

Glasgow Kelvin College

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Glasgow Kelvin College and the Auditor General for Scotland

December 2023

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Key messages

2022/23 annual report and accounts

- 1 Audit opinions on the annual report and financial statements are unmodified
- 2 The unaudited annual report and financial statements were received in line with the agreed audit timetable

Financial management and sustainability

- 3 The College reported a managed deficit in the 2022/23 adjusted operating position partly due to costs associated with voluntary severance
- 4 The College has appropriate financial arrangements in place with controls operating as expected
- 5 The College has an established and effective three-year financial planning process in place which clearly sets out how it plans to return to surplus
- 6 Voluntary schemes are planned for the next two years to reduce staff costs which the College must balance against continuing to meet learning targets

Vision, leadership and governance

- 7 The College has a clear vision and strategy and has appropriate arrangements in place to monitor progress
- 8 Governance arrangements are appropriate and there is a good range of information on the College website

Use of resources to improve outcomes

- 9 The College has developed an effective performance management framework which links to the Strategic Plan

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Glasgow Kelvin College (GKC). The scope of the audit was set out in an annual audit plan presented to the May 2023 meeting of the Audit and Risk Committee (ARC). This Annual Audit Report comprises:

- significant matters arising from an audit of GKC's annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

2. This report is addressed to the board of GKC and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Stuart Nugent, have been appointed by the Auditor General as auditor of GKC for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank board members, ARC members, the senior management team, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. GKC has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and financial statements that are in accordance with the account's direction from the Scottish Funding Council. GKC is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

6. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice](#)

[2021](#) , and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of GKC from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £60,700 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to GKC by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and financial statements are unmodified

The unaudited annual report and financial statements were received in line with the agreed audit timetable

Audit opinions on the annual report and financial statements are unmodified

11. The Board approved the annual report and financial statements for GKC for the year ended 31 July 2023 on 13 December 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor, the financial statements:

- give a true and fair view of the college's affairs as at 31 July 2023 and of its surplus for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Overall materiality was assessed as £0.60 million

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£0.60 million
Performance materiality	£0.45 million
Reporting threshold	£30,000

Source: [Audit Scotland](#)

14. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a low history of errors.

16. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

18. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

19. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Pension asset ceiling</p> <p>In 2022/23 the College's actuary presented a report with a net pension asset, i.e. its share of assets was greater than forecast obligations. The draft annual report and financial statements presented to audit disclosed a net asset of £20.4 million.</p> <p>Subsequently the actuary presented a second report exploring options regarding an asset ceiling. In doing so, the actuary followed the relevant standard (IFRIC 14) which is applicable under FRS 102.</p> <p>The pension asset ceiling approach compares the College's forecast pension contributions against the actuary's estimate of the cost of pensions earned in that year. This is then assessed over an appropriate time period (in this case 12 years 2022/23 and 13 years 2021/22). Where the College's forecast contributions total to less than the cost of pensions, it is appropriate to report the difference as an asset.</p> <p>In GKC's case, the forecast contributions were greater than the cost of pensions. In these cases the standard requires that organisations report a nil balance.</p>	<p>Through discussion with the College it was agreed that an adjustment was required to the pension asset, in line with the actuary's advice. The asset ceiling adjustment reduced the asset to nil.</p> <p>It was also agreed that the change in basis for the estimate should also be reflected in the balance for 2021/22. Therefore, a prior-period adjustment was posted to the prior-year net asset to reduce it from £11.95 million to £7.37 million.</p> <p>During discussions, the College informed the auditor that the pension fund was planning a reduction in contributions which will impact on the pension asset ceiling adjustment. The reduction in contributions was subsequently confirmed by the pension fund and a final net pension asset of £1.604 million was agreed.</p>

Source: Audit Scotland

20. In addition to the issue raised above, we also found an issue relating to how the College records the impairment review of its estate. Paragraph 20.2 of the FE SORP require colleges to carry out an annual review of its assets to assess whether there has been an impairment loss. Through discussion with officers we are satisfied that this took place, however it was not documented.

Recommendation 1

The College should document its annual impairment review of its assets.

Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

21. We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Test journals at the year-end and post-closing entries and focus on significant risk areas. Consider the need to test journal entries and other adjustments during the period. Evaluate significant transactions outside the normal course of business. We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. Substantive testing of income and expenditure transactions around the 	<p>Our testing of the controls around journals found that they operated as expected.</p> <p>We did not find any evidence of unusual activity through speaking to individuals and reviewing the data from our data analysis model.</p> <p>Our testing of year-end journals found no issues.</p> <p>Through review of data extracted from the ledger, we did not find any significant transactions outside of the normal course of business.</p> <p>We are satisfied that changes to accounting estimates were based on a change in information provided to the College.</p> <p>Our substantive testing of income and expenditure transactions did not find any issues and confirmed that items had been reported in the correct year.</p> <p>Our testing of accruals and prepayments did not find any issues.</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>year-end to confirm they are accounted for in the correct financial year.</p> <ul style="list-style-type: none"> • Focussed testing of accounting accruals and prepayments. 	
<p>2. Estimation in the valuation of land and buildings.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>All non-current assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that Glasgow Kelvin College ensures the financial statements accurately reflect the value of the land and buildings.</p>	<ul style="list-style-type: none"> • Review the information provided to the external valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred. • Challenge management's assessment of why it considers that the land and buildings not revalued in 2022/23 are not materially misstated. We will critically assess the appropriateness of any assumptions. • Critically assess the adequacy of the College's disclosures regarding the assumptions in relation to the valuation of land and buildings. 	<p>We ensured that the College had carried out an impairment review and shared the results with the valuer.</p> <p>We carried out a review of the valuer and confirmed that they were appropriately qualified and were objective.</p> <p>We confirmed that the valuer was independent of the College and that management appropriately considered the advice provided.</p> <p>We reviewed the disclosures in the financial statements and confirmed that they were consistent with supporting material, including the valuers report.</p>
<p>3. Estimation in the valuation of pension asset/liability</p> <p>Glasgow Kelvin College is a member of the Strathclyde pension fund (i.e. the local government pension scheme) and accounts for it under the relevant accounting standard (FRS 102). At 31 July 2022 the net asset was £11.9 million.</p>	<ul style="list-style-type: none"> • Review of information provided by the College to its actuary. • Completion of 'review of the work of an expert' in respect of the actuary including a review of actuarial assumptions. • Review evidence confirming that the College's management has assessed the estimate provided by its actuary. 	<p>We confirmed that the College had provided the actuary with relevant and accurate information.</p> <p>We carried out a review of the actuary and confirmed that they were appropriately qualified and objective. We also used the work of an auditor's expert to support this assessment.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>The present value of the retirement (pension) obligations depends on a number of factors that are determined on an actuarial basis underpinned by a series of assumptions. There is a risk that errors in the information provided to the actuary or in the underlying assumptions, or late information, can result in a material misstatement.</p>	<ul style="list-style-type: none"> • Testing of pension disclosures in the financial statements, including disclosures in the key estimates and judgements note. 	<p>We attended a meeting between the College and the actuary to confirm that management appropriately considered the advice provided and offered challenge where necessary.</p> <p>We also attended a meeting to discuss the implications of a further report from the actuary concerning the pension asset ceiling (see Exhibit 2, Item 1).</p> <p>We confirmed that disclosures were consistent with supporting records, including advice from the actuary.</p>

Source: Audit Scotland

Our testing found one identified misstatement

22. The adjustment to the net pension asset presented in [Exhibit 2](#) resulted from a change in estimate rather than an error. As such it is not considered to be a misstatement. Overall our audit found one misstatement above our reporting threshold. This related to an error in the calculation of depreciation. If corrected, this would increase net expenditure by £0.15 million and decrease the net assets in the balance sheet by the same amount. We are content that this does not materially impact on the annual report and financial statements.

The unaudited annual report and financial statements were received in line with the agreed audit timetable

23. The unaudited annual report and financial statements were received in line with our agreed audit timetable on 28 September 2023. Although our plan referred to receiving the accounts by 26 September, a copy of the financial statements element was provided on 21 September. This ensured that the audit commenced in line with our timetable.

Good progress was made on prior year recommendations

24. GKC has made good progress in implementing the audit recommendations identified by Azets, the College's previous external auditor. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Conclusion

The College reported a managed deficit in the 2022/23 adjusted operating position partly due to costs associated with voluntary severance

Budget processes were appropriate and provided Board members with a good indication of the year-end position

The College has appropriate financial arrangements in place with controls operating as expected

GKC reported a managed deficit in the 2022/23 adjusted operating position partly due to costs associated with voluntary severance

25. As shown in [Exhibit 4](#), GKC reported an operating deficit before other gains and losses of £1.95 million in the Statement of Comprehensive Income for the year ended 31 July 2023. The deficit increased by £0.49 million from 2021/22.

Exhibit 4

Financial performance in 2022/23

Financial performance	2022/23 (£m)	2021/22 (£m)	Difference (£m)
Income	32.68	32.90	(0.28)
Expenditure	(34.57)	(34.30)	(0.27)
Surplus/(Deficit)	(1.89)	(1.40)	(0.49)

Source: GKC annual report and financial statements 2022/23

26. The 2022/23 accounts direction from the SFC requires the disclosure of an adjusted operating position. This is intended to reflect the underlying operating

performance after allowing for material one-off or non-cash items (e.g. depreciation, pension adjustments, exceptional income or expenditure).

27. The College's adjusted operating position in 2022/23 was a deficit of £1.27 million, see [Exhibit 5](#). The adjusted deficit represents 3.9% of total income. The College had originally budgeted for a deficit of £0.46 million. The actual result therefore represents an adverse position of £0.87 million but is more favourable than the quarter 2 forecast which was a deficit of £0.81 million.

Exhibit 5

Adjusted operating position in 2022/23

Adjusted operating position	2022/23 (£m)	2021/22 (£m)	Movement (£m)
Surplus / (Deficit) before other gains and losses	(1.89)	(1.40)	(0.55)
Depreciation (net of deferred capital grant release)	0.69	0.78	(0.09)
Non-cash pension adjustments	0.16	2.28	(2.12)
Early retirement provision charged to SoCI	(0.23)	(0.57)	0.34
Adjusted Operating Surplus	(1.27)	1.09	(2.36)

Source: GKC annual report and financial statements 2022/23

Budget processes were appropriate and provided Board members with a good indication of the year-end position

28. We reviewed GKC's budgetary processes and budget monitoring arrangements by reviewing budget monitoring reports and committee papers. We confirmed that Board members receive regular, timely and up to date financial information on the College's revenue financial position.

29. The College set a deficit budget of £0.46 million for 2022/23 in light of funding constraints. The deficit position was reported during the year and identified that it had declined by quarter 2 to £1.54 million. The in-year reports also provided good explanations for this movement.

30. The in-year reports provided a good indication of the year-end adjusted operating deficit which was slightly improved at £1.33 million. In light of this, we have concluded that the College has appropriate budget setting and monitoring arrangements.

GKC has appropriate financial arrangements in place with controls operating as expected

- 31.** We carried out a review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach. We concluded that the controls generally operated as expected.
- 32.** We also carried out some tests of control in relation to the payroll system. We found no weaknesses which could affect the College's ability process financial data to result in a material misstatement in the financial statements.
- 33.** We did note one area for improvement regarding a possible reconciliation between the payables system and the ledger. Through discussion with the College we confirmed that is because changes can be made to transactions in the ledger which do not feed through to the payables system.
- 34.** Through our substantive testing of payables transactions we did not find any issues but the College should consider how it can reconcile these systems.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

- 35.** In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.
- 36.** GKC has appropriate arrangements in place to prevent and detect fraud or other irregularities. The College has an anti-fraud and anti-corruption policy which sets out the main responsibilities and contacts should someone suspect an issue. This is supported by other plans, most notably the Public Interest Disclosure ("Whistle Blowing") Policy and Procedure.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The College has an established and effective three-year financial planning process in place which clearly sets out how it plans to return to surplus

Voluntary severance schemes are planned for the next two years to reduce costs which the College must balance against continuing to meet learning targets

The College has an established and effective three-year financial planning process in place which clearly sets out how it plans to return to surplus

37. The College presented the latest iteration of its three-year financial plan to the Board on 12 June 2023. This set a deficit budget of £0.60 million for 2023/24, returning to surplus in 2024/25 and 2025/26. The improved financial position is due to reductions in staff costs in later years. This follows planned voluntary severance (VS) schemes in 2023/24 and 2024/25 in addition to the scheme in 2022/23.

38. The reduction in staff costs is necessary because of real-terms reductions in funding from the Scottish Funding Council (SFC). In addition to that, the current economic conditions, i.e. high inflation, means that costs have increased significantly in recent years.

39. The plan clearly sets out the key assumptions which underpin the forecasts. It also includes a scenario analysis regarding key variables, namely funding and pay awards. Further, it provides a risk analysis assessing likelihood and impact of issues such as the College failing to meet its credit target resulting in finding reductions.

40. It is evident that GKC has an established and effective medium-term financial planning process in place. This has been used to set out how the College will manage real-terms funding reductions in a period of high price inflation. There is potential to extend the plan to a five-year horizon which would align GKC with many other public bodies.

Voluntary severance schemes are planned for the next two years to reduce costs which the College must balance against continuing to meet learning targets

41. As set out previously, GKC is planning for reductions in staff costs through VS schemes. In 2022/23 the College spent £0.79 million which was almost in line with the mid-year forecast. Similar amounts are forecast in the next two years which will be met from College funds, i.e. no additional money is available from the SFC.

42. As colleges are funded through achievement of credit targets (based on hours of learning activity), GKC will need to carefully manage its VS process. The SFC has reduced credit targets by 10% which will help ease this process to some extent, but it will remain a challenge.

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

The College has a clear vision and strategy and has appropriate arrangements in place to monitor progress

Governance arrangements are appropriate and there is a good range of information on the College website

The College has a clear vision and strategy and has appropriate arrangements in place to monitor progress

43. GKC has a strategic plan which covers the period from 2022-2027. This sets out the strategic ambitions and priorities which are aligned with the regional outcome agreement. Supporting this are various other documents including the financial strategy and the learning, teaching and assessment strategy. All documents are available on the College website.

44. The College's Board received reports in March and October 2023. These outlined progress against strategic objectives as per the strategic plan. It provides an update using a RAG (red, amber, green) status style of reporting as well as giving more detail behind each objective. This allows members to challenge and scrutinise progress made against the objectives.

45. It is evident that the College has a clear vision supported by effective monitoring.

Governance arrangements are appropriate and there is a good range of information on the College website

46. The College's governance arrangements have been set out in the Governance Statement in the annual report and financial statements. We have reviewed these arrangements and concluded that they are appropriate and effective.

47. The College makes a selection of Board and committee papers and minutes available on its website. There is scope to further improve GKC's approach to

openness and transparency by making some financial reports available on the website. Currently these papers are not made available.

48. While it is accepted some information is confidential, reports concerning the College's financial position would be beneficial. It would also be consistent with the Scottish Government's '[On Board](#)' guidance which refers to openness and transparency in its decision-making.

Climate change arrangements

49. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

50. GKC has a climate change action plan (CCAP) 2023 which is available on its website. This confirms that the College targets reductions of 75% by 2030, 90% by 2040 and net zero by 2045. The annual report and financial statements also provides a link to the CCAP and a summary of achievements and ongoing actions.

51. The annual report and financial statements also refer to £2.6 million awarded from the Scottish Government Energy Efficient Grant Scheme. This also provides details of how this funding will be used. At the September meeting of the ARC, the College confirms that it is putting in place appropriate governance arrangements to control the spend of this funding.

52. These actions outlined above provides evidence that the College demonstrates an awareness of its climate change responsibilities. It also confirms that it is taking active steps to further reduce its carbon emissions to meet its stated targets.

53. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

The College has developed an effective performance management framework which links to the Strategic Plan

Best Value framework

54. [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the Board of Management's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

55. During our audit, the College set out its approach relating to each of the seven characteristics as set out in the SPFM. We were also informed of the Continuous Improvement Programme and Group which involves staff from across the College and focuses on achieving efficiency and value. We will continue to review this area over our five-year appointment and to provide updates in our annual reports.

The College has developed an effective performance management framework which links to the Strategic Plan

56. Securing the economical and effective management of the College's resources and expenditure is the responsibility of the Board. The Financial Memorandum between the SFC and GKC requires the college:

- to have a strategy for reviewing management's arrangements for achieving value for money
- as part of internal audit arrangements, obtain a comprehensive appraisal of management's arrangements for achieving value for money.

57. The College's Strategic Plan (as set out in [paragraph 43.](#)) sets out how it will achieve value for money. It identifies three strategic ambitions and nine underlying objectives.

58. Monitoring reports submitted to the Board provide members with an executive summary of progress against each objective using RAG status. In the most recent report in October 2023, seven of the priorities were rated green, four amber and none were rated as red. This is supported by ten performance indicators.

59. These indicators are represented in the annual report and financial statements, within the performance report section. The level of coverage varies and while some are presented in tabular form, others are presented in narrative. From review, the level of reporting appears reasonable and appropriate and provide readers with a good sense of the College's overall performance.

Student attainment has improved since last year in most areas

60. The performance indicators described previously include those measuring academic attainment. These are measured against each of the four modes of education, along with previous years' data to allow for trend analysis. [Exhibit 6](#) summarises this data.

61. This shows that performance in 2022/23 has improved since last year (apart from part-time HE) but still remains below pre-Covid levels.

Exhibit 6

Key performance indicators – trend analysis

KPI	2022/23	2021/22	2020/21	2019/20	2018/19
Full-time FE	59.6%	52.1%	57.7%	68.8%	63.8%
Full-time HE	61.0%	55.6%	69.2%	72.3%	66.5%
Part-time HE	76.1%	78.9%	75.9%	75.7%	74.7%
Part-time FE	75.0%	73.6%	78.6%	84.7%	83.1%

Source: GKC annual report and financial statements 2022/23

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Impairment review</p> <p>Paragraph 20.2 of the FE SORP require colleges to carry out an annual review of its assets to assess whether there has been an impairment loss. Through discussion with officers we are satisfied that this took place, however it was not documented.</p> <p>Risk – The College is unable to demonstrate that it has met with the accounting requirements on impairment reviews.</p>	<p>The College should document its annual impairment review of its assets.</p> <p>Paragraph 20.</p>	<p>The College will ensure that there is written evidence to support the annual impairment review. This will be via email exchange with relevant staff, with supporting documentation if appropriate.</p> <p>Head of Finance 31 August 2024</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. financial statements preparations</p> <p>We received a first version of the unaudited annual accounts in Excel format eight working days after the agreed audit start date. This reflected the high workload level for the finance team due to absence within the team during the period of the audit,</p>	<p>This could be avoided with improved communication in the future years.</p>	<p>Complete – as covered in paragraph 23. . The accounts and working papers were provided in line with agreed timescales.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>but also lead to resource and audit timetable inefficiencies.</p> <p>Risk – Late submission of the accounts may lead to inefficiencies and late sign off.</p>		
<p>b/f 2. Workforce Planning</p> <p>The College is facing significant financial challenges, and some of the factors like funding or pay levels are not entirely in the College's control.</p> <p>At the same time this challenge will be partly managed by an effective and continuously changing, scenario-based workforce plan. There are high level workforce plans and a strategy in place. We note these plans analyse the key issues faced and structure of the workforce, but had no further detail as to the possible actions and scenarios.</p> <p>Risk – A complete and scenario-based workforce plan will help the College to manage its workforce and clarify GKC's position in relation to its financial needs.</p>	<p>We would recommend to develop a scenario based plan including more detail behind the high-level analysis.</p>	<p>Ongoing – review of papers submitted to the Board and committees confirmed that this has yet to be prepared.</p> <p>In the current circumstances a whole organisation workforce plan with scenarios is not feasible. The voluntary nature of the severance scheme has made the preparation of a College-wide workforce plan difficult.</p> <p>Workforce planning takes place at Curriculum level and each curriculum and support area continues to monitor needs in relation to operational plan delivery and opportunities to make savings when staff leave, move departments or apply for voluntary severance (VS) applications are made in the area. The business case for each applicant considers the impact on the service and remaining staff if VS is granted.</p>
<p>b/f 3. Cash management</p> <p>The College has a reserves cash policy of maintaining 15-25 days of baseline cash. At the year end the closing cash balance was £4.157 million which equals to 47 days.</p>	<p>More needs to be done to improve working capital management to reduce cash balances to more appropriate levels.</p>	<p>Complete – this was discussed with GKC who confirmed that although the 2022/23 accounts report a balance of £4.154 million, the underlying cash balance was around £0.600 million.</p> <p>Cash is being held for accruals as well as funds</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk – A key principle for public bodies is that they do not draw down cash in advance of need.</p>		<p>relating to student support which the college acts as an agent for. We are satisfied that the College holds an appropriate underlying cash balance.</p>
<p>b/f 4. Capital plans</p> <p>Capital expenditure plans, are based on GCRB allocations and the colleges sector estates condition survey prepared by a third party on behalf of the SFC. The capital plans prepared by the College in effect are only for one year.</p> <p>Risk – We would expect the College has capital plans beyond one year to manage its asset base over the long term.</p>	<p>We understand that the SFC and GCRB funding works in annual cycles, however we would encourage the College to have a mid to long term capital plan in place to help manage its estate and support the College in their discussions with the funding providers.</p>	<p>Ongoing – from review of papers submitted to Finance and Resources Committee in the period to September 2023, the only capital plans submitted were for a single year.</p> <p>The strategic capital plan is being produced as part of the work that is being done across the whole College sector during 2023/24. The Scottish Funding Council (SFC) issued the Infrastructure Strategy in November 2022 and the Infrastructure Delivery Group, led by the SFC, is working with the sector to develop a 10-year national infrastructure plan by summer 2024, built up from consistent data collated from all colleges via guidance and support from this Group.</p> <p>Vice-Principal Operations July 2024</p>

Glasgow Kelvin College

2022/23 Annual Audit Report

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