



Scott-Moncrieff
business advisers and accountants

City of Glasgow College

2017/18 Annual Audit Report to the Board and
the Auditor General for Scotland

December 2018

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Key messages

Annual accounts audit

The annual accounts for the year ended 31 July 2018 were approved by the Board on 5 December 2018. We reported within our independent auditor's report an unqualified opinion on the annual accounts, regularity and on other prescribed matters.

The annual accounts and supporting schedules were of a high standard. Our thanks go to staff at the City of Glasgow College for their assistance with our work.

Wider scope audit

Financial sustainability

The College invested additional resource in 2017/18 to develop a five year financial strategy.

The strategy shows that the College is forecasting an accounting deficit position which fluctuates from £0.556million to £1.357million across the period from 2018/19 to 2022/23. However the College is projecting an underlying surplus in each financial year to 2022/23

Financial management

The College has adequate arrangements in place for financial management.

The college reported an accounting deficit of £2.298million for the year and an underlying surplus of £0.644million.

We found the budget monitoring processes and systems of internal control to be adequate.

Governance & transparency

Governance arrangements at the College are deemed to be appropriate. There is further work required to more firmly establish the nature of the relationship with the Glasgow Colleges' Regional Board.

In 2017/18 we identified five Board members who had not fully disclosed their interests in other companies.

Value for money

The College demonstrated commitment to achieving value for money through its annual review of the value for money strategy.

The College has an established and appropriate performance management framework in place, and developed revised KPI's in year to align with the 2017-25 Strategic Plan.

Key facts

- The College spent £92.342million on the delivery of services in 2017/18. Payroll costs make up 51% of total expenditure and are a key area of cost pressure for the College.
- The College reported an accounting deficit of £2.298million against a budgeted deficit of £0.286million. The increase in costs related to the leadership reorganisation and the associated voluntary severance scheme.
- In 2017/18 the College reported an underlying surplus of £0.644million against a budgeted position of £0.026million.
- The College has agreed a 2018/19 budget which projects an accounting deficit of £1.292million and an underlying surplus of £0.631million.

Conclusion

This report concludes our audit for 2017/18. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

Scott-Moncrieff, November 2018

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Introduction

This report is presented to those charged with governance and the Auditor General for Scotland and concludes our audit of the City of Glasgow College for 2017/18.

We carry out our audit in accordance with Audit Scotland's Code of Audit Practice (May 2016). This report also fulfils the requirements of International Standards on Auditing (UK) 260: Communication with those charged with governance.

At the City of Glasgow College, the Audit Committee has been designated as "those charged with governance".

Introduction

1. This report summarises the findings from our 2017/18 audit of the City of Glasgow College (“the College”).
2. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit Committee in January 2018. The core elements of our work include:
 - an audit of the 2017/18 financial statements and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1; and
 - any other work requested by Audit Scotland, for example, input into performance audit work.

Exhibit 1: Audit Dimensions within the Code of Audit Practice



Source: Audit Scotland Code of Audit Practice, May 2016

3. The College is responsible for preparing an annual report and accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual report and accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
 4. The report contains an action plan with specific recommendations, responsible officers and dates for implementation. We give each recommendation a grading to help the College assess their significance and prioritise the actions required.
 5. We discussed and agreed the content of this report with the Vice Principal Finance and HR. We would like to thank all management and staff for their co-operation and assistance during our audit.
- ### Confirmation of independence
6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
 7. The audit fee reported in our external audit plan was £38,600. No adjustment to the fee has been required during the course of our audit.

8. At the request of the College, Scott-Moncrieff provided audit services in relation to Student Funds and Education Maintenance Allowance Grants during the year totalling £5,000. This work did not involve management decision making and was undertaken by an independent audit team, entirely separately from the College External Audit team.
9. We confirm that we have complied with the Financial Reporting Council's (FRC) Ethical Standards. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.

Adding value through the audit

10. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the College through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the College promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

11. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey:
www.surveymonkey.co.uk/r/S2SPZBX
12. While this report is addressed to the College, it will be published on Audit Scotland's website
www.audit-scotland.gov.uk

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Annual report and financial statements

The College's annual report and financial statements are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

In this section we summarise the findings from our audit of the 2017/18 annual report and accounts.

Annual report and financial statements

The annual report and financial statements for the year ended 31 July 2018 were approved by the Board on 5 December 2018. We reported unqualified opinions within our independent auditor’s report. We did not identify any significant adjustments to the unaudited annual report and accounts.

The College has appropriate administrative processes in place to prepare the annual report and accounts and the required supporting working papers.

Overall conclusion

An unqualified audit opinion on the annual report and accounts

- 13. The annual report and accounts for the year ended 31 July 2018 were considered by the Audit Committee on 14 November 2018 and were approved by the Board on 5 December 2018. We intend to report within our independent auditor’s report:
 - an unqualified opinion on the financial statements;
 - an unqualified opinion on regularity; and
 - an unqualified opinion on other prescribed matters.
- 14. We are also satisfied that there were no matters which we are required to report by exception.

Appropriate administrative processes were in place

- 15. We received unaudited annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. Our thanks go to staff at the College for their assistance.

- 16. Arrangements are in place to enable the annual report and financial statements to be submitted to the Scottish Funding Council (SFC) and Auditor General for Scotland by the 31 December deadline.

Our assessment of risks of material misstatement

- 17. The assessed risks of material misstatement described in Exhibit 2 are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual report and accounts is not modified with respect to any of the risks described in Exhibit 2.

Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

1. Revenue recognition

Under ISA (UK) 240 - *The auditor’s responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the College could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

Excerpt from the 2017/18 External Audit Plan



- 18. At the planning stage of our audit we considered that the risk of fraud in relation to revenue recognition was present in all non-government revenue streams. We evaluated

Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

each type of revenue transaction and documented our conclusions.

- 19. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements. To inform our conclusion we evaluated the College’s key revenue streams and reviewed the controls in place over revenue accounting. We also carried out testing to confirm that the revenue recognition policy is appropriate and that it was applied consistently throughout the year.

2. Risk of fraud in the recognition of expenditure

The FRC has published a revised Practice Note 10 which applies to the audit of financial statements of public sector bodies in the UK, for periods commencing after June 2016. The practice note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

In line with the practice note, our presumption is that the College could adopt accounting policies or recognise expenditure in a way that materially misstates the College’s financial performance.

Excerpt from the 2017/18 External Audit Plan

- 20. While we did not suspect incidences of material fraud and error, we evaluated each expenditure stream and documented our conclusions. We have gained reasonable assurance on the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements. To inform our conclusion we carried out testing to confirm that the College’s policy for recognising expenditure is appropriate and has been applied consistently throughout the year.

3. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA 240 - *The auditor’s responsibilities relating to fraud in an audit of financial statements*.

Excerpt from the 2017/18 External Audit Plan

- 21. We have not identified any indications of management override in the year. We have reviewed the College’s accounting records and obtained evidence that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

4. Voluntary severance scheme

The College has opened a voluntary severance scheme to staff in 2017/18 and anticipate that a number of applications will be approved prior to the year end. Exit packages are sensitive in nature and can lead to a risk of reputational damage to the College. We therefore deem these transactions to be material by nature

Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

and a significant risk to the audit of the financial statements.

Excerpt from the 2017/18 External Audit Plan

22. There were 41 severance packages awarded in year totalling £2.254 million. We have reviewed each package to ensure it has been accounted for correctly and we did not identify issues from our testing.
23. The Scottish Funding Council (SFC) published guidance in 2016 on seeking approval for severance schemes and settlement agreements. We have reviewed the settlement agreements awarded by the College in 2017/18 against the requirements of this guidance and have noted that the scheme was approved by the Performance, Remuneration and Nomination Committee, the Glasgow Colleges' Regional Board and the SFC in line with the guidance.
24. The terms of the voluntary severance scheme highlight that approval from the SFC is required for any packages with payback of more than 12 months and for those incorporating pay in lieu of notice or holiday pay. In 2017/18 there were no packages which met these criteria.
25. The Glasgow Colleges' Regional Board approval was required for any packages over £95,000. We noted in 2017/18 there was one package which exceeded this threshold and the appropriate approval was obtained prior to the severance package being agreed.

Our application of materiality

26. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.
27. Our initial assessment of materiality for the College's annual accounts was £1.587 million. On receipt of the 2017/18 draft accounts, we reassessed materiality and set a new threshold of £1.662 million. This equates to approximately 1.8% of the College's actual gross expenditure. Achieving a breakeven position through the application of both income and government funding is a key target for the College and one of the principal considerations for the users of the accounts when assessing financial performance.

Performance materiality

28. Performance materiality is the amount set by the auditor at less than overall materiality for the annual accounts as a whole to reduce to an appropriately low level the probability that the

aggregate of the uncorrected and undetected misstatements exceed materiality for the annual accounts as a whole.

29. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We performed audit procedures on all transactions and balances that exceeded our performance materiality. This means that we performed a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the following table:

Area risk assessment	Weighting	Performance materiality
High	50%	£0.83 million
Medium	60%	£0.99 million
Low	75%	£1.25 million

30. We agreed with the Audit Committee that we would report all material corrected misstatements, uncorrected misstatements with a value in excess of £71,400, as well as other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the annual accounts.

Audit differences

31. We are pleased to report that our audit identified no material adjustments. We have identified one unadjusted error relating to the classification of fixed assets which has no impact on the financial position. Full details are included in Appendix 3. Management has elected not to adjust for the error on the grounds of materiality.
32. In addition we identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.

An overview of the scope of our audit

33. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit Committee at the outset of our audit. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the College. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
34. At the planning stage we identified the significant risks that had the greatest effect on

our audit. Audit procedures were then designed to mitigate these risks.

35. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical review. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit manager and audit partner. In performing our work we have applied the concept of materiality, which is explained earlier in this report.

Other matters identified during our audit

36. During the course of our audit we noted the following:

Other information in the annual report and accounts

37. "Other information" in the annual report and accounts comprises any information other than the financial statements and our independent auditor's report. We do not express any form of assurance conclusion on the "other information" except as specifically stated below.

The performance report

38. We were provided with the Annual Report in the second week of our audit. We noted that the performance report is not labelled as such in line with the requirements of the FR&M.
39. Our opinion on other prescribed matters includes a requirement to provide an opinion on whether the performance report is consistent with the financial statements and whether it has been properly prepared in accordance with applicable legal requirements and directions made by the SFC.
40. From our review of the Annual Report we have identified a number of disclosure adjustments which require to be made to the element of the annual report relating to performance to meet the requirements of the SFC accounts direction. We have raised the disclosure issues with management which have been addressed in the revised financial statements.

The accountability report

41. The accountability report is required in order to meet key parliamentary accountability requirements and comprises three sections: a corporate governance report (including the

governance statement), a remuneration and staff report; and a parliamentary accountability report.

Governance statement

42. The College's Governance Statement explains that the College was compliant with the principles of the 2016 Code of Good Governance for Scotland's Colleges. This is deemed to be in accordance with the requirements outlined in the 2017/18 Accounts Direction, released by the SFC.
43. While we are satisfied the content of the Governance Statement is not inconsistent with information gathered during the course of our normal audit work, we identified a number of disclosure improvements required in order to ensure full compliance with the SFC guidance.
44. The College has taken on board our comments and updated the Governance Statement in the revised annual report and financial statements.

Remuneration and staff report

45. Our independent auditor's report confirms that the part of the Remuneration Report to be audited has been properly prepared.
46. We identified misstatements with regards to 3 employees disclosed real increases in pension, lump sum and CETV within the remuneration report. We also raised an issue with regards to the calculation of the median. The issues have been adjusted in the revised financial statements and we have concluded that the disclosures are in line with underlying records and disclosure requirements.

Pension Liability

47. As at 31 July 2018 the net LGPS pension asset was £1.391million, a decrease of £14.015million in comparison to the net pension liability as at 31 July 2017 (£12.624million).
48. Due to the significant movement in comparison with the prior year, we have conducted a more detailed analysis of the assumptions put in place by the actuary.
49. The movement at the College is in line with movements across the sector which are primarily as a result of the triennial valuation of the Local Government Pension Funds (carried out as at 31 March 2018). The actuarial valuation for the 31 July 2018 is the first year that the results of the triennial valuation are

taken into account. In the interim years between triennial valuations, actuarial valuations are based on rolled forward data rather than a full valuation.

Regularity

50. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts. We did not identify any instances of irregular activity.

Qualitative aspects of accounting practices and financial reporting

51. During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are in line with the Government Financial Reporting Manual. We identified that the College holds basic financial instruments, which are disclosed in the notes to the accounts. We would recommend a suitable accounting policy is added to the financial statements. We have also recommended that a useful economic life is added to the intangible assets accounting policy.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. Estimates have been made in relation to the valuation and depreciation of property, plant and equipment and pension provisions. Where available, the College has utilised the work of independent experts or industry practice to support the estimate applied. Significant estimates have been made in relation to the valuation of property, plant and equipment. The last valuation took place as at 1 August 2016 and was informed by advice from qualified, independent experts. The valuation process is in line with the requirements of the FReM. Pension estimates have been informed by advice from qualified, independent experts. We evaluated the competence, objectivity and capability of managements' experts in line with the requirements of ISA (UK) 500.
The appropriateness of the going concern assumption	We have reviewed the detailed financial forecasts for 2018/19. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the College will continue to operate for at least 12 months from the signing date.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the annual report or material inconsistencies with the financial statements.	The annual report contains no material misstatements or inconsistencies with the financial statements.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

Disagreement over any accounting treatment or annual accounts disclosure.	While disclosure and presentational adjustments were made during the audit there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.

3

Financial management

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

Financial management



The College has adequate arrangements in place for financial management.

The college reported an accounting deficit of £2.298million for the year and an underlying surplus of £0.644million

We found the budget monitoring processes and systems of internal control to be adequate.

Financial performance

52. The principal financial objective for the College is to work within the resource budget allocated to it by the Glasgow Colleges' Regional Board. The College aims to report a break-even position after adjusting the Statement of Comprehensive Income, as prepared under the FE/ HE SORP, for non-cash items as outlined by the Scottish Funding Council

53. In 2017/18 the College reported a deficit of £2.298million, which when adjusted for non-cash items resulted in an underlying surplus of £0.644million. The College had originally budgeted an underlying surplus of £0.026million, however, as outlined below key assets were not sold in year and the impact was that the budgeted loss on sale of fixed assets was not incurred.

Exhibit 3: The College performance against budget

	Budget £000	Actual £000	Variance £000
Income			
Scottish Funding Council grants	63,642	62,761	(881)
Tuition fees and education contracts	19,177	18,072	(1,105)
Other income (including investment income)	5,251	6,300	1,049
Endowments and donations	1,000	2,911	1,911
	89,070	90,044	974
Expenditure			
Staff Costs	(47,473)	(47,567)	(94)
Exceptional staff costs	-	(2,254)	(2,254)
Other operating expenses	(31,855)	(32,517)	(662)
Depreciation	(10,028)	(10,004)	24
	(89,356)	(92,342)	(2,986)
	(286)	(2,298)	(2,012)

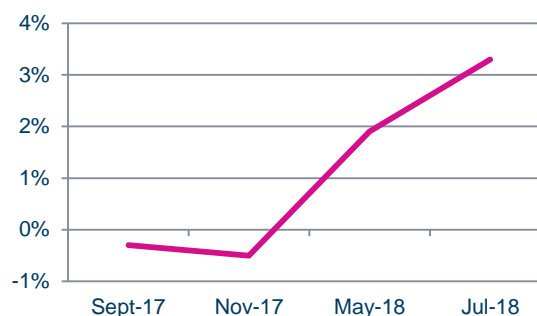
54. It was noted that the budget included income from the sale of fixed assets of £20.800million. This was offset exactly by the budgeted costs associated with the sale of the buildings. In 2017/18 the sale did not take place and therefore the impact has not been reported in the financial statements.
55. The key area of increased expenditure was for exceptional staff costs of £2.254million which related to a voluntary severance scheme which was a result of a reorganisation of the leadership team.
56. The reorganisation was approved by the Board in June 2018 and was driven by the need to improve operations at the College along with the ongoing need for efficiency.
57. The costs of the voluntary severance packages were partially met by an increase in donations from the City of Glasgow College Foundation of £1.8 million.
58. Other key variations which lead to an increase in the deficit included a reduction of 1.3% in the budgeted deferred grant income from the SFC. A release of £4.672million of deferred grants was predicted based on the sale of buildings; however, due to difficulties selling the campus the level of income released from the deferred grants was £1.188million lower than budget.
59. Movement in other costs related to increased interest costs of £0.363million associated with the actuarial valuation along with £0.314million which was spent on improvements for the new campus.
60. The variations took place through the Scottish Government spring and autumn budget revisions.

Budget monitoring

61. We reviewed the College budgetary processes and budget monitoring arrangements in 2017/18. The Board receive financial monitoring reports at each meeting.
62. Reports presented are at a strategic level and include sufficient explanations for variances.
63. The original budgeted expenditure (excluding the costs of the sale of buildings) was £89.356 million

64. Throughout the year the College managed expenditure to within 4% of the budgeted figures (Exhibit 4).

Exhibit 4: Reported movement as a percentage of budget

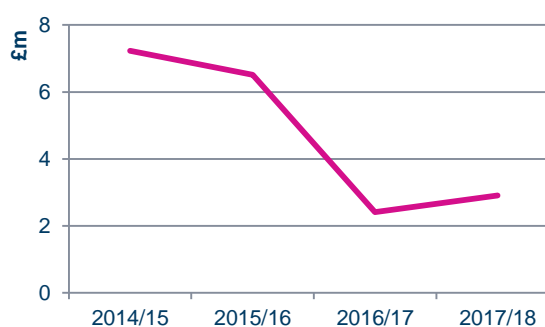


65. The most significant movement in the budget was between November and May. This change related to the leadership reorganisation project and the Board were fully aware of the cost implications of this through papers presented in February, March and June. The increase in expenditure was therefore expected and communicated appropriately to the Board.

City of Glasgow College Foundation

66. In March 2014 the College made a donation of £21.7million to the City of Glasgow College Foundation (the foundation). This was to provide support for education in the City of Glasgow area.
67. Since 2014 the College has donated a further £3.1million and made several applications for support from the foundation as shown in Exhibit 5.

Exhibit 5: Grant funding from the Foundation



68. The level of grant funding from the Foundation has been decreasing since 2015 and the majority of grants received have supported significant projects at the College.
69. In 2017/18 60% of the grant received from the Foundation was used to support the costs of the leadership reorganisation.
70. We reviewed the ongoing independence of the Foundation against the requirement to prepare consolidated accounts as outlined in the HE and FE SORP and FRS 102.
71. The Foundation operates with an independent Board with College representation of 14% of the voting rights. This falls below the level defined by FRS 102 at which point significant influence would be exercised over the Foundation.
72. From a review of the Foundation's published accounts, the significant majority of grants awarded across the period from 2014/15 to 2017/18 appear to have been made to the College. However, there is a clear applications process which has been used by the College when requesting grant funding from the Foundation and in 2017/18 there was evidence that not all grants are approved by the Foundation.
73. We have, therefore, concluded that in 2017/18 the College remains sufficiently independent from the Foundation and that consolidation is not required.

Prevention and detection of fraud and irregularity

74. Our audit was planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity.
75. Overall, we found the Board's arrangements for the prevention and detection of fraud and other irregularities to be adequate.

National Fraud Initiative

76. The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.
77. We last reviewed the College's participation in the 2016/17 NFI in February 2018. The exercise identified 302 matches of which 29 were recommended for investigation. As at February 2018 the College had investigated

72% of recommended matches and 88% of the overall NFI matches. Our review at the year-end confirmed all cases had been closed with no issues arising. We concluded that the College's participation in the NFI had been satisfactory.

Standards of conduct

78. In our opinion the Board's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are adequate. Our conclusion has been informed by a review of the arrangements for adopting and reviewing standing orders, financial regulations and schemes of delegation and for complying with national and local codes of conduct.

Internal audit

79. An effective internal audit service is an important element of the College's overall governance arrangements. Henderson Loggie provides the College's internal audit service. During our audit we considered the work of internal audit wherever possible to avoid duplication of effort and make the most efficient use of the Board's total audit resource.
80. In 2017/18 we did not place formal reliance on the work of internal audit. However, we have considered their findings in respect of our wider scope responsibilities and we are grateful to the internal audit team for their assistance during the course of our work.

Systems of internal control

81. We have evaluated the College's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatements in the annual accounts. Our approach has included documenting the key internal financial controls and performing walkthroughs to confirm that they are operating as intended. Our audit has identified no significant weaknesses in the College's systems of internal control.
82. We identified a number of areas for improvement in 2016/17 which were followed up at interim and subsequently at year end. We have reported progress against outstanding actions in Appendix 3 and confirmed the College has made good progress in implementing audit recommendations.

- 83.** The College processes a small number of transactions on behalf of third parties through its payroll and ledger systems, including processing transactions on behalf of the Glasgow Colleges Regional Board (GCRB). During 2017-18, the College was subject to an audit from HMRC which required the release of 'all transactions' processed by the College. In responding to this request, the College released transactions which included GCRB transactions.
- 84.** The College's Data Protection Officer (DPO) has reviewed the release of GCRB financial transactions to HMRC and concluded that General Data Protection Regulations (GDPR) were not breached by this release as no personal data was shared. GCRB's Data Protection Officer has agreed this position. The College plans to review the current GCRB processing arrangements.

4

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the College is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial sustainability



The College invested additional resource in 2017/18 to develop a five year financial strategy.

The strategy shows that the College is forecasting an accounting deficit position which fluctuates from £0.556million to £1.357million across the period from 2018/19 to 2022/23. However the College is projecting an underlying surplus in each financial year to 2022/23

Significant audit risk

85. As outlined in our audit plan, we considered there to be a significant risk to the wider scope of our audit in relation to financial sustainability:

Long term financial strategy

In line with Scottish Funding Council Guidance the College has prepared a long term financial plan which identified a pattern of recurring deficits from 2018/19 to 2021/22. The long term financial plan was presented to the Board in August 2017 and the assumptions were subject to challenge and scrutiny. The College recognise the significant challenge going forward. Staffing costs are a significant proportion of the overall operating expenditure and are predicted to rise to 60% of expenses. The impact of national bargaining and the removal of the public sector pay cap will have a significant impact on the College's ability to deliver a balanced budget.

In addition to the increase in expenditure the College has recognised that income is likely to reduce over the longer term, particularly as grants to compensate for the increase due to national bargaining are only guaranteed until 2019/20. A key challenge for the College will be generating income out with the SFC grants. The College is considering actions to address the deficit position, as staff costs are the most significant area of expenditure the College is starting with a review of the workforce structure.

There is recognition at the College that there are significant challenges in order to bridge the budget gap and work is underway to identify savings options.

Excerpt from the 2017/18 External Audit Plan

86. We reviewed the College financial planning systems and assessed their effectiveness in supporting the business over the medium to long term. The College has developed an appropriate finance strategy which focuses on the key areas of risk to delivering services within budget and has highlighted the pressures on the College to maintain service delivery.

Financial planning

Financial projections 2018/19

87. On an annual basis the College prepare a financial plan to support the overall delivery of its strategic vision as outlined in the Strategic Plan 2017-25.
88. The GCRB has indicated that the College grant income for 2018/19 will increase by £3.44million, which includes additional grant to account for the pay harmonisation costs. This has been adjusted to reflect expected
- decreases in European Structural Funding and maintenance grant levels.
89. A projected increase in tuition fees of £0.28million has been incorporated into the budget with total income projected at £91.84million.
90. The College is currently budgeting expenditure of ££92.28million, giving an overall operating deficit of £0.44million
91. The short term financial planning process is built up through the curriculum review and based on prior year financial performance. Key

assumptions are clearly outlined in the report and are therefore subject to scrutiny and challenge.

Long term financial planning

92. The SFC issued guidance on Financial Forecast Returns required for the period to 2022/23 in June 2018. The returns require standard information from all colleges and contribute to the SFC financial health monitoring framework. The FFR forecasts income and expenditure for the five year period to 2022/23.

93. As part of this guidance the SFC worked with sector representatives to provide guidance on key assumptions to be applied in the Financial Forecast Return as follows:

- financial projections for 2018/19 should be based on the funding allocation announced in May 2018. Colleges should plan for 2019/20 to include pay harmonisation with the SFC providing estimated income for this year. In the years following, Colleges are to assume that activity levels remain the same until 2022/23.
- funding has not been assumed to cover inflationary pressures and therefore Colleges are expected to continue delivering efficiency savings of at least 3% per annum.
- capital maintenance will be held at 2017/18 levels

- non- SFC income and non-staff expenditure should be informed by local circumstance.
- staff costs should take account of national bargaining harmonisation/job evaluations costs for all staff. Cost of living pay award increases for lecturing staff and for support staff should also be included. An annual increase of 2% for each remaining year should also be included.

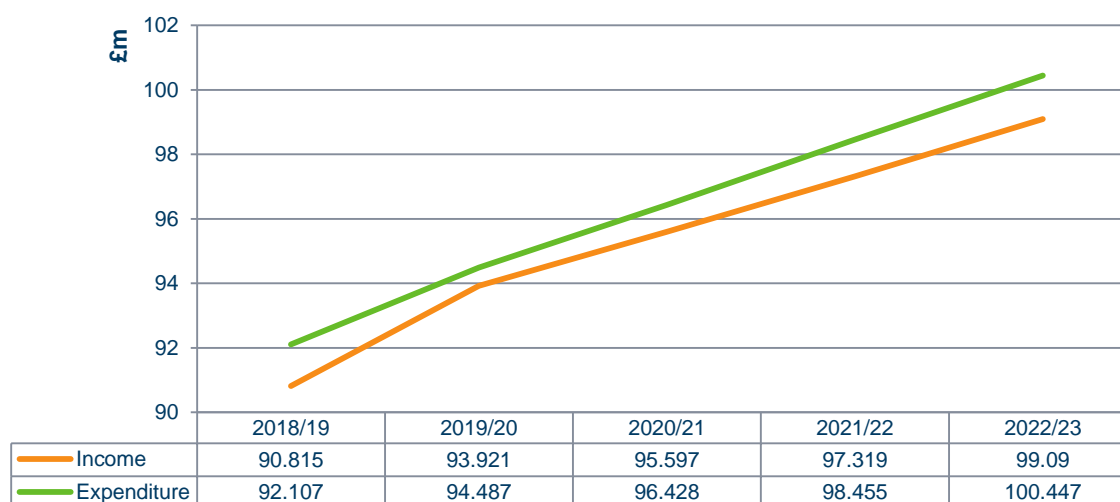
94. As part of the development of the long term financial plan the College developed a range of key assumptions. The assumptions were subject to challenge by the executive team and the Board. The College also reviewed the assumptions under a range of scenarios: pessimistic; realistic and optimistic.

95. There were a number of key areas of assumption including SFC funding, tuition fees, inflation and pay award. The highest impact and variability between scenarios is the projected year on year increase in the SFC grant funding which has a 54% movement between the optimistic (£10.13million increase) and pessimistic (£4.595 million) scenarios.

96. There is also significant variation between the level of tuition fee income increases across each of the scenarios with a 57% (£7.44million) difference in projected income between optimistic and pessimistic.

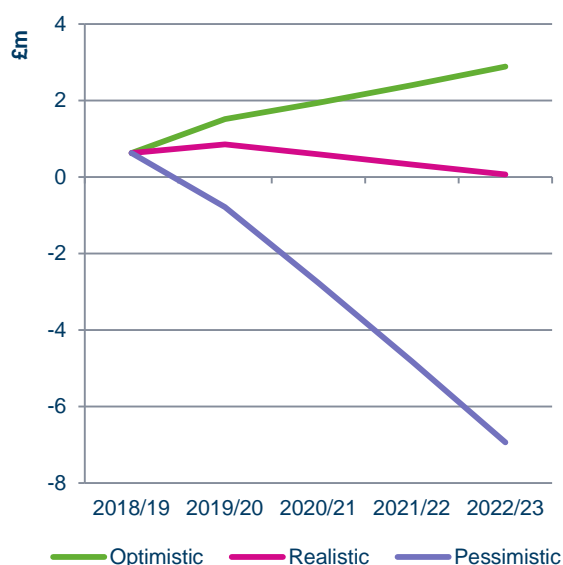
97. The long term financial strategy has been presented to the Board and recognises the significant challenge going forward.

Exhibit 6: Projected shortfall against budget (realistic assumptions)



98. A deficit on the Statement of Comprehensive Income has been identified across the all five years in both the realistic and pessimistic scenarios. Under the realistic assumptions a shortfall of £0.44million in 2019/20 rising to £1.23million in 2022/23 has been identified. This has helped focus the College on the key risks it faces.
99. The College also has to consider the underlying position when reviewing the financial health of the College. There is significant variation across the scenarios with regards to the underlying position as shown in Exhibit 7.

Exhibit 7: Projected underlying position



100. While there is a degree of comfort that in the realistic scenario an underlying surplus is projected in each financial year over the long term plan, there is a risk that the pessimistic assumptions prove to be more accurate.
101. The College has identified a range of potential initiatives to address the shortfall in funds if required.

People and Culture Strategy

102. In line with prior year audit recommendations the College has developed a People and Culture Strategy. This strategy was approved by the College Board at their meeting in December 2017. It focuses on how the College will maintain a skilled and motivated workforce to support excellence in learning.

103. The People and Culture Strategy focuses on four key aims
- attracting the brightest and the best;
 - leading and inspiring our people;
 - empowering and engaging our people; and
 - achieving employee retention through fairness, opportunity and respect.
104. The College has developed performance indicators aligned to the People and Culture Strategy which are reported as part of the performance monitoring reports.

Leadership reorganisation

105. In 2017/18 the College undertook a review of leadership across the organisation which included consideration of succession planning.
106. The re-organisation is aligned to the College Strategy 2017-25 and the key aims of the re-organisation were to create a more effective structure which was better enabled to delivery strategy and will enhance day to day operations.
107. The main changes are:
- establishment of 4 faculties with 4 deans and 19 associate deans;
 - to establish 4 associate directors covering: learner journey; Science, Technology, Engineering and Mathematics (STEM) and the Centre of Professional and Technical Education COPTE; and
 - to realign senior lecturer responsibilities.

108. In addition to the teaching management a review of the support functions was carried out to help provide a focus on improving day to day operational performance. This included a realignment of Vice Principal responsibilities.

EU withdrawal

109. Audit Scotland has identified EU withdrawal as an emerging significant risk facing public bodies across Scotland. Three streams of potential impact were identified:
- Workforce
 - Funding
 - Regulation.
110. The College considered the implications of EU withdrawal in August 2016. It has been noted

that in the past significant funding has come from European Structural Funds (ESF) with the College receiving £2.63million in 2017/18 and projecting income from ESF grants of £2.40million in 2018/19.

- 111. The implication of a reduction in ESF grants has been incorporated into the long term financial plan.
- 112. The College has noted that they are also active in utilising other European sources of funding such as Erasmus and Maritime Education.
- 113. The impact of EU withdrawal is a key risk for the College and is noted on the risk register. The College has noted that the risks with regards to workforce are low due to only 3.25% of the workforce currently being EU nationals.
- 114. The Finance and Physical Resources Committee has requested a paper on the impact of EU withdrawal which will be presented to the February 2019 Committee.

5

Governance and transparency

Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Governance and transparency



Governance arrangements at the College are deemed to be appropriate, however we have noted that there is further work required to firmly establish the nature of the relationship with Glasgow Colleges' Regional Board.

In 2016/17 we found that a number of Board members had not fully disclosed their interests in other companies, Our follow up work in 2017/18 has confirmed that this issue has not been addressed with five Board members failing to disclose all interests.

Our assessment has been informed by a review of the corporate governance arrangements in place, the information provided to the Board and Committees as well as the risk management arrangements in place.

Governance Arrangements

115. In 2017/18 we have reviewed the governance structures in place at the College. There were no significant changes in the financial year. The Board continues to operate with support from 8 Committees.
116. In 2016/17 we reported that it is the responsibility of Board members to disclose all interests to the College. As part of our follow up work on related parties we identified 5 Board members who had interests in organisations which were not disclosed on their register of interests. In addition, there remained one member of the Board who had not updated their register of interests since September 2016. We have documented our findings in Appendix 3.
117. In May 2018 the Scottish Government updated it's guidance for audit committees in the public sector through an update to its Audit Committee Handbook.
118. The revised handbook sets out the fundamental principles relating to the role, membership and work of the Audit and Assurance Committees.
119. We have summarised the changes to the Audit Committee Handbook and shared with the College management. The changes may require action from the Audit Committee to ensure it remains compliant. Our audit work in 2018/19 will include consideration of actions to align to the new handbook.

Regional Governance Arrangements

120. The Glasgow Colleges Regional Board (GCRB) obtained fundable body status from 1 April 2017 and for the first time in 2017/18 the outcome

agreement for the College was agreed solely with the GCRB.

121. The GCRB established a revised control framework for monthly returns which were fed to the SFC through GCRB. The College has been working with GCRB to deliver the required returns in line with guidance.
122. The transition of the funding mechanism from SFC to GCRB has not resulted in any significant issues for the College and business has continued as usual.
123. The GCRB is in the process of agreeing a financial memorandum with the assigned colleges. The financial memorandum is key to ensuring the terms and conditions of grant funding are clear and understood by all parties. The role of the GCRB across the region is still developing and the approval of an appropriate financial memorandum will be key to ensuring there are sound governance processes in place.

Openness and transparency

124. One of the sector risks identified by Audit Scotland for 2017/18 relates to public sector organisations keeping pace with public expectations relating to openness and transparency.
125. Audit Scotland's Role of Boards report, published in September 2010, found that there was wide variation in the openness and transparency of boards of public bodies. Further education organisations were below average in 2010, with 33% holding board meetings in public, against an average of 41%

across the public sector. From our review of the College the Board meetings are not open to the public.

- 126.** Transparency can also be achieved through giving the public access to information about how the Board is making decisions. We performed a review of College websites and found that 93% of College Board minutes and agendas were readily accessible. Furthermore we found that 85% of Audit Committee minutes were readily accessible via College websites.
- 127.** The College publish detailed board and committee minutes on its website. In addition to this a limited number of papers are published, where commercial interests allow. A standing item on the agenda of the Board is the consideration of the disclosability of the papers.

Risk Management

- 128.** Public sector bodies face increasing demand for quality service at a time of significant financial pressure. Well-developed risk management arrangements help bodies to make effective decisions and secure better use of resources.
- 129.** The College has an established risk management framework in place which sets out the risk management process and culture. Risk management reports are presented as a standing item to the Audit Committee.
- 130.** The College risk management arrangements and top strategic risks are outlined in the annual report and accounts. We concluded that in 2017/18 the College has adequate risk management arrangements in place.

Information Governance

Cyber Security

- 131.** In May 2017, a number of health boards across NHS Scotland were affected by the Wannacry global ransomware attack. In response to this the Scottish Government launched 'A Cyber Resilience Strategy for Scotland: Public Sector Action Plan, 2017/18'.
- 132.** The action plan outlines a number of requirements that public bodies should be taking forward. This includes an action for public bodies to achieve a Cyber Essentials Plus certification by the end of October 2018.

- 133.** We are aware the College is currently working towards accreditation and has engaged an external provider to complete a pre-assessment test. It has been noted by the College that there are complications due to the nature of the Non-Profit Distributing Contract in that there are technical items covered by the NPD operations and those covered by the College, both of which require accreditation. The College has not met the 31 October deadline and action should be taken to ensure compliance is achieved as soon as possible.

Action plan point 1

General Data Protection Regulations

- 134.** The General Data Protection Regulations came into force in the UK on 25 May 2018. The regulations replace the Data Protection Act 1998 and, as well as strengthening existing regulations, the Act has brought in new legislative duties for the College. The regulations bring significant potential penalties for non-compliance.
- 135.** As at September 2018 the risk of failure to comply with the regulations was at a medium level. The College has a clear plan for the continuing implementation of the Regulations and a Data Protection Officer is in position.
- 136.** Compliance with the Regulations is an ongoing process, which we will continue to monitor as part of our annual audit procedures in the future. We have not identified any significant risks to compliance with the regulations at this stage.

6

Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the College's own reporting of its performance.

Value for money



The College demonstrated commitment to achieving value for money through its annual review of the sustainability strategy.

The College has an established and appropriate performance management framework in place. In 2017/18 a revised set of key performance indicators were developed to align to the Strategic Plan 2017-25. The College noted that there were risks to delivering their 2020 target on 6 out of 68 indicators.

Value for Money Framework

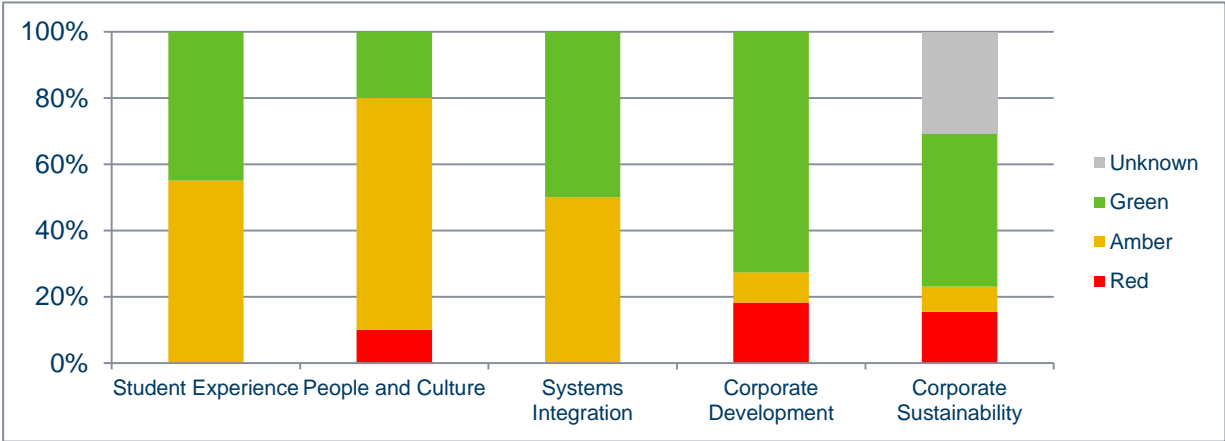
- 137. The Financial Memorandum between SFC and fundable bodies in the college sector requires the Board to:
 - have a strategy for reviewing systematically management’s arrangements for securing value for money; and
 - as part of internal audit arrangements, obtain a comprehensive appraisal of management’s arrangements for achieving value for money.
- 138. Securing the economical and effective management of the College’s resources and expenditure is the responsibility of the Board.
- 139. In December 2017 the Board approved a Sustainability Strategy which aligns to the overall College Strategic Plan 2017-25.
- 140. The strategy focuses on 3 themes: environmental, social and financial.
- 141. Internal audit has not considered value for money as a standalone review, however, they note that it is considered within all audits. Internal audit has not raised any concerned

over value for money in 2017/18.

The College has demonstrated good performance against targets overall, with 9% being reported as behind target.

- 142. In 2016/17 the College approved a revised Strategic Plan 2017-25. It was noted at the time of publication that the key performance indicators would need to be reviewed and developed to align with the new strategic plan.
- 143. In 2017/18 a revised set of performance indicators was developed by the College. The new indicators focus on achievement of targets by 2020. The College has RAG rated performance based on the current position on the pathway to achieving the 2020 targets.
- 144. Performance against the revised indicators has been monitored across the year by the Board and sub-committees. The Board also produces an annual outturn report which summarises performance against target for the year.
- 145. The KPI’s are split across 5 key areas as shown in Exhibit 8.

Exhibit 8: Performance against target in 2017/18



146. Due to the change in KPI's it is not possible to directly compare performance with prior years, however there are areas where indicators have highlighted issues particularly around staff satisfaction and student recruitment.
147. Areas where the College is behind target trajectory in 2017/18 are:
- Improvement and promotion of staff wellbeing;
 - Staff satisfaction;
 - the development of industry academies aligned to key economic growth sectors
 - develop commercial income up to a target of £0.50million by 2020;
 - growth in tuition fees of 5% per annum; and
 - reduction in the level of non-compliant procurement to £0.90million
148. In addition it is noted that for 13% of the indicators the College does not have complete information. We would recommend that going forward the College ensures appropriate information is gathered on all key performance indicators.

Action plan point 2

7

Appendices

Appendix 1: Respective responsibilities of the College and the Auditor

Responsibility for the preparation of the annual accounts

It is the responsibility of the College and the Chief Executive, as Accountable Officer, to prepare financial statements in accordance with the Higher and Further Education Statement of Recommended Practice, the Government Financial Reporting Manual (FReM) issued by HM Treasury and the Further and Higher Education (Scotland) Act 1992, together with the Financial Memorandum issued thereunder, and are presented in accordance with the Accounts Direction issued by the SFC..

In preparing the annual report and accounts, the College and the Chief Executive, as Accountable Officer are required to:

- apply on a consistent basis the accounting policies and standards approved by Scottish Ministers;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Board will continue to operate; and
- ensure the regularity of expenditure and income.

Board members are also responsible for;

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor responsibilities

We audit the annual report and accounts and give an opinion on whether:

- they give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the State of the College's affairs as at 31 July 2018 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006;
- in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Funding Council;

We audit the annual report and accounts and give an opinion on whether:

- the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We are also required to report by exception if, in our opinion:

- adequate accounting records have not been kept; or
- the annual accounts and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. As part of our annual audit we consider and report against these four dimensions: financial management; financial sustainability; governance and transparency; and value for money.

Independence

We are required by International Standards on Auditing to communicate on a timely basis all facts and matters that may have a bearing on our independence. We can confirm that we have complied with the Financial Reporting Council's Ethical Standards. In our professional judgement the audit process has been independent and our objectivity has not been compromised. In particular, there have been no relationships between Scott-Moncrieff and the College, its Board members or senior management that may reasonably be thought to bear on our objectivity and independence.

Appendix 2: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist. The 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. Communication of the matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Action plan grading structure

To assist the College in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

The rating structure is summarised as follows:

Grade	Explanation
Grade 5	Very high risk exposure - Major concerns requiring immediate attention.
Grade 4	High risk exposure - Material observations requiring management attention.
Grade 3	Moderate risk exposure - Significant observations requiring management attention.
Grade 2	Limited risk exposure - Minor observations requiring management attention
Grade 1	Efficiency / housekeeping point.

Action plan point	Issue, Risk & Recommendation	Management Comments
1. Achievement of Cyber essentials accreditation Rating Grade 3 Paragraph ref 132	<p>Issue</p> <p>In 2017/18 In May 2017, a number of public sector bodies across Scotland were affected by the Wannacry global ransomware attack. In response to this the Scottish Government launched 'A Cyber Resilience Strategy for Scotland: Public Sector Action Plan, 2017/18'.</p> <p>The action plan outlines a number of requirements that public bodies should be taking forward. This includes an action for public bodies to achieve a Cyber Essentials Plus certification by the end of October 2018. The College are aware of the work but will not meet the 31 October 2018 deadline. Risk</p> <p>There is a risk that the College are the victim of a Cyber-attack, due to inadequate controls being in place.</p> <p>Recommendation</p> <p>We recommend that the College make arrangements to ensure Cyber Essentials certification is achieved as soon as possible.</p>	<p>Responsible officer:</p> <p>Vice Principal Corporate Services</p> <p>Implementation date:</p> <p>December 2018</p>

Action plan point	Issue, Risk & Recommendation	Management Comments
2. Key performance measures Rating Grade 2 Paragraph ref 147	<p>Issue</p> <p>The College has developed a revised suite of KPI's in 2017/18. As at 31 July 2018 the College did not have complete information to report against 13% of the KPI's.</p> <p>Risk</p> <p>There is a risk that performance in the unreported areas is behind target and appropriate mitigating action is not taken.</p> <p>Recommendation</p> <p>We recommend the College ensures sufficient data is collected to allow effective monitoring of performance against all targets.</p>	<p>Responsible officer:</p> <p>Implementation date:</p>

Appendix 3: Follow up on prior year action plan

Outstanding recommendations from 2015/16

Action plan point	Issue & Recommendation	Previous Management Comments	2017/18 year-end update
Delivery timetable	<p>Issue identified</p> <p>An incomplete first draft of the annual report was provided at the end of the third week of the onsite audit. Our initial review of the document confirmed that it had not been prepared in accordance with the requirements of the 2016/17 Accounts Direction, as issued by SFC. Specifically, an Accountability Report and a Performance Report had not been appropriately included. A revised and complete draft of the annual report was provided three weeks later. The delays in providing complete information put significant pressure on both the College and the audit team to ensure timescales were sufficiently adhered to.</p> <p>Recommendation</p> <p>The College should ensure that the timetable for the production of the annual report is adequately considered and target dates set are realistic. The College must ensure that the annual report is fully compliant with the requirements of the SFC Accounts Direction.</p>	<p>The College must ensure that the annual report is fully compliant with the requirements of the SFC Accounts Direction.</p> <p>Action owner: Vice Principal Finance & HR</p> <p>Due Date: September 2017</p>	<p>External audit update</p> <p>In 2017/18 we received the narrative element of the financial statements in the second week of our audit which is a significant improvement in comparison to prior years. While there were some disclosure issues identified there was sufficient time to address key issues.</p>
Grade 3		<p>2016/17 update</p> <p>The College will ensure that the annual report is fully compliant with the requirements of the SFC Accounts Direction and is presented within the audit timescales.</p> <p>Action owner: Vice Principal Finance & HR</p> <p>Due Date: September 2018</p>	<p>Action substantially complete</p>

Action plan point	Issue & Recommendation	Previous Management Comments	2017/18 year-end update
<p>Workforce planning</p> <p>Grade 3</p>	<p>Issue identified</p> <p>In November 2013, the Accounts Commission and the Auditor General for Scotland published a report on Scotland's public sector workforce. The report highlighted a number of key messages on workforce changes across Scotland and made a number of recommendations to the Scottish Government, central government bodies, the NHS, COSLA and local authorities. As part of our 2015/16 audits, Audit Scotland asked us to undertake a follow-up review to help understand the extent to which public sector bodies, including colleges, are implementing the recommendations and help identify common and emerging issues. We sought to commence this work during our interim audit in April 2016 to ensure that responses could be provided to Audit Scotland in accordance with their 1 June 2016 deadline. Despite this, we have not been provided with sufficient responses from the College to inform Audit Scotland's review</p> <p>Recommendation The College should ensure that they actively partake in any follow-up reviews being undertaken by Audit Scotland, or other inspection bodies. This is particularly important for benchmarking purposes where other colleges are actively contributing to such reviews.</p>	<p>The College does actively monitor and manage the College workforce achieving low staff turnover, low staff absence rates and very efficient utilisation of teaching staff. At a recent Senior Management Team planning event we confirmed the need to develop a People & Culture Strategy. This strategy will be compliant with the Audit Scotland recommendations.</p> <p>Action owner: Vice Principal Finance & HR</p> <p>Due Date: April 2017</p> <p>The College is fully committed to staff engagement and workforce planning, the draft has been subject to comprehensive staff consultation. The updated draft People & Culture Strategy will be presented to the Board in December 2017 and will be compliant with the Audit Scotland recommendations.</p> <p>Action owner: Vice Principal Finance & HR</p> <p>Due Date: December 2017</p>	<p>The People Strategy was reviewed by the Board in December 2017 and has subsequently been published.</p> <p>In addition to this a significant review of the management structure has taken place in 2017/18.</p> <p>Action complete</p>

Action plan point	Issue & Recommendation	Previous Management Comments	2017/18 year-end update
Value for money strategy	<p>Issue identified</p> <p>The Financial Memorandum between SFC and fundable bodies in the college sector requires the College to have a strategy for reviewing systematically management's arrangements for securing value for money. Securing the economical and effective management of the College's resources and expenditure is the responsibility of the Board. Discussions with the College has not identified any documented strategy which sets out the College's overarching arrangements for securing value for money.</p> <p>Recommendation</p> <p>The College should consider documenting a strategy which sets out how the Board assures themselves that value for money has been achieved on an annual basis. This document will help form the basis of the Board's assessment of value for money and will further feed into the Board's annual assessment of their effectiveness.</p>	<p>The College does actively monitor and manage the value for money achieved. The College has by far the lowest grant per Credit in the sector and the highest efficiency target and has delivered against these targets while achieving a financial surplus, among the highest student success rates and contributed £19.1m to the new campus development. The College is also achieving low staff turnover, low staff absence rates and very efficient utilisation of teaching staff. At a recent Senior Management Team planning event we confirmed the need to develop a Sustainability Strategy. This strategy will include value for money, financial planning and wider sustainability issues.</p> <p>Action owner: Vice Principal Finance & HR Due Date: April 2017</p>	<p>The Sustainability Strategy was reviewed by the Board in December 2017 and has subsequently been published.</p> <p>Performance against the strategy is being monitored through a new set of key performance indicators and has been monitored throughout the year.</p> <p>Action complete</p>
Grade 3		<p>The College fully recognises the requirements and benefits of a Sustainability Strategy. The draft now reflects comprehensive staff consultation feedback. The Sustainability Strategy will be presented to the Board in December 2017.</p> <p>Action owner: Vice Principal Finance & HR Due Date: December 2017</p>	

Outstanding recommendations from 2016/17

Action plan point	Issue & Recommendation	Previous Management Comments	2017/18 year –end update
<p>Fixed Asset Register</p> <p>Grade 3</p>	<p>Issue identified</p> <p>Asset tag numbers are currently not included within the fixed asset register. The College completed an asset verification in 2016/17 through the use of room data sheets provided by the NPD contractor. The NPD contractor also provided a listing of values which was used to populate the asset register. There was no reconciliation between this asset register and the room data sheets this increasing the risk the information on the asset register is incomplete or inaccurate.</p> <p>Recommendation</p> <p>It is recommended the College reconciles the fixed asset register to the room data sheets and ensure the fixed asset register reflects the asset tag numbers.</p>	<p>Responsible officer: Vice Principal Finance & HR</p> <p>Due date: March 2018</p>	<p>External audit update</p> <p>Our review in 2017/18 found that while IT assets are all appropriately tagged there is still some discrepancy over other assets. We appreciate that the College holds a wide range of assets and tagging all assets is a significant undertaking.</p> <p>Action outstanding</p> <p>Management comments:</p> <p>Responsible officer:</p> <p>Vice Principal Corporate Services</p> <p>Implementation date:</p> <p>March 2019</p>

Action plan point	Issue & Recommendation	Previous Management Comments	2017/18 year-end update
<p>Register of Interests</p> <p>Grade 3</p>	<p>Issue identified</p> <p>The College maintains a register of interests for all Board Members, however, we identified three individuals who had interests in organisations which were undisclosed on their register of interests. It is the responsibility of Board Members to update their register of interests to ensure that it is accurate and up to date.</p> <p>Recommendation:</p> <p>The College should ensure all Board members are aware of the process for updating their register of interests.</p>	<p>Responsible officer: College Secretary</p> <p>Due date: March 2018</p>	<p>External audit update:</p> <p>We reviewed the register of interests for all Board Members in 2017/18 and identified one instance where the register of interests had not been updated since 2016 and 5 instances where there were related entities which had not been disclosed on the register of interest forms.</p> <p>Action outstanding</p> <p>Management comments:</p> <p>Responsible officer:</p> <p>College Secretary</p> <p>Implementation date:</p> <p>December 2018</p>



Scott-Moncrieff
business advisers and accountants

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