

Audit and Assurance Committee Meeting

Date of Meeting	Tuesday 17 January 2023
Paper Title	Assigned College Audit Committees Annual Reports
Agenda Item	18
Paper Number	AAC2-N
Responsible Officer	Jim Godfrey, Finance and Resources Director
Status	Disclosable
Action	For noting

1. Executive Summary

- 1.1** Consider the annual reports of the assigned college audit committees, detailing the business undertaken by the audit committees of the assigned colleges during the past year.

2. Recommendations

- 2.1** The Committee is invited to **note** this report.

3. Background

- 3.1** The assigned colleges are required to submit their audit committee annual report as part of the process of compiling the regional consolidated accounts. These reports are also submitted to the Scottish Funding Council.
- 3.2** Glasgow Kelvin and Glasgow Clyde College have both submitted their audit committee annual reports and these are appended to this paper.
- 3.3** City of Glasgow College has not completed their audit committee annual report due a staffing matter. They plan to complete this at their next scheduled audit committee meeting in March 2023.

4. Risk and compliance implications, financial and resources implications, equalities implications and learner implications

- 4.1** In relation to risk 013 - A breach of legislation/guidance/code of practice results in a failure of governance - audit committee annual reports for GCRB and the three assigned colleges are due to be submitted to the SFC as part of the regional consolidated accounts. As City of Glasgow College have not completed their report, this information will be incomplete upon submission to SFC by 31 January 2023.

GLASGOW KELVIN COLLEGE
BOARD OF MANAGEMENT – 12 DECEMBER 2022
ANNUAL AUDIT REPORT – FINANCIAL YEAR 2021/22
CONFIDENTIAL
REPORT BY CHAIR OF AUDIT & RISK COMMITTEE

1 Introduction

This report seeks to provide the Board of Management with an overview of the work of its Audit & Risk Committee during the academic/financial year 2021/22. This paper was endorsed by the Audit and Risk Committee at its meeting on 29 November 2022.

It also seeks to ensure that the Board complies with guidance in this respect issued to the Further Education Sector by the Scottish Funding Council (SFC) in the Financial Memorandum. The SFC requires Glasgow Kelvin College to submit this report and its appendices by 31 December 2022, to GCRB and the SFC.

Members will be aware that this report is required to remain confidential until such time as the Auditor General for Scotland permits publication of the Report and Accounts for the 12 months ended 31 July 2022. It is anticipated that such permission is likely to be given in Spring 2023.

2 Annual Audit Report 2021/22 – Discussion Protocols

This report has been drafted to provide the Board of Management with assurance relating to the operation of the Audit & Risk Committee and to comply with the Audit guidance issued by the SFC. It has been prepared for consideration at the Board of Management meeting scheduled for 12 December 2022. Prior to discussion at the Board of Management, this report will also be considered at the Finance & Resources Committee (29 November 2022) and the Audit & Risk Committee (29 November 2022).

In order to comply with the College commitment to transparency and good governance, the Report and its appendices will be placed in the Public Domain once the Auditor General authorises publication of the College Accounts.

This comprehensive report covers the following:

- 4 - Provision of Finance - related Audit Services
- 5 - Remit, Meetings and Composition of the Audit & Risk Committee
- 6 - Internal Audit Reports
- 7 - Student Activity Audit and Student Funds Audit
- 8 - External Audit – Annual Audit Report
- 9 - Financial Sustainability
- 10 - Cyber Security
- 11 - Governance
- 12 - Best Value, Public Value and Value for Money

- 13 - Risk Management
- 14 - Engagement with GCRB
- 15 - Audit and Risk Committee – Other Matters
- 16 - Self Evaluation
- 17 - Audit Committee Opinion
- 18 - Acknowledgements

3 Executive Summary

The key points to note from this report are:

- The internal auditor confirmed that no significant issues which indicated major internal control issues were identified from the internal audit work completed during the year and issued a positive audit opinion;
- The External Audit Report was positive, confirming that the accounts provide a true and fair view of the financial position of the College as at 31 July 2022 and an unqualified audit opinion has been given.
- The Student Activity Audit and Student Funds Audits were satisfactorily concluded with the required information and certificates forwarded to the Scottish Funding Council.

4 Provision of Finance-related Audit Services

During session 2021/22 independent audit services were provided by:

- Internal Auditors: Henderson Loggie (David Archibald, Head of Public Sector and Internal Audit Services); and
- External Auditors: Azets (formerly Scott-Moncrieff) (Gary Devlin, Partner).

Henderson Loggie's contract commenced on 1 August 2019 for a period of three years with an option to extend for another twenty-four months at the discretion of the College. Members will be aware that an extension to the contract with Henderson Loggie until 31 July 2024 was sought and approved at the May 2022 Audit & Risk meeting.

The charge for Internal Audit Services in session 2021/22, excluding Value Added Tax, was £24k; this covered the audit programme approved in the Audit Needs Assessment and audit plan, the Student Activity and Support Funds (including Educational Maintenance Allowance awards) in respect of academic session 2021/22.

The External Audit requirements have been discharged by Azets, appointed by the Auditor General for a five-year term from 1 August 2016 with the one-year aforementioned extension. The external audit fee, excluding Value Added Tax, was £40k.

Members of the Audit and Risk Committee have also met, in private, with the Internal and External Auditors following the meeting on 22 February 2022. This ensures that the Committee have direct access to the auditors (and vice-versa) without members of the management team being present.

5 Remit, Meetings and Composition of the Audit & Risk Committee

The Audit & Risk Committee is required to meet a minimum of four times per year. The Committee remit, as it was during the year, is attached as **Appendix 1** to this report. The remit of the Committee was reviewed in November 2021 and changes were approved by the Board of Management in December 2021.

The Committee was chaired by John Hogg throughout the reporting period.

Deborah Thomson, Dermot Grenham, Dr Elaine Clafferty, Fiona Taylor, Michael O'Donnell and Gerry Lyons all served on this Committee during the year.

The Committee is satisfied that it has members with extensive experience in Finance and Accounting, Risk Management and therefore meets the requirements of the Code of Good Governance in this regard.

The table below provides the dates of meetings of the Committee and attendance:

	21-Sept	30-Nov	22-Feb	17-May
John Hogg	√	√	√	√
Deborah Thomson	√	√	X	√
Dermot Grenham	√	√	√	√
Dr Elaine Clafferty	√	√	√	√
Fiona Taylor	√	√	√	√
Michael O'Donnell	X	√	√	√
*Gerry Lyons	X	N/A	N/A	N/A
Derek Smeall	√	√	√	√

****Gerry Lyons resigned from the Board of Management on 8 November 2021***

It should be noted that neither the Chair of the Board nor the College Principal are members of the Audit & Risk Committee, although the Principal attends and this is noted in the table above for completeness. Additionally, there is no cross-over of membership between the Audit & Risk Committee and the Finance & Resources Committee. The Principal and other College staff attend the Committee at the invitation of the Chair. The Internal and External auditors are also invited to each meeting of the Committee.

Any declarations of interest are noted and both the Internal and External auditors declare an interest in respect of their roles with the Glasgow Colleges' Regional Board (GCRB) who provide funding to the College.

Connections

As a matter of good practice and, consistent with the Code of Conduct, members are asked to state if they have any connections with matters being considered and themselves, or a person or body that the Board member is associated with; this could be a family relationship or a social or professional contact. Connections are not minuted.

The minutes of the Audit & Risk Committee meetings are routinely made available to the Board of Management for information and are included as a standing item on the Board agenda to ensure the Chair of the Audit & Risk Committee has a formal opportunity to advise the full Board of any Audit or Risk issues timeously. Additionally, a summary report of each meeting has been provided to GCRB for their review. The agenda, papers and minutes of meetings are also available on the College web-site.

In compliance with the Board's Risk Management Procedures the Committee reviews the College Risk Register and Risk Appetite Statement in detail at every meeting.

6 Internal Audit Reports

The initial Audit Needs Assessment and audit plan for the year was agreed by the Audit & Risk Committee in September 2018 and was then approved by the full Board of Management. The Audit Plan is summarised in the annual audit report which is attached as separate Agenda item. Its scope was agreed to be sufficient for the purposes of the External Auditors. The Henderson Loggie report summarises the work carried out by them during the year and the number of recommendations made in respect of each audit task. It also provides the overall audit conclusion in respect of each area reviewed:

Review Area 2021/22	Conclusion / Grade
Publicity and Communications	Good
Quality Assurance	Good
Student Support	Good
Estates Strategy/Capital Projects	Satisfactory
Performance Reporting/KPI's	Good
Data Protection	Good
Asset/Fleet Management	Satisfactory Note: This was deferred until September 2022.

As outlined in the table above, and, due to staffing matters and then the COVID-19 pandemic, one planned audit was deferred until Academic Year 2022/23.

The conclusion of the Follow-Up Review 2021/22 was reported to the Audit & Risk Committee at the meeting held on 6 September 2022. This report concluded that the College had fully implemented 9 out of 18 recommendations made in the prior year. Nine were partially implemented. The Committee welcomed the progress and detailed updates provided.

The auditors completed their tasks in line with the Audit Plan, and revisions agreed during the year, and reported to the Audit & Risk Committee at each meeting.

The auditor confirmed that no significant issues which indicated major internal control issues were identified from the internal audit work completed during the year. In respect of the overall opinion, the auditor states:

“In our opinion, the College has adequate and effective arrangements for risk management, control, and governance. Proper 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 also the work conducted since our initial appointment.”

The Committee was pleased to note that the number of outstanding recommendations reduced during the year and good progress was made in implementing recommendations made in prior years.

Copies of all audit reports issued by the Internal Auditor are available on the website or from the College on request.

7 Student Activity Audit and Student Funds Audit

The audit of Student Activity in respect of academic year 2021/22 was completed in November 2021. This report confirms that the College was under its activity target by around 3.5% and delivered 80,238 credits against a target of 83,207.

The internal audit report is a broadly positive one, with only the 1 Grade 2 recommendations for improvement from last year carried forward. This has been partially implemented, with a revised completion date of 30 November 2022.

The report provides the Board of Management and GCRB / the SFC with assurance that in the opinion of the auditor:

- The student data returns have been compiled in accordance with all relevant guidance;
- Adequate procedures are in place to ensure the accurate collection and recording of the data; and
- On the basis of audit testing the auditor can provide reasonable assurance that the FES return contains no material mis-statement.

The Internal Auditor additionally completed the audit of Student Support Funds administered by the College and provided the required assurance to the Audit & Risk Committee, SFC and Student Awards Agency for Scotland that the funds had been administered appropriately throughout the session. Last year's recommendation regarding bursary funding was implemented and no issues were highlighted this year.

8 External Audit – Annual Audit Report

The Azets External Audit Report in respect of the accounts for the year ended 31 July provides a management letter to the Board. This report summarises the financial position outlined in the accounts, confirms that the annual report is consistent with the accounts and that the accounts themselves provide a true and fair view of the financial position of the College as at 31 July 2022 (an unqualified audit opinion). The detailed review of the Annual Report and Accounts is one of the major tasks undertaken by the Committee during the year.

The report confirms that in the opinion of the External Auditor:

- the Financial Statements present a True and Fair View and there are no matters which require to be reported by exception;
- key financial systems were found to be adequate and operating effectively;
- the College has appropriate arrangements in place for financial management and the use of resources;
- the College has appropriate arrangements in place for budget setting and has developed a medium term financial strategy / Financial Forecast;

- the College has appropriate overarching governance arrangements in place; and
- the College has proper arrangements in place to promote and secure value for money.

The management letter makes three observations for potential action and references the two observations from last year. Responses are provided against each one.

The External Auditor's report confirms that the auditors did not identify any significant adjustments to the unaudited annual report and accounts. Unadjusted items were deemed to be immaterial. The report also noted that the College has good administrative processes in place to prepare the annual report and accounts and the required supporting working papers.

The management letter is positive in respect of how the College has planned for, and addressed the financial challenges it was facing, with an improved position and financial stability over the next three years. However, the challenges facing the sector were highlighted and these make it difficult for the College to predict medium to long-term financial sustainability.

The management letter also provides a wider overview of the College's performance, financial position, risk management, planning and governance arrangements. The Committee is particularly pleased that the auditor reports positively in respect of all of these areas which were part of the external audit review.

9 Financial Sustainability

While the College accounts are reporting an operating surplus for the year, the challenge in relation to longer term financial sustainability has been regularly reported to the Audit Committee and the Board of Management. The main reports being the College Budget which was approved by the Board in June for three years, the Financial Forecast Return (FFR) Report and the College Operating Plan which was presented to the Board in October. The assumptions used in compiling these figures were considered as part of the annual audit process.

The implementation of the College's Transformation and Renewal Plan, in particular the impact of the savings from the Voluntary Severance programme, had a significant positive impact on the College's financial forecasts, nevertheless, the Committee is well aware of the ongoing challenges facing the Public Sector generally and the College Sector specifically as it seeks to recover from the impact of the pandemic, fund pay increases, manage huge inflationary pressures, especially in relation to energy costs, and budget for a maximum of flat cash funding settlements for the next 5 years.

The College is aware that the challenge of medium to long term financial sustainability is consistent with the financial difficulties being experienced throughout the FE sector in Scotland, as reported repeatedly by Audit Scotland. The shortened FFR and its narrative were considered in detail by the full Board of Management in August, with the full FFR considered in October, but the most realistic forecasting is contained in the College Operating Plan and implementation of this in full would require the loss of 89FTEs for the College to remain financially stable.

The Audit & Risk Committee is satisfied that the Risk Register fairly reflects the current risks in respect of financial sustainability and that it has been appropriately reported to the Board and its Auditors.

10 Cyber Security

Cyber threats remain one of the most significant risks to the College and the sector.

Significant improvements were made to the College's systems and security last year, which have continued during 2021/22.

The Director of Digital Services presented a comprehensive update paper to the Audit and Risk Committee on Cyber Resilience in February 2022 covering:

- Threat Outlook
- Operational Updates
 - Cyber Essentials Plus Certification
 - Network Penetration Testing
 - Zero Trust Network
 - Cyber Risk Technical Assessment (May/June)
- Training and development
 - End-user awareness training
 - ICT Table-Top Exercise for Incident Response
 - Incident Response Exercises
 - Universities and Colleges Information Systems Association (UCISA) training events
- Future Plans
 - Cyber Security – Certified Pen Tester (CPENT) x2 staff
 - Cloud ICT Infrastructure
 - Increasing cyber security investment to maintain Cyber Essentials certification
 - The Audit and Risk Committee has requested that the Cyber Security Audit will be the first audit carried out by Internal Audit in Academic Year 2022/23

The College has again procured Cyber Security insurance to mitigate against this key risk. It is a testimony to the College's systems and documentation that it has been successful in being able to obtain this cover at all.

The shared CISO membership continued and provided substantial value surrounding Cyber Resilience governance. The College also achieved a successful recertification of the Cyber Essentials Plus Certification in December 2021 and has continued to work through the Scottish Government's Cyber Resilience Framework self-assessment tool.

The link between GDPR, data security and Cyber Security is also well understood and approaches to these are consistent and with assurance provided by the Internal Auditors (in respect of GDPR) and by the College membership of the INFOSEC shared service and formal accreditation received.

It is, however, recognised that Cyber Security continues to remain a high-level threat to the College and all other public and private sector organisations despite actions taken to mitigate the likelihood and impact of a cyber-attack. This is reflected in the College's Risk Register and will continue to be closely monitored and managed.

11 Governance

The Audit & Risk Committee acted as a vehicle for the monitoring of progress in respect of the Governance Action Plan.

Again, the Committee is content that this plan progressed well during the year and that reporting by management and the Secretary to the Board was comprehensive and appropriate.

In addition to the annual meeting schedule, a number of Executive Committee meetings were held during the year. The dates and primary content of these meetings is noted below:

Meeting Date	Main Agenda Items
11 August 2021	Departure of Clerk to the Board of Management/Securing Alternative Arrangements
10 February 2022	Proposals to Alter the Regional Arrangements for the Delivery of Foundation Apprenticeship Programme
28 April 2022	Colleges Scotland Draft Strategy Framework Consultation a) Consultation with the College Sector b) Glasgow Kelvin College Draft Response

12 Best Value, Public Value and Value-for-Money

The Board is cognisant of its responsibilities to ensure Best Value in the discharge of its Duties within the terms of the Financial Memorandum between it and the GCRB/SFC. Again, based on the reports it has received and the opinion of the internal and external auditors the Committee is satisfied that the College is seeking to deliver value for money and Best Value and has appropriate processes and systems in place.

13 Risk Management

The College's Risk Management process was re-invigorated in 2020/21 with further improvements completed over 2021/22. The Committee remains content that Risk Management is effective and again appropriately reported within the College. Both internal and external audit paid particular attention to the Risk Register which had been re-done with team risk registers and resulting analysis also carried out for a holistic approach and enhanced ownership. Both auditors were content that the approach taken by the College was appropriate with this College Risk Register focussing on the most critical risks and mitigating actions.

The presence of internal and external auditors at Audit & Risk Committee is particularly helpful in ensuring that there is on-going external review of the Risk Register to help ensure emerging issues are not missed.

The thirteen key strategic risks were carefully reviewed through the year and related to:

- SFC Review – the college being forced into a position against vision and mission;
- GKC Identity – lack of understanding or awareness of the critical part the College plays in communities;
- People - not having an agile and well motivated workforce;

- Litigation/Compliance – non-compliance with key legislative or regulatory requirements;
- Curriculum Relevance – curriculum doesn't meet current or future needs of students, employers, community partners of the economy;
- Sustainable Funding – in ability to secure appropriate levels of funding to deliver objectives,
- Student Experience – Poor student experience;
- Environment – College fails to meet targets in relation to sustainability;
- Digital Transformation – Inability to deliver Digital Transformation Strategy;
- Student Recruitment and Retention – Failure to recruit or retain sufficient students or learners;
- Cyber Risk – cyber-attack breaches College defences;
- COVID-19 – ongoing negative impact on all aspects of College operations;
- Strike Action – negative impact on teaching strike action on students

The College has developed an Assurance Framework which was first approved by the Audit and Risk Committee in November 2018 and was reviewed by the Audit and Risk members in November 2019 and approved at the December 2019 Board of Management meeting. The revised Assurance Framework is presented to the Audit and Risk Committee at this meeting.

14 Engagement with GCRB

The Committee has engaged well with GCRB throughout the year:

- summary meeting reports are provided to GCRB as requested and feedback on these has been positive; and
- feedback on all Glasgow college Risk Registers has been considered to ensure that there are no important omissions in the Glasgow Kelvin College Risk Register.

15 Audit & Risk Committee – Other Matters

The Audit & Risk Committee continues to review a wide range of reports and documents. It reviews all Technical Bulletins issued by Audit Scotland and variety of other reports published by them. These reports ensure the Committee remains aware of finance, technical accounting and governance issues which are of relevance to all public bodies and that College management are considering these and planning appropriately for the future environmental context. It also helps ensure that emerging issues are appropriately reflected in the Risk Register.

A list of other areas reviewed by the Audit & Risk Committee in the year is provided below:

- College Insurance Cover;
- Governance Action Plan;
- Regular Governance Updates & Assurance Reviews;
- Pensions Assumptions;
- Business Continuity;
- Risk Management Framework;
- ICT Update;

- Code of Conduct;
- Statutory Accounting Policies;
- Pension Assumptions; and
- Freedom of Information Requests Monitoring

In respect of wider environmental issues, the Committee has been provided with a number of other reports during the Academic Year including:

- SFC - In-year Redistribution of Credit Activity for AY 2021-22
- NJNC - Side Table (Lecturing) - Formal Notification of Dispute
- Colleges Scotland - Collating Information re. Budget Cuts for 2022/23
- Escalation of ASOS Letter from EIS

16 Self Evaluation

The annual Audit & Risk Committee self evaluation took place at the end of the meeting on 17 May 2022.

The session took place on Teams, was facilitated by the Secretary to the Board and covered the following areas:

- Audit & Risk Committee's relationship with the College Senior Management Team
 - *Relationships were viewed as positive with proposals made duly considered.*
- Committee Membership Skills Mix
 - *Good mix of skills prevalent with the staff member providing an internal perspective.*
- Agenda Management/Terms of Reference
 - *Length of the agenda not overly onerous and a recognition that reports can be long to provide the detail required.*
- Online Meeting Experience
 - *On-line meetings work well at Committee level but useful to have meetings face to face particularly when new members join.*
- Reporting Arrangements and Quality of Reports
 - *Good quality reports with summarised provided to assist in decision making. Committee papers circulated in a timely manner.*
- Training and Development Opportunities
 - *Training and development required on Power BI/KPI's.*
- Added Value of Committee
 - *Extensive lists of topics reviewed by members who act as critical friends and provide challenge when necessary.*
- Areas for Improvement
 - *Chair and Principals update reports could be placed at the end of the Board agenda.*

Feedback from Board Members in relation to the above was positive and provided assurance in relation to the Board's governance and decision-making arrangements.

The Committee believes that its work has contributed and added value to the oversight of the College both in terms of Board level governance arrangements and oversight of the executive management of the College. It is recognised that the primary risks continue to be Financial Sustainability and Cyber Security.

17 Audit Committee Opinion

Having reviewed the reports of Azets (the College External Auditor), Henderson Loggie (the College Internal Auditor) and the other work summarised in this report, the Audit & Risk Committee is content with the College's standard of:

- Financial Management;
- Management of the College's Assets; and
- Corporate Governance.

The Committee is also satisfied about the control environment which the College has established for the management of its finances and other resources. The financial outlook for the next three to five years has worsened, and the Committee is aware that of the unprecedented challenges for the College and the sector in the longer term. The Committee is satisfied with the actions taken to date and those planned to secure the financial sustainability of the College.

In relation to the College's Balance Sheet, while the significant and unpredictable fluctuations in the pension liabilities (asset this year) is also of concern, this is outwith the control of the College and, as a non-cash item, does not have an immediate impact on its financial position.

18 Acknowledgements

The Committee wishes to place on record its appreciation for the work undertaken by both the College's Internal and External Auditors during the reporting period.

Members also wish to place on record similar sentiments in respect of College staff who have consistently contributed to sound record keeping and management of College resources.

The Committee also wishes to thank J Hogg for Chairing the Committee effectively and diligently throughout the year.

19 Resource Implications

There are no resource implications arising from the contents of this report which have not already been reported. Audit Fees are budgeted for within the overall College budget approved by the Board.

20 Impact on Students

There is no impact on students as a consequence of this report.

21 Equality Impact

No adverse impacts on people with protected characteristics have been identified as a consequence of this report.

22 Risk & Assurance

There are no new risks which have been identified as a consequence of the contents of this report. The Committee reviews the Risk Register at each meeting and is content that the Risk Register reflects the risks identified by the Auditors and by the Committee.

The Audit & Risk Committee reviewed the Assurance Framework in place at the College in detail in November 2022 and recognised that there were no major perceived gaps.

23 Recommendations

Members of the Board of Management are recommended to:

- i) approve the Chair of the Audit & Risk Committee's Annual Report for the financial year ended 31 July 2022;
- ii) note the Audit Committee Opinion outlined in section 16 of the Report; and
- iii) note that Report will be presented to the Board of Management on 12 December 2022 and, once authorised by the Board, the Principal will forward the Annual Audit Report (and its appendices) to the Scottish Funding Council/GCRB.

24 Further Information

Members of the Board of Management can obtain additional information in respect of the contents of this report from John Hogg, Chair Audit & Risk Committee or Jeanette Evans, Vice Principal Operations, jevans@glasgowkelvin.ac.uk

Alternatively, they can contact David Archibald (the College's Internal Auditor for the period) of Henderson Loggie on 01382 200055 or Gary Devlin (the College's External Auditor) of Azets on 0131 473 3500.

J Hogg / J Evans
Glasgow Kelvin College
December 2022

GLASGOW KELVIN COLLEGE
BOARD OF MANAGEMENT
AUDIT AND RISK COMMITTEE
TERMS OF REFERENCE

1. Membership

- 1.1 The membership shall be a minimum of five non-executive Board members and no member of this committee shall be a member of the Finance and Resources Committee.
- 1.2 At least one member should have a background in finance, accounting or auditing, but membership should not be drawn exclusively from people with such a background.
- 1.3 The Chair of the Finance and Resources Committee may be invited to attend the Committee meetings to provide clarification if required, but shall have no direct connection with the Committee.
- 1.4 The Chair of the Board should not be a member of this committee but may attend by invitation.
- 1.5 The Principal is not a member of the Committee, however, will attend meetings unless directed otherwise by the Chair of the Committee.
- 1.6 The [Secretary](#) to the Board shall act as [Secretary](#) to the Committee.
- 1.7 The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary. Any such attendee will have no voting rights.

2. Chair of the Committee

The Chair of the Committee will be appointed by the Board.

3. Quorum

The quorum shall be four non-executive members.

4. Voting Rights

Voting rights rest only with committee members who are full members of the Board of Management.

The Chair of the Committee possesses both a deliberative and a casting vote.

5. Meetings

The Committee will meet a minimum of four times in an academic year.

Additional meetings can be called by the Chair of the Committee if necessary or appropriate.

6. Remit

6.1 The Committee shall satisfy itself that the financial affairs of the College are correctly represented and that the funds received from the Scottish Funding Council (SFC) and/or Glasgow Colleges Regional Board (GCRB) are used in accordance with the Financial Memorandum between the College and GCRB. The Committee will additionally take appropriate cognisance of the Financial Memorandum between SFC and GCRB and of the Scottish Public Finance Manual.

6.2 Internal Audit

The Committee shall:

- review and advise the Board on the internal and external auditors' assessment of the effectiveness of the College's financial and other control systems, including controls specifically to prevent or detect fraud or other irregularities, as well as those for securing economy, efficiency and effectiveness;
- review and advise the Board on its compliance with corporate governance requirements and good practice guidance;
- meet privately with the internal auditors at least once per year without officers of the College present.

6.3 The Committee shall make recommendations to the Board on the selection, appointment or re-appointment and remuneration of the internal auditor and shall:

- advise on the terms of reference of the internal auditor;
- review the scope, efficiency and effectiveness of the work of the internal auditor;

- advise the Board of the Committee's approval of the basis for and the results of the internal audit needs assessment and strategic audit planning process;
- monitor management action on the implementation of agreed recommendations by the internal auditor;
- consider salient issues arising from internal audit reports and report to the Board on such matters;
- recommend to the Board approval or otherwise of the internal auditor's annual report;
- ensure the establishment of appropriate performance measures and indicators to monitor the effectiveness of the internal auditor;
- secure and monitor appropriate liaison and co-ordination between internal and external auditors;
- respond appropriately to notification of fraud or improprieties received from the internal auditor or other person.

6.4 External Audit

The College's External Auditors shall be appointed by the Auditor General for Scotland.

The Committee shall:

- consider the College's annual financial statements, including the external audit opinion, Statement of Members Responsibilities and any relevant issues raised in the auditor's management letter and the external auditor's report, prior to submission to the Board by the Finance Committee;
- approve the external audit strategy, plan and fee annually;
- monitor management action on the implementation of agreed recommendations in the external auditor's annual Management Letter;
- advise the Board of salient issues arising from external auditor's reports, and of managements response thereto;
- review the Statement of Corporate Governance;
- establish appropriate performance measures and indicators to monitor the effectiveness of the external audit provision;
- hold discussions with the external auditors and ensure their attendance at Audit and Risk or Board meetings, as required;
- consider the objectives and scope of any additional audit work to be undertaken by the external auditor and report to the Board the outcome of this activity;
- meet privately with the external auditors at least once per year without officers of the College present.

6.5 Value-for-Money

The Committee shall establish and oversee a review process for evaluating the effectiveness of the College's arrangements for securing its economical, efficient and effective management of resources and the promotion of best practice and protocols, and shall:

- advise the Board on potential topics for inclusion in a programme of value-for-money reviews and provide a view on the party most appropriate to undertake individual assignments, considering the required expertise and experience;
- advise the Board of action it may wish to consider in the light of national value-for-money studies.

6.6 Risk Management & Assurance Framework

- advise the Board on the Risk Appetite Statement and Risk Register;
- review the Risk Management Strategy in line with the review schedule;
- conduct a risk review of the College in collaboration with internal/external audit and advise the Board accordingly;
- review the Risk Register at each meeting;
- review the Assurance Framework and recommend the Framework to the Board of Management.

6.7 Governance and Compliance

The Committee shall review the College's compliance with the Financial Memorandum between the College and GCRB with reference to the Financial Memorandum between the SFC and GCRB. Additionally, the Committee will seek to ensure the College is compliant with the Code of Good Governance and the Scottish Public Finance Manual:

- produce an annual report for the Board, as set out in the Financial Memorandum, to be signed by the Chair of the Committee and presented to the Board;
- advise the Board of significant, relevant reports from Audit Scotland, the National Audit Office, GCRB, SFC, and successor bodies and, where appropriate, the management response;
- routinely review and approve existing policies and strategies delegated to the Committee by the Board. By exception the Chair may submit a proposed change to the Board where that change is judged by the Chair to be material or significant.

- review reported cases of impropriety to establish whether they have been appropriately handled;
- to undertake an annual self-evaluation of the Audit and Risk Committee as part of the Board’s annual self-evaluation.

7. Reporting

The Chair of the Committee shall report on Committee business to the Board of Management with such recommendations, as Committee may deem appropriate recognising that any recommendations which have a material impact on the College must be referred and approved at the full Board.

The agendas, associated papers and minutes for this Committee will be made available in accordance with the Board of Management’s Standing Orders and Freedom of Information Publication Scheme.

Reviewed by the Audit and Risk Committee:	30 Nov 2021
Date of Next Review:	Nov 2024
Approved by the Board of Management:	7 Dec 2021

BOARD OF MANAGEMENT MEETING

Date of Meeting	7 th December 2022
Paper Title	Annual Report from the Audit Committee to the Board of Management
Agenda Item	22.73
Paper Number	22.73A1, 22.73A2, 22.73A3
Responsible Officer	D Watt, Chair of the Audit Committee
Status	Disclosable
Action	For Noting

1 REPORT PURPOSE

This report provides the annual report from the Audit Committee to the Board of Management which is part of the financial year end process. A copy of the Report will be sent to the Scottish Funding Council along with the final financial statements.

2. ACTION FOR THE BOARD

The Board of Management are asked to Note the Annual Report from the Audit Committee for submission with the financial statements for the year ending 31 July 2022.

3. BRIEF BACKGROUND INFORMATION

3.1 The Audit Committee has to report annually to the Board of Management, prior to the Board approving the College Financial Statements, to inform the Board of Management of the adequacy and effectiveness of the College's internal financial and management systems controls, and the arrangements for securing economy, efficiency and effectiveness. The Report from the Audit Committee to the Board of Management is attached. Along with the annual report of the Committee the Assurance Framework Summary for all the College Committees' work during the year and the College Assurance Mapping are also attached.

3.2 The report summarises the business covered by the Audit Committee during the period of 1 August 2021 up until 23 November 2022, which was the final Committee prior to the financial statements being approved by the Board of Management.

4. RISKS

There are no specific risk implications in this paper.

5. ANY OTHER SIGNIFICANT IMPACT e.g. STUDENT EXPERIENCE/ LEGAL / FINANCIAL/ EQUALITY& DIVERSITY

It is a requirement of the Financial Memorandum that the Audit Committee provide an annual report to the governing body of the College.

BOARD OF MANAGEMENT

ANNUAL REPORT FROM THE AUDIT COMMITTEE TO THE BOARD OF MANAGEMENT

A Administrative Matters

The Audit Committee of Glasgow Clyde College met six times during the period from the start of the 2021/22 financial year up to the date of signing of the 2021/22 financial statements with meetings held in September and November 2021, and March, May, September and November of 2022.

B Remit and Membership of Committee

The remit of the Audit Committee, as approved by the Board of Management, is attached to this report. One of the points in the remit is reviewing the College's compliance with the Code of Good Governance for Scotland's Colleges and advising the Board of Management on this. As part of the remit, it states that the Committee shall satisfy itself that other Board committees provide assurance to the Board, as appropriate, on their governance related activities. There is an assurance framework which shows the reports for each Committee during the 2021/22 year against their remits to provide this assurance which is attached.

The membership of the Audit Committee for the period 1 August 2021 to the date of signing of the financial statements was as follows:

David Watt, Chair
Michael Payne
Margaret Swiderska
Clare Walker
Amie Logan (to June 2022)
Sunita McKenna (member from September 2022)
Fiona Godsman (member from 12 October 2022)
James Olatoke (co-opted member from September 2022)

C Systems of Internal Control

INTERNAL AUDIT

The internal audit service for Glasgow Clyde College during the financial period 2021/22 was provided by Henderson Loggie. They were appointed for the three year period 2021/22 to 2023/24 following a joint tender exercise between Glasgow Clyde College, City of Glasgow College and GCRB. This three year appointment has the option to be extended to a five year contract.

For the financial period 1 August 2021 to 31 July 2022 there were six internal audit reports completed on agreed areas which were reports on the following areas:

BOARD OF MANAGEMENT

- Student Recruitment and Retention;
- Staff Development;
- Teaching Staff Utilisation – Business Process Review;
- Space Management/Room Utilisation – Business Process Review;
- Debtors/ Income; and
- Business Development

In addition to the above the internal auditor prepared the annual plan for 2022/23 and undertook the following annual reviews :-

- Follow Up Review report to review the progress on implementation of prior recommendations
- SFC Credits Audit
- Bursary, Childcare and Hardship funds Audit
- Education Maintenance Allowance Audit

Audit recommendations have been responded to and actions agreed as appropriate. Any remaining actions relating to previous internal audit recommendations have been included in the rolling audit action plan, which is reported to the Audit Committee on an ongoing basis to ensure all recommendations are fully implemented.

All of the internal auditor's work conducted in 2021/22 assessed systems as either 'Good' or 'Satisfactory' and provided an unqualified audit opinion.

The Internal Audit Annual Report for 2021/22 was considered by the Audit Committee at its meeting in November 2022. Within the annual report, Henderson Loggie's opinion was that the College has adequate and effective arrangements for risk management, control and governance and that proper arrangements are in place to promote and secure value for money. Their opinion has been arrived at taking into consideration the work they undertook during 2021/22 and previous years since initial appointment.

D Governance and Risk Management

VALUE FOR MONEY

Glasgow Clyde College is committed to achieving public value from its available resources and this will underpin its ongoing decision-making and internal audit planning which will include some value for money review areas as appropriate. The Audit Committee relies on the professional judgement of the appointed internal audit firm to have completed a suitable level of internal audit value for money review activity in discussion with management.

RISK MANAGEMENT

The Audit Committee as part of its remit keeps under review the College's internal control and risk management systems and receives updates on

BOARD OF MANAGEMENT

Glasgow Clyde College's risk management processes. The College has in place a Risk Management Policy as approved by the Board and the aim of the policy is to ensure that the College's system of internal control is effective in managing risks. The Senior Leadership Team (the designated risk management group) supports, advises on, and implements this Risk Management Policy of the Board of Management.

The College has an on-going process to develop and embed the system of internal control, including financial, organisational and governance risk management which is designed to protect the College's operations, assets and reputation and assure the Board of Management that the College's risk areas are being effectively managed. For the financial period 2021/22 the College continued its risk management process. The College's Strategic Risk Register was reviewed at each Audit Committee meeting and reviewed quarterly at the Board of Management.

Based on the College's on-going activity and planned developments, the Senior Leadership Team reviews and updates the College's Strategic Risk Register on a regular basis.

In addition the College in conjunction with a number of Board members undertook a comprehensive review of the risks in the College Strategic Risk Register holding a workshop and follow up discussions to consider the key risks for the College in achieving its five Strategic Plan themes. A revised Strategic Risk Register based on the risk associated with the achievement of the Strategic Plan is now in place which was first reported to the Audit Committee in September and to the Board of Management in October 2022.

The College Strategic Risk Register as at the date of the signing of the financial statements has thirteen key risks identified and each risk is ranked based on assessment of impact and probability. Each risk is owned by a member of the Senior Leadership Team who identifies mitigating actions against each risk which are in place to manage these risks. Of the thirteen risks at the time of signing the financial statements, three have a high residual risk score, five have a medium residual risk score, and five have a low residual risk score.

The Board of Management sets the College Risk Appetite across key risk activity areas and the appetite overall has been assessed as open where open is defined as being willing as an organisation to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward.

The Board of Management is committed to exhibiting best practice in all aspects of Corporate Governance. The Board will ensure that ongoing arrangements comply with the Code of Good Governance for Scotland's Colleges assisted by the Audit Committee in ensuring compliance.

BOARD OF MANAGEMENT

An external review of the Board's effectiveness was completed during 2020/21 as required by The Code of Good Governance for Scotland's Colleges, which indicates that the Board needs to undergo an externally facilitated evaluation of its effectiveness at least every three years. The external review was completed over the course of the period from November 2020 to March 2021 which concluded that the College meets its obligations under the Code of Good Governance for Scotland's Colleges and, in a number of areas, demonstrates high standards of governance.

E Climate Change Action Plan

The College's Climate Change Action Plan was approved by the Board of Management at its June 2022 meeting. It was agreed by the Board that progress on implementation of the plan would be monitored at each quarterly Audit Committee. A report in progress on Climate Change Action Plan implementation was therefore submitted to each of the October and November 2022 meetings. In addition there are sustainability KPIs reported to each quarterly Finance and Resources Committee.

F Financial Reporting

EXTERNAL AUDIT

The external auditors of Glasgow Clyde College are Azets (formerly Scott Moncrieff) who were appointed by Audit Scotland for a five-year period from 2016/17 to 2020/21 which was extended to 2021/22. The future external auditor from 2022/23 to 2027/28 will be Audit Scotland.

Azets outlined the scope of their audit in their external audit plan for the financial period ending 31 July 2022, which they presented to the Audit Committee at its meeting in May. The key elements in the wider scope of their audit work were summarised as a review of financial sustainability, financial management, governance and transparency, and value for money.

Following the conclusion of their external audit of the financial statements for 2021/22, Azets produced an External Audit Management Report to those charged with Governance (which is stated in that report as the Audit Committee) and the Auditor General for Scotland. Their report has been drawn up in accordance with the Code of Practice issued by Audit Scotland.

The external auditor's report as prepared by Azets covered the following areas:

- i) Key Messages;
- ii) Introduction;
- iii) Financial Statements Audit;
- iv) Financial Sustainability;

BOARD OF MANAGEMENT

- v) Financial Management;
- vi) Governance and Transparency; and
- vii) Value for Money.

In addition, the external audit report includes two Appendices with one covering the Respective Responsibilities of the College and the Auditor, and the second covering adjusted and unadjusted differences identified during the audit.

The relevant sections of the report and the detailed recommendations and management responses contained in the external audit report for the financial period 2021/22 were reviewed by the Audit Committee at its November meeting.

Their key findings are included in the financial statements audit section of this report and there was one area of significant risk highlighted in the report from Azets which is College financial sustainability. Their report highlights that the College continues to face significant challenges with ongoing effort and activity to reach a long term sustainable position. The 2021/22 Financial Forecast Return (FFR) has a savings requirement of £0.852 million in 2022/23 and £0.168 million in 2023/24. The Board of Management have tasked the College with achieving the required savings and have requested an update at each Board meeting from December onwards in the progress on the savings plan.

In their management letter for the period ended 31 July 2022 the external auditor was satisfied that the financial statements represent a true and fair view of the financial position of the College for the period ended 31 July 2022 and on the regularity of transactions.

Azets' overall conclusion from their external audit and as included within their independent auditor's report in the financial statements are:

- an unqualified opinion on the financial statements;
- an unqualified opinion on the regularity of transactions; and
- an unqualified opinion on other prescribed matters.

The report also states that they are satisfied that there are no matters which they are required to report by exception.

Azets also indicated that they received draft financial statements and supporting papers in line with their agreed audit timetable and stated that their thanks go to all staff for their assistance throughout the audit.

There has been discussion with the external auditor on the long-term financial sustainability of the College, which is based on the Financial Forecast Return (FFR) and the College's three year financial forecast. It was emphasised that this has been discussed extensively during the year and the Board have

BOARD OF MANAGEMENT

considered the College's financial plans in detail. The future plans include a combination of cost reductions in staff costs and non-staff costs as well as Financial Sustainability funding in 2022/23 from the Glasgow Clyde Education Foundation.

The Financial Plan will be closely monitored by the College Senior Leadership Team and the quarterly monitoring of the management accounts will provide the updated position against plan to the College Finance and Resources Committee.

The key accounting judgements in respect of the 2021/22 Financial Statements were provided in a paper to the November Audit Committee. This paper is produced annually and covers adoption of the going concern basis for the preparation of the financial statements, income recognition, valuation of tangible fixed assets, provisions, and the accounting for the actuarial valuation of the College's element of the Strathclyde Pension Fund.

The Committee discussed in detail the assessment of the going concern basis in the financial statements, particularly in terms of the longer-term financial sustainability of the College which was agreed.

The Committee also discussed in detail the Scheme Actuary's valuation for the College's share of the assets and liabilities in Strathclyde Pension Fund. The valuation at July 2022 had unusually moved to a net asset of £20.2Million having been a net liabilities of £12.2million in the previous year at July 2021. The Committee noted that the approach adopted in the draft financial statements and suggested in the accounting judgements paper was to recognise the net pension asset in full.

In assessing the adoption of this position, the Committee noted that the terms of the Financial Reporting Standard required that it was more likely than not that there would be a probable inflow of economic benefit from the pension asset to the College, most probably through a reduction in future employer contributions to the pension scheme. The External Auditors emphasised the balance of judgement to be used in these circumstances.

After a full discussion it was agreed to have a meeting with the actuary to discuss the likely inflow of economic benefit and after that discussion the accounting judgement to recognise the net pension asset in full was utilized in the final version of the financial statements.

G Going Concern

BOARD OF MANAGEMENT

For the going concern assessment, the College needs to be viewed as being an entity which will continue in business for the foreseeable future. The responsibilities of those charged with governance include the going concern assessment, which is carried out by management and reviewed by auditors, and the foreseeable future is deemed to be twelve months from the date of signing the College's financial statements. The Audit Committee received a report on key accounting judgements at its November meeting which included consideration of the College as a going concern.

H Conclusion

The Audit Committee is satisfied as to the adequacy and effectiveness of the Glasgow Clyde College's internal financial and management systems as reviewed by internal audit and external audit for the financial period 2021/22.

The Committee is also of the opinion that the Board of Management's responsibilities in terms of audit practice have been complied with.

The Committee is committed to best practice in Corporate Governance and to complying with the Code of Good Governance for Scotland's Colleges for which all material aspects are being complied.

BOARD OF MANAGEMENT

AUDIT COMMITTEE

REMIT OF COMMITTEE

The Committee shall satisfy itself and provide assurances to the Board on the following:

- (1) the adequacy and effectiveness of the Glasgow Clyde College's systems of internal control in relation to its financial and management systems;
- (2) the comprehensiveness, reliability and integrity of assurances including the body's governance and risk management framework; and
- (3) the adequacy of the College's external financial reporting requirements.
- (4) progress made on the implementation of the College's Climate Change Action Plan and achievement of related targets.

The Audit Committee shall fulfill its remit through, inter alia, the following actions:-

SYSTEMS OF INTERNAL CONTROL

Reviewing, and advising the Board of Management, of the Internal Auditor's and External Auditor's assessment of the adequacy and effectiveness of the College's internal financial controls and internal control and risk management systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness and value for money.

Reviewing and advising the Board of Management on its compliance with corporate governance requirements including risk management practices and best practice guidance and compliance with the requirements of the Scottish Funding Council and the Financial Memorandum with the Glasgow Colleges Regional Board.

INTERNAL AUDIT

Advising the Board of Management on the selection, appointment or re-appointment and remuneration, or removal of the contracted out Internal Audit Service (IAS) provider.

Advising the Board of Management on the terms of reference for the IAS.

Reviewing the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit and advising the Board of Management on these matters.

Advising the Board of Management of the Audit committee's approval of the basis for and the results of the internal audit needs assessment.

Reviewing the IAS's monitoring of management action on the implementation of agreed recommendations reported in the internal audit reports and internal audit annual reports.

BOARD OF MANAGEMENT

Considering salient issues arising from internal audit reports and management's responses and report to the Board on such matters.

Informing the Board of Management of the Audit Committee's approval of the internal audit service's annual report.

Ensuring establishment of appropriate performance measures and indicators to monitor the effectiveness of the IAS.

Securing and monitoring appropriate liaison and co-ordination between internal and external auditors.

Ensuring good communication between the Committee and the Lead of IAS.

Responding appropriately to notification of fraud or other improprieties received from the Lead of IAS or other persons. This will include use of the College Fraud Response Plan.

GOVERNANCE AND RISK MANAGEMENT

VALUE FOR MONEY

Establishing and overseeing a review process for evaluating the effectiveness of the College's arrangements for securing the economical, efficient and effective management of the College's resources and the promotion of best practice and protocols and reporting to the Board of Management on such matters.

Ensuring there are appropriate processes in place in the College to deliver value for money.

Advising the Board of Management of action that it may wish to consider in the light of national value for money studies in the further education sector.

RISK MANAGEMENT

Reviewing the College's risk management arrangements and Risk Management Policy on an annual basis.

Reviewing the College Strategic Risk Register at least twice per year or as requested by the Chair of the Committee to ensure that the College's approach to managing risk is appropriate.

The Board of Management is responsible for the review and effectiveness of the College risk management arrangements and should form its own opinion despite these delegations to the Committee.

Reviewing the College's compliance with the Code of Good Governance for Scotland's Colleges and advising the Board of Management on this. As part of this, the Committee

BOARD OF MANAGEMENT

shall satisfy itself that other Board committees provide assurance to the Board, as appropriate, on their governance related activities.

Producing an annual report for the Board of Management on compliance with the Code of Good Governance for Scotland's Colleges.

FINANCIAL REPORTING

EXTERNAL AUDIT

(The College's external auditors shall be appointed by Audit Scotland)

Reviewing the External Audit Annual Plan.

To consider the fee parameters within the external audit plan.

Monitoring the integrity of the financial statements of the College and any formal announcements relating to the College's financial performance, reviewing significant financial reporting judgements contained in them, and from an audit perspective recommending them for approval to the Board

Reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations.

Advising the Board of Management of salient issues arising from the external auditor's Management letter and other external audit reports and of management's response.

Reviewing the statement of Corporate Governance.

Holding discussions with the external auditors and ensuring their attendance at Audit Committee and Board of Management meetings as required.

Considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken by the external auditor and advising the Board of Management of any potential conflict of interest.

Securing and monitoring appropriate liaison and co-ordination between external and internal audit.

Advising the Board of Management of significant, relevant reports from the Scottish Funding Council and Audit Scotland and successor bodies and, where appropriate, management's response to these.

Reviewing reported cases of impropriety to establish whether they have been appropriately handled.

Acting in accordance with the whistle blowing policy.

Undertaking a regular self-evaluation of the Committee.

BOARD OF MANAGEMENT

Meeting in private with the internal and external auditors at least once annually.

Liaising as appropriate with the Finance and Resources Committee.

MEMBERSHIP

The membership of the Committee is no more than six Board members, of which one will provide the role of Chair of the Committee and one will act as Vice Chair if elected. The Chair is elected by the Board of Management and the Vice chair is elected by the Committee. There should be no overlap of Board members with the Finance and Resources Committee. The Chair of the Board should not be a member of the Audit Committee although he/she can attend as an observer.

The membership should include a qualified accountant and if no member of the Committee is a qualified accountant then arrangements should be made for co-option. A staff member of the Board can be a member of the Audit Committee provided they do not have executive authority within the College which is taken as being the College Management Team level. The Board reviews the membership every four years.

The Principal, Vice Principal Resources and College Development and the Assistant Principal Finance and Infrastructure attend the Committee as advisors. The Committee meets at least four times per year.

QUORUM

The quorum set by the Committee is three members.

VERSION REVIEWED AND APPROVED BY COMMITTEE NOVEMBER 2022