key aims of the themes is to develop an explicit linkage between Colleges and Communities, with community an important thread which runs through the strategic planning framework for the Glasgow region;
- We confirmed that ongoing evaluation of the impact of decision making is informed by reporting on a wide range of characteristics. This includes the highlighting of trend messages, such as the loss of SIMD10 students;
- In recent years there has been an enhanced focus around enterprise and entrepreneurship and also a greater consideration of mental health issues. This has been driven by strategic discussion at the GCBR Board, including input provided by the three Student Presidents;
- The development of targets for reporting to the GCRB Board, SFC and Scottish Government is underpinned by an evaluation of data for each of the performance metrics which shows where activity is expanding or contracting. The focus in recent years has been around outcomes on attainment and progression; and
- In order to bring the KPIs alive, individual case studies have been incorporated into the ROAs for both 2021/22 and 2022/23.

Final Issued – January 2023

The objective of this audit was to obtain reasonable assurance that:	Grade
1. Planned outcomes have been aligned with SFC strategic priorities in a way which allows stakeholders readily understand how they will contribute to the achievement of GCRB's action to achieve these national goals.	Good
2. Themes have been identified for the Glasgow Region which will provide a framework for strategy and policy development by stakeholders to deliver on regional priorities.	Good
3. Feedback received from stakeholders has allowed an effective evaluation of the impact of key decisions to be considered from an equalities perspective	Satisfactory
4. the allocation of available revenue and capital funding has been discussed with relevant stakeholders and is underpinned by a robust evaluation of need.	Good
5. Engagement with stakeholders has been effective in ensuring the development of suitable output and outcome measures and targets which will allow the impact of the ROA to be measured and reported in a meaningful way.	Good
Overall Level of Assurance	Satisfactory



2022/07 – Influencing ROA Development (Continued)

Weaknesses

- GCRB management have recognised the need for greater stakeholder engagement in developing future iterations of the ROA to ensure that the document is more outward facing and to ensure more explicit linkage with the Regional Strategy and improved stakeholder buy-in.



Time Spent - Actual v Budget 2021/22

	Report number	Planned days	Actual days feed	Days to fee at Jan 2023	Days to spend / WIP	Variance
Corporate Governance						
GCRB Organisation Specific Governance	2022/02	3	3	-	-	-
Corporate Planning						
Influencing ROA Development	2022/07	4	-	4	-	-
Risk Management						
Disaster Recovery Planning	2022/06	3	-	3	-	-
Performance						
Oversight of Programme of Action	2022/03	4	4	-	-	-
Other Audit Activities						
Management and Planning	N/A	3	1	2	-	-
Follow-up reviews	2022/04	1	1	-	-	-
Total		<u>18</u>	<u>9</u>	<u>9</u>	<u>-</u>	<u>-</u>
		=====	=====	=====	=====	=====

Operational Plan for 2022/23

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. The preparation of the Strategic Plan involved dialogue with management, and the Audit and Risk Committee discussed the first iteration of the proposed three year Strategic Plan at its meeting on 29 September 2021.

Following our reappointment as internal auditors of Glasgow Colleges' Regional Board (GCRB) for the period 1 August 2021 to 31 July 2024 there is now a need to develop a programme of internal audit activity for financial year 2022/23 onwards. This will be developed following discussion GCRB management and the Chair of the Audit and Assurance Committee.

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