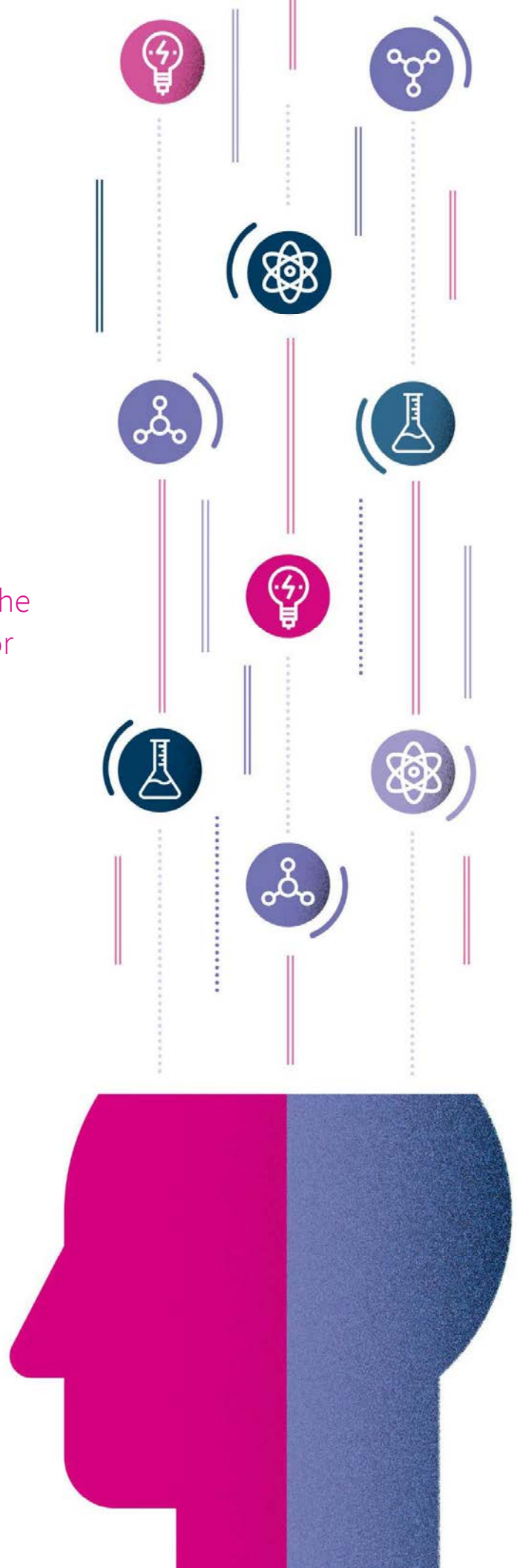


# Glasgow Colleges' Regional Board

2018/19 Annual Audit Report to the  
Board and the Auditor General for  
Scotland

January 2020





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# 1. Key messages

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## Annual report and consolidated financial statements audit

The annual report and consolidated financial statements for the year ended 31 July 2019 were approved by the Board on 27 January 2020. We report within our independent auditor's report an unqualified opinion on the consolidated financial statements, the regularity of transactions and other prescribed matters. We are also satisfied that there are no matters which we are required to report by exception.

Our thanks go out to all management and staff at the Glasgow Colleges' Regional Board for their co-operation and assistance during the duration of the audit process.

### Wider scope audit

#### Financial sustainability

The Glasgow region Financial Forecast Return presents a steadily increasing adjusted operating (deficit)/surplus every year across the planning period: £(550)k deficit in 2019/20 rising to £94k surplus by 2023/24. The Glasgow college region does therefore appear to be in a financially sustainable position.

#### Financial management

The GCRB reports an operating deficit of £28k and adjusted operating deficit of £6k for the year ended 31 July 2019. An operating deficit of £18,092k and an adjusted underlying surplus of £974k have been recognised for the region.

The GCRB has adequate arrangements in place for financial management, regional budget monitoring processes and systems of internal control. Group financial reporting has developed significantly in 2018/19.

The GCRB and assigned colleges continue to work together in driving forward an effective regional approach to financial management.

#### Governance and transparency

The GCRB operated with satisfactory governance arrangements in place in year.

The GCRB has taken action to improve collaborative working across the Glasgow region in 2018/19. Further opportunities for regional collaboration should continue to be explored by the GCRB moving forward.

#### Value for money

The GCRB has continued to develop a robust performance management framework in 2018/19.

Sufficient progress has been made in relation to the 2018/19 ROA with areas of improvement highlighted to drive forward in 2019/20.

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

## Conclusion

This report concludes our audit for 2018/19. 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**

**January 2020**



## 2. Introduction

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**This report is presented to those charged with governance and the Auditor General for Scotland and concludes our audit of the Glasgow Colleges' Regional Board (“GCRB”) for 2018/19.**

**We carried 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 (ISA) 260: Communication with those charged with governance.**

**At the GCRB, we have designated the Audit and Assurance Committee as “those charged with governance”.**

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## Introduction

1. This report summarises the findings from our 2018/19 audit of the Glasgow Colleges' Regional Board ("GCRB").
2. We outlined the scope of our audit in our Group External Audit Plan, which we presented to the Audit and Assurance Committee at the outset of our audit. The core elements of our work include:
  - an audit of the 2018/19 annual report and consolidated financial statements and related matters;
  - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
  - monitoring the College's participation in the National Fraud Initiative (NFI); and
  - any other work requested by Audit Scotland.

### Exhibit 1: Audit dimensions within the Code of Audit Practice



3. The GCRB is responsible for preparing an annual report and consolidated financial statements 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. Senior management should assess these recommendations and consider their wider implications before deciding appropriate actions.
  5. We discussed and agreed the content of this report with GCRB management. 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. We confirm that we complied with Financial Reporting College's (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
  8. We set out in Appendix 1 our assessment and confirmation of independence.
- ### Adding value through the audit
9. 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 GCRB 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 GCRB promote improved standards of governance, better management and decision making and more effective use of resources.

## Feedback

10. 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](http://www.surveymonkey.co.uk/r/S2SPZBX).
11. While this report is addressed to the Glasgow Colleges' Regional Board, it will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



# 3. Annual report and consolidated financial statements

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**The Glasgow Colleges' Regional Board annual report and consolidated 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 2018/19 annual report and consolidated financial statements.**

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# Annual report and consolidated financial statements

## An unqualified audit opinion on the annual report and consolidated financial statements

The annual report and consolidated financial statements for the year ended 31 July 2019 were approved by the Board on 27 January 2020. We report unqualified opinions within our independent auditor's report. We did not identify any significant adjustments to the unaudited annual report and consolidated financial statements.

The GCRB has appropriate administrative processes in place to prepare its annual report and consolidated financial statements and the required supporting working papers.

### Overall conclusion

#### An unqualified audit opinion on the annual report and consolidated financial statements

12. The annual report and consolidated financial statements were considered by the Audit and Assurance Committee on 14 January 2020 and approved by the Board on 27 January 2020. We report within our independent auditor's report:
  - an unqualified opinion on the financial statements;
  - an unqualified opinion on the regularity of transactions; and
  - an unqualified opinion on other prescribed matters.
13. We are also satisfied that there are no matters which we are required to report by exception.

#### Appropriate administrative processes for the audit

14. We received draft consolidated financial statements and supporting papers of a good standard, in line with our agreed audit timetable.
15. Arrangements are in place to enable the annual report and consolidated financial statements to be submitted to the Scottish Funding Council (SFC) and Auditor General for Scotland by the 31 January deadline.
16. Our thanks go to all staff at the GCRB for their assistance throughout our audit.

### 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 consolidated financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual report and consolidated financial statements 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. Management override

In any organisation, there exists a risk that management has 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 financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

*Excerpt from the 2018/19 Group External Audit Plan*

18. We have not identified any indication of management override in the year. We have reviewed the GCRB's accounting records and obtained evidence to ensure that transactions 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.

### 2. 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 GCRB 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 2018/19 Group External Audit Plan*

19. At the planning stage of our audit we considered the nature of the revenue streams at GCRB against the risk factors set out in ISA (UK) 240. We identified that for the Scottish Funding Council (SFC) grant funding, the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate revenue of this nature. We concluded, however, the risk of fraud in relation to revenue recognition is present in all other income streams.
20. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the consolidated financial statements. To inform our conclusion we evaluated GCRB'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.



### 3. Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 “*The Audit of Public Sector Financial Statements*” which applies to the audit of public sector financial statements for periods commencing after June 2016. This 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 GCRB and its subsidiaries could adopt accounting policies or recognise expenditure in a way that materially misstates the group’s financial performance.

*Excerpt from the 2018/19 Group External Audit Plan*

21. We have evaluated each type of expenditure transaction and documented our conclusions. We gained reasonable assurance over 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 GCRB’s policy for recognising expenditure is appropriate and has been applied consistently throughout the year.

### 4. Preparation of consolidated financial statements

GCRB will, for the second time only, be required to prepare consolidated financial statements for the period ended 31 July 2019. They continue to work with the assigned colleges to ensure there are consistent accounting policies across the region and there is a suitable timetable to allow GCRB to meet the reporting deadlines as outlined in the SFC accounts direction. However, any errors in the consolidation process carry a risk of material misstatement for the consolidated accounts.

*Excerpt from the 2018/19 Group External Audit Plan*

22. The GCRB group comprises the GCRB and three Glasgow colleges; City of Glasgow College, Glasgow Kelvin College and Glasgow Clyde College.
23. As part of our audit we reviewed the consolidation entries made within the consolidated financial statements and confirmed entries back to the financial statements of the group bodies. Overall, we concluded that the results of the group bodies had been appropriately consolidated into the GCRB’s group accounts.
24. As part of our audit planning process we assessed the group, for the purposes of approach to the audit of the group, and deemed all three Glasgow colleges to be significant in the context of the group audit.
25. We revisited our assessment, following receipt of the unaudited financial statements. Our assessment remained unchanged.
26. Scott-Moncrieff is the appointed auditor to the three Glasgow colleges. During our audit we liaised with the audit engagement teams to confirm that their programmes of work were adequate for our purposes.
27. We have nothing to report in respect of the following matters:
- No significant deficiencies in the system of internal control or instances of fraud were identified by the component auditor that materially impacted on the consolidated financial statements; and
  - There were no limitations on the group audit.



## Our application of materiality

28. 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 financial statements.
29. Our initial assessment of materiality for the consolidated financial statements was £2.607million and for GCRB parent financial statements £7,900. We revised our assessment, following receipt of the unaudited consolidated financial statements, to £3.836million for the group and £8,600 for the GCRB parent financial statements and it remained at these levels throughout our audit.
30. Our assessment of materiality is set with reference to gross expenditure. We consider this to be the principal consideration for the users of the financial statements when assessing the performance of GCRB and its group.

### Performance materiality

31. 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 financial statements as a whole.
32. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be at significant risk of material misstatement. Performance testing thresholds used are set out in the table below:

	Area risk assessment		
	High	Medium	Low
Group	1,726,000	2,110,000	2,685,000
Parent	4,300	5,160	6,450

33. We agreed with the Audit and Assurance Committee that we would report on all material corrected misstatements, uncorrected misstatements with a value in excess of £430 for the GCRB parent and £192,000 for the group, as well as other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Assurance Committee on disclosure matters that we identified

when assessing the overall presentation of the consolidated financial statements.

## Audit differences

34. We are pleased to report that our audit identified no material adjustments or unadjusted differences to the GCRB financial statements and the GCRB group financial statements.
35. We identified some minor disclosure and presentational adjustments during our audit, which have been reflected in the final set of consolidated financial statements.

## An overview of the scope of our audit

36. The scope of our audit was detailed in our Group External Audit Plan, which was presented to the Audit and Assurance 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 GCRB. 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.
37. 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.
38. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical procedures. 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 management team. In performing our work we have applied the concept of materiality, which is explained earlier in this report.

## Other matters identified during our audit

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

### Other information in the annual report and consolidated financial statements

40. "Other information" in the annual report and consolidated financial statements 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

41. The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. It comprises an overview of the organisation and a detailed summary of how the entity measures performance.
42. 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.
43. From our review of the performance report, we concluded that the information presented is consistent with the financial statements, and has been prepared in accordance with applicable legal requirements and SFC guidance.

## The accountability report

44. 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

45. GCRB's Governance Statement explains that the Board 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 2018/19 Accounts Direction, released by the SFC.
46. We are satisfied the content of the Governance Statement is consistent with information gathered during the course of our normal audit work and SFC guidance.

## Remuneration and staff report

47. Our independent auditor's report confirms that the part of the Remuneration and Staff Report to be audited has been properly prepared.

## Regularity

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48. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and consolidated financial statements.
49. We did not identify any instances of concern with regard to the legality of transactions or events.

## Qualitative aspects of accounting practices and financial reporting

50. 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 report and consolidated financial statements. The following observations have been made:



Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The group accounting policies, which are disclosed in the consolidated financial statements, are in line with the Government Financial Reporting Manual and FRS 102. We reviewed the accounting policies of the GCRB parent and each subsidiary and did not identify any material inconsistencies.
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.	<p>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 pension provisions.</p> <p>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.</p> <p>We liaised with the subsidiary auditors and no issues or concerns were raised in relation to the appropriateness of accounting estimates and judgements applied by the regional colleges.</p> <p>The accounting estimates and judgements used by management in preparing the group financial statements are therefore considered appropriate on the whole.</p>
The appropriateness of the going concern assumption	We have reviewed the financial forecasts for 2019/20. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that GCRB 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 consolidated financial statements.
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 of the GCRB, we did not identify any significant unusual transactions in 2018/19. We liaised with the subsidiary auditors and were not made aware of any significant unusual transaction made by the regional colleges in 2018/19.
Apparent misstatements in the annual report or material inconsistencies with the financial statements.	The annual report contains no material misstatements or inconsistencies with the consolidated financial statements
Any significant annual accounts disclosures to bring to your attention.	There are no significant financial statements 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 process 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.



# 4. Financial sustainability

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



The Glasgow region Financial Forecast Return presents a steadily increasing adjusted operating surplus every year across the planning period: £4.331million in 2019/20 rising to £6.064million by 2023/24. The Glasgow college region does therefore appear to be in a financially sustainable position.



## Financial sustainability

### Short term financial planning

51. The SFC published indicative 2019/20 funding allocations in February 2019 and final allocations in May. The GCRB has subsequently provided a breakdown of allocations across the assigned colleges, which includes a portion retained to fund the GCRB running costs and collaborative projects.
52. The GCRB's resource budget, as reported to the Performance and Resources Committee in December 2019, forecasts a breakeven position for the Board for 2019/20, compared with a £6k adjusted deficit incurred in 2018/19.
53. The regional FFR, inclusive of the Board and the three assigned colleges, was also presented to the Performance and Resources Committee in December 2019. This includes a forecast operating deficit of £2.280million and adjusted operating deficit of £550k for 2019/20, which is down on the actual adjusted operating surplus of £975k incurred in 2018/19.

### Longer term financial strategy

54. Colleges and the GCRB now prepare six-year financial forecasts through the FFR process. The latest FFR, as submitted in December 2019, requires colleges and the GCRB to report actual financial performance for the session 2017/18 (per the audited financial statements), an early estimate for the outturn for session 2018/19, the budget for 2019/20 and forward forecasts through to 2023/24.
55. Historically, differences in the assumptions colleges use for their forecasts have meant they do not provide a reliable picture of future financial sustainability for the sector.
56. It is important that colleges, and wider regions, base their financial forecasts on realistic and consistent assumptions to help them make informed decisions about their operations. Reliable forecasts will also support effective SFC funding decisions.
57. In seeking to achieve the use of consistent assumptions across Scotland's further education sector, the SFC has inbuilt a set of common (indicative) assumptions that colleges were required to use in developing their FFR, as communicated through the "SFC Call For Information: Financial forecast return (FFR) for further education institutions 2018/19 to 2023/24" and information on financial planning assumptions issued in June 2019.

58. As part of this guidance the SFC worked with sector representatives to provide guidance on key assumptions to be applied in the FFR. In addition, GCRB worked with the regional colleges to determine additional (Glasgow) Regional Assumptions which complimented the SFC assumptions. These Regional Assumptions were also provided to the P&R Committee for information. The guidance provided by the SFC was as follows:

- Credits and teaching income (Core and European Social Fund activity): core funding and additional funding for ESF activity for 2019/20 should be based on the final funding allocations announced in May 2019. Funding has not been assumed to cover inflationary pressures as there is a continued expectation that colleges continue to deliver efficiency savings of at least 3% per annum.
- Student support funding: colleges should assume that all student support funding requirements will be fully met.
- Capital Maintenance: the SFC Capital Maintenance funding should be based on the final 2019/20 funding allocations announced in May 2019.
- Non-SFC income: assumptions for non-SFC income projections should be prepared taking account of local circumstances.
- Staff costs: the impact of National Bargaining harmonisation / job evaluation costs for all staff and any workforce planning requirements should be incorporated in the FFR. Cost of living pay award increases for lecturing and support staff should be factored in.
- Non-staff costs: assumptions for non-staff cost projections should be prepared taking account of local circumstances.
- Estates: assumptions for estates-related costs should be prepared taking account of local circumstances.

59. For the GCRB, a breakeven position has been forecast throughout the current planning period and for the Glasgow region, the FFR recognises a steadily increasing adjusted operating surplus position across the five years from 2019/20, as set out within Exhibit 3 below.
60. From review of both the GCRB and the Glasgow region FFRs and accompanying analysis presented to the Board, we are satisfied that the submissions present a reasonable and realistic snapshot of the



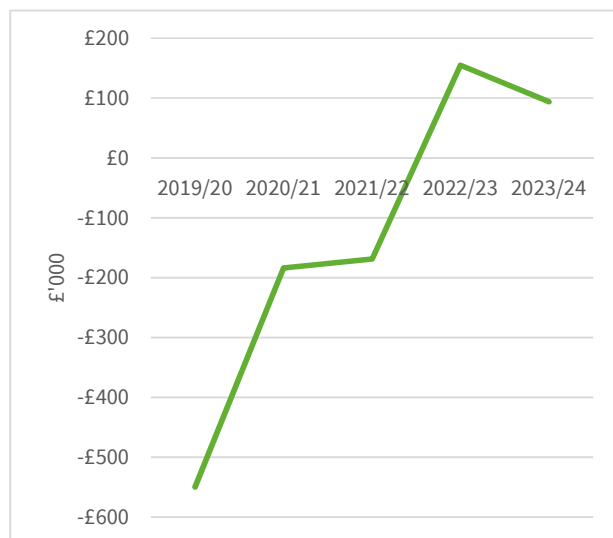


current position. The Board paper submitted along with the FFR provides a reasonably comprehensive explanation over the development of the FFRs and we have verified that the assumptions applied in the development of the outputs were subject to appropriate challenge by both the Performance and Resource Committee and the GCRB Board.

61. We fully appreciate there will be movement in the current forecasts going forward as assumptions and proposals made within the FFRs are realised. However, at this time, we consider the assumptions applied by the respective colleges and the GCRB in preparing the FFRs to be sufficiently aligned to those issued by the SFC.

64. The GCRB have allocated the capital funding to the regional colleges, based on the priority of funding required for the college. 63% of the region's total very high priority maintenance allocation has been awarded to Glasgow Clyde College and will be predominantly used on the Cardonald campus. The remainder of the region's very high priority maintenance allocation is allocated for Glasgow Kelvin College's use. The GCRB Board monitors the region's capital spend on a quarterly basis.

### Exhibit 3: Glasgow region forecast adjusted operating surplus/(deficit)



Source: 2018/19 Glasgow region FFR

### Capital investment plan for the region

62. As set out within the Audit Scotland "Scotland's colleges 2018" report, the SFC's 2017 estates condition survey indicated that college buildings require urgent and significant investment. The survey estimated a backlog of repairs and maintenance over the next five years of up to £360million.
63. The Audit Scotland "Scotland's Colleges 2019" report confirms that the Scottish Government provided £76.7million of capital funding for the sector in 2018/19, but for 2019/20 this figure will fall to £47.6million. Reduced capital availability creates a risk that the costs of urgent backlog maintenance rise further.



# 5. Financial management

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



The GCRB reports an operating deficit of £33k and adjusted operating deficit of £6k for the year ended 31 July 2019. An operating deficit of £18,079k and an adjusted underlying surplus of £975k have been recognised for the region.

The GCRB has adequate arrangements in place for financial management, regional budget monitoring processes and systems of internal control. Group financial reporting has developed significantly in 2018/19.

The GCRB and assigned colleges continue to work together in driving forward an effective regional approach to financial management.



## Financial performance

65. The principal financial objective for the Glasgow region is to work within its annual resource budget allocation from the SFC.
66. The GCRB reports a £28k operating deficit and an adjusted operating deficit of £6k for the year ended 31 July 2019. An operating deficit of £18,092k has been recognised for the region. Adjusting the regional operating position for technical accounting factors that are outwith the control of the colleges and the GCRB, such as pensions and net depreciation, the region reports an adjusted underlying surplus of £975k for the year ended 31 July 2019. An adjusted underlying surplus of £650k had been budgeted for the region at the outset of 2018/19.

### Exhibit 4: 2018/19 Performance against budget – for the Glasgow region

	Revised budget* £'000	Actual outturn £'000	Variance £'000
<b>Income</b>			
SFC grants	119,726	129,620	9,894
Tuition fees and education contracts	31,640	30,883	(757)
Other income (including investment income)	11,360	11,989	629
Endowments and donations	0	1,188	1,188
	<b>162,726</b>	<b>173,680</b>	<b>10,954</b>
<b>Expenditure</b>			
Staff costs	104,902	112,176	7,274
Exceptional staff costs – restructuring	721	705	(16)
Other operating expenses	50,250	46,772	(3,478)
Depreciation and amortisation	17,540	17,866	326
Interest and other finance costs	2	14,258	14,256
	<b>185,613</b>	<b>191,777</b>	<b>6,164</b>
<b>Operating surplus / (deficit) for the year ended 31 July 2019</b>	<b>(22,887)</b>	<b>(18,097)</b>	<b>4,790</b>

\*From September 2019 Financial Forecast Return



### Performance against financial forecast - region

67. SFC grants for 2018/19 were 8.3% higher than budgeted for, primarily as a result of the additional funding that was awarded for the costs associated with the National Bargaining agreement and increase in Foundation apprentices.
68. The main variance between budgeted and actual expenditure for 2018/19 was in respect of increase in staff and teaching costs in relation to the increase in Foundation apprentices.
69. Staff costs incurred were 6.9% higher than budgeted. This variance reflects the sector wide increase in staff costs as a direct result of the FRS102 pension adjustments (non-budgeted).

### 2018/19 Income and expenditure - GCRB

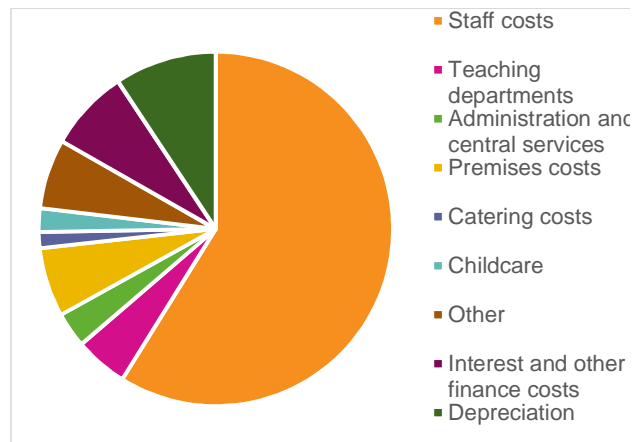
70. SFC grants is the sole source of income for the GCRB. This income stream has increased by 1.6% in year whilst expenditure incurred by the GCRB has increased by 9.1% from 2017/18. Staff costs continue to remain the highest area of spend, constituting 83% of total spend in year, and are forecast to increase further going forward.
71. Staff costs have increased due to one off additional costs and therefore does not follow a pattern as such.

### 2018/19 Income and expenditure - region

72. Total income for the region in 2018/19 is 1.4% higher than in 2017/18, whilst expenditure has increased by 10.3% in the period due to the one off cost of disposing of North Hanover Street by the City of Glasgow College. The college sector is operating within an extremely tight financial environment, with the gap between income and expenditure continuing to widen.
73. Across the sector, the proportion of non-government income that colleges generate has continued to decline and this holds true for the Glasgow region: total income has remained largely static over the last two years, however the ratio of government grant income: other income has increased as set out within Exhibit 5.
74. The increase in SFC grants in year has largely been due to additional funding provided in respect of National Bargaining pay migrations and terms and conditions, whilst the decrease in other income is primarily as a result of a reduction in funding received from college foundations (see paragraphs 87 to 89 below for further detail).

75. Staff costs remain the highest area of spend, constituting approximately 65% of total spend in year, and are forecast to increase. Implementing the new agreed rates of pay for staff is now placing a significant additional financial pressure on the Glasgow region and is making it increasingly challenging to maintain expenditure and investment levels in other areas of the Glasgow region's activity which are essential to the quality of learning and teaching which it offers.

### Exhibit 5: 2018/19 Expenditure analysis (for the region)



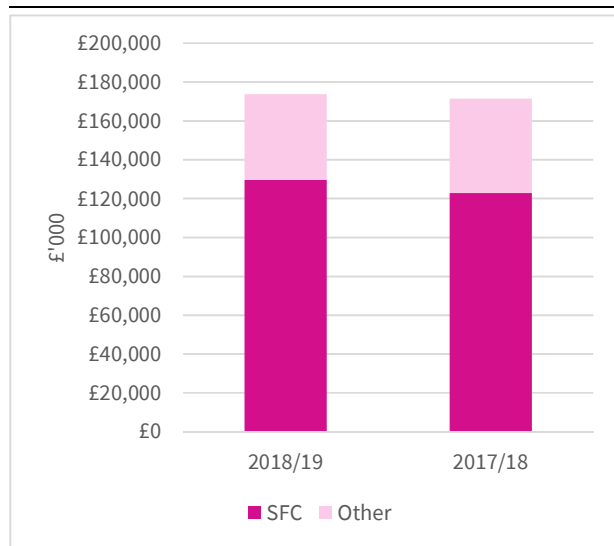
Source: 2018/19 financial statements

### Balance sheet

76. For the GCRB, the only assets held are cash, debtors and creditors. The GCRB's net asset position has worsened in year due to a 171% increase in the pension provision from 2017/18.
77. The Glasgow region balance sheet has strengthened in year, primarily as a result of building revaluation exercises undertaken in the year at City of Glasgow College and Glasgow Clyde College.
78. Pension provisions have increased for the Glasgow region by £20.889million in 2018/19 due to non-cash FRS102 pension adjustments which are based on the related annual actuarial reports commissioned by the colleges and GCRB.



## Exhibit 6: Analysis of income

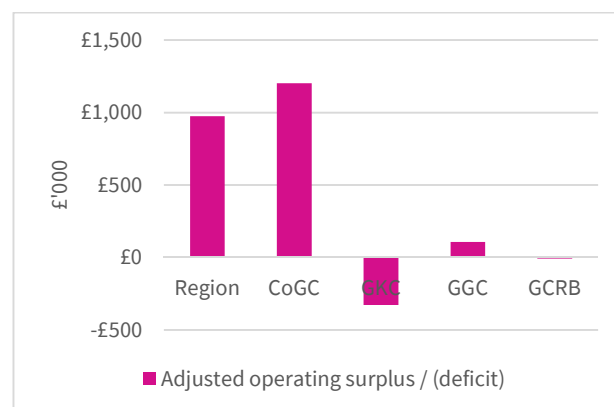


Source: 2018/19 financial statements

## Regional Colleges Financial Position

79. Overall, the Glasgow Region has an adjusted operating surplus. At the single entity level, Glasgow Kelvin College reported an adjusted operating deficit, while both City of Glasgow College and Glasgow Clyde College reported adjusted operating surpluses. The Glasgow Region's overall surplus is predominantly due to the large operating surplus of the City of Glasgow College. (Exhibit 7).
80. This further highlights the financial challenges that are facing colleges, and the need for regional financial collaboration.

## Exhibit 7: Adjusted Operating Surplus / (deficit)



Source: 2018/19 financial statements

## Budget setting

81. The Financial Memorandum between the GCRB and the assigned Glasgow colleges sets out the formal relationship between the GCRB and the colleges and the requirements with which the colleges must comply in return for payment of grant by the Regional Strategic Body.
82. The GCRB is responsible for leading the regional funding allocation process, however college input is necessary.
83. The regional colleges prepare their own FFRs, and these are then passed to the GCRB for approval. The college FFRs are then consolidated with the GCRB to form the Glasgow region FFR. These are presented to the Performance and Resources Committee and the GCRB Board for approval.

## Budget monitoring and reporting

84. The GCRB's Performance and Resources Committee receives updates on the GCRB's running costs as a standing agenda item at its quarterly meeting. The report provides members with a forecast year position against budget and narrative commentary. Given the nature of the GCRB and the limited levels of income and expenditure, the level of detail presented to the Committee is deemed appropriate.
85. In respect of the Glasgow region, the GCRB performs the following tasks in order to effectively monitor the financial position of the regional colleges:
- Resource Returns: Resource returns of each college are submitted to the GCRB and the SFC on five occasions throughout the year. The GCRB Finance and Resources Director and an SFC Senior Financial Analyst review the returns. Both the GCRB and the SFC monitor spend against the college's resources budget and the colleges' sustainability. The SFC provides financial information to the Scottish Government and HM Treasury. The Resource Returns have now ceased going forward.
  - Annual Budget/Financial Forecast Returns: The colleges and the GCRB are required to submit an annual budget return which is populated with budgeted income and expenditure for the following financial year. In addition, Financial Forecast returns are also prepared to provide a forecast outturn for the year, budget for the following year and forecast for the following five years. A mid year Financial Forecast Return was introduced this year instead of the Resource Returns. The principal assumptions that underpin the financial forecast returns are determined by the SFC and developed further as a region to ensure accuracy and consistency (see section 4 of this report for further detail).



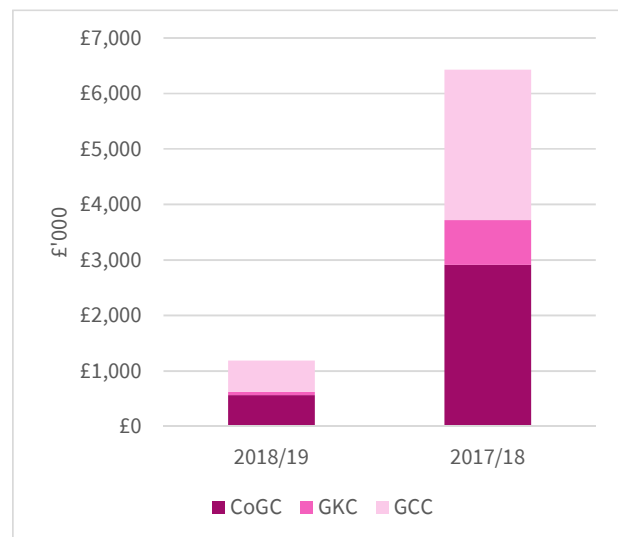
- **Capital Planning and Monitoring:** The GCRB developed a regional approach to capital investment in 2018/19 to ensure capital spend is supporting regional ambitions. The needs-based capital funding process replaced national formula-based approaches. The regional colleges have engaged with the new process to ensure regional capital expenditure is strategically aligned to areas of greatest regional need and collaborative procurement. Progress is collated by the GCRB throughout the year and reported to the Performance and Resources Committee as standard agenda item.
- **Flexible Workforce Development Fund:** The colleges supply returns to the GCRB in order for the GCRB to produce a consolidated return and submit to the SFC. The GCRB presents progress reports on the Fund to the Performance and Resources Committee as a standard agenda item.
- **Student Support Fund:** The colleges provide updates on student support expenditure to the GCRB. The GCRB reviews the returns in order to ensure regional needs are being met.

86. From our review of the GCRB financial monitoring tasks, we noted that the review of the college's resource returns, annual budget/financial forecast returns, and cash flow returns are carried out by the GCRB. GCRB then provides a summary to SFC reflecting issues at a regional and individual college level. The returns are sent to GCRB by the colleges and after review GCRB sends a summary to the SFC. The GCRB and the SFC should continue to work in partnership to ensure that the work undertaken by each party is complementary. There continues to be dialogue between both parties to ensure that the arrangements utilise the resources and expertise of both the GCRB and the SFC. We will continue to monitor progress as part of our 2019/20 audit, in order to ensure optimal efficiency over the financial monitoring of the regional colleges.

### Glasgow region – college foundations

87. The college foundations are completely independent from the regional colleges, and grant requests from the colleges are subjected to a formal vetting process.
88. As set out within Exhibit 8 below, the regional colleges received a total of £1.188million from the Glasgow Clyde Education Foundation, Glasgow Kelvin Learning Foundation and City of Glasgow College Foundation during 2018/19. This was an 82% decrease in funding compared with 2017/18.

### Exhibit 8: Glasgow region college foundation income



Source: 2018/19 financial statements

89. As levels of funding held by college foundations continue to decline nationally, we understand that the Scottish Government is considering how the sector might best continue to use respective foundations to help with long-term financial planning and future investment decisions.

### Funding Models

90. The Glasgow Region Strategic Plan for College Education 2017-22 states that it is the GCRB's ambition to, "Develop needs-based regional funding arrangements which support regional strategic goals and make efficient use of resources."
91. The national funding model is largely based on credits which lean towards the cost of inputs, as opposed to outputs and outcomes. Funding for the Glasgow region differs by using a forward-looking price group profile rather than retrospective as occurs nationally.
92. The GCRB is continuing to consider how it can further develop regional funding approaches so that they better support the achievement of regional goals. A review of the funding model is underway in order for a revised model to be implemented in 2022-23. The GCRB have been part of various national and regional discussions which continue to take place regarding the future model.
93. The GCRB acknowledges that a key matter for the Glasgow region moving forward is ensuring that funding approaches provide scope and capacity for regional variation.



94. 2018/19 was the first year in which the GCRB withheld a proportion of the SFC funding received for the region in order to carry out regional investment. This has meant that the Glasgow region has been able to progress with six collaborative projects, progress of which has been considered as part of our value for money section of the wider scope audit.

## Regional Financial Collaboration

95. The three regional colleges and the GCRB are collaborating on a range of financial matters. Their arrangements are intended to ensure the free flow of information and identification of risk at a regional level. The following examples demonstrate the extent of the mechanisms which took place in 2018/19:

- Finance Meetings: Every quarter the Heads of Finance of the colleges meeting with the GCRB Finance and Resources Director to discuss and ensure consistency on operational finance matters.
- Sustainable Institutions Group: Every two months the Vice-Principals responsible for Finance within each college meet with the GCRB Finance and Resources Director. The meetings are intended to provide the opportunity to discuss regional financial issues. This group is accountable to the Glasgow Colleges Group which is led by the college principals.
- Glasgow Region Procurement Team: Representatives of the colleges meet with colleagues from APUC and the GCRB Finance and Resources Director on a quarterly basis in order to monitor progress on collaborative procurement activities in the Glasgow region.
- Liaison with the SFC Finance Team and Strategic Dialogue with SFC: The GCRB Finance and Resources Director and Executive Director meet with senior representatives of the SFC on a regular basis. These meetings enable the discussion of strategic matters and the sharing of information in relation to regional work. The GCRB Finance and Resources Director and Executive Director has built a strong relationship with the SFC finance team.

## Systems of internal control

96. We have evaluated the GCRB'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 GCRB's systems of internal control.

97. The GCRB conducted an annual review of their systems of internal control, the output of which was presented to the Audit Committee in October 2019. No significant issues, weaknesses or failings were identified in this report.

## Prevention and detection of fraud and irregularity

98. The GCRB is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

99. Our audit was planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity.

100. Overall, we found the GCRB's arrangements for the prevention and detection of fraud and other irregularities to be adequate.

101. During 2018/19 the City of Glasgow College identified an alleged fraud, involving the fraudulent procurement and subsequent theft of IT equipment. The alleged fraudulent activity, undertaken by an individual in the college's IT function in collusion with a college supplier, commenced in 2016/17 and continued until this year. The present value of IT equipment which cannot be accounted for is £600k (exclusive of VAT).

102. The GCRB are currently awaiting the completion of the college's investigation and the police investigation into the incident, before they consider the lessons learned for others as well as the Glasgow region.

103. The incident was verbally reported directly to the GCRB Audit Committee once it had been identified, and a formal report will be made once the relevant investigations have concluded. The GCRB Board are satisfied that they were informed in a timely manner regarding the incident.



# 6. 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.**



The GCRB operated with satisfactory governance arrangements in place in year.

The GCRB has taken action to improve collaborative working across the Glasgow region in 2018/19. Further opportunities for regional collaboration should continue to be explored by the GCRB moving forward.



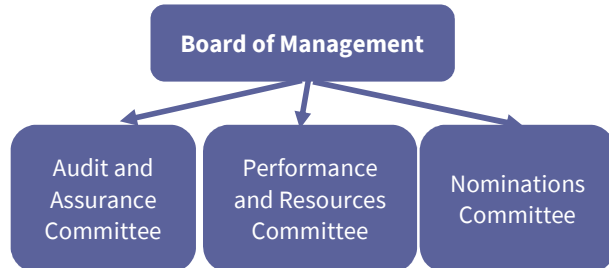


## Governance arrangements

104. Governance arrangements for the Glasgow region are determined by legislative and regulatory frameworks that include:

- The structures, powers and duties set out in the Education Acts;
- The financial memorandum between the SFC and the GCRB and between the GCRB and the assigned colleges;
- The requirements of the Code of Good Governance for Scotland's Colleges and the SPFM; and
- The Scottish Governments ministerial guidance on college sector Board appointments.

105. There were no significant changes to the committee structures of the GCRB in 2018/19. The Board continues to operate with support from three committees, the Audit and Assurance Committee, Nominations Committee and Performance and Resources Committee. The GCRB Board consists of the GCRB chair, representation from the regional college chairs, student and staff members, and non-executive members.



106. The GCRB appointed four new members in 2018/19. We are satisfied that the member induction process (established in 2017/18) has remained in place, ensuring compliance with best practice for board operation.

107. The GCRB conducts an annual Board evaluation, and as part of our audit, we have reviewed the 2018/19 evaluation exercise. We have not identified any significant matters and will continue to monitor progress as part of the 2019/20 audit.

### Regional Governance Arrangements

108. The memorandum between the GCRB and the three assigned colleges was approved in September 2017, and commits the GCRB and the colleges to jointly promote and seek opportunities to develop:

- **Open and Proactive Communication:** the four region boards will facilitate effective

communication between board members and the work of the boards to promote awareness of each other priorities and concerns, and of developments that may impact on the region as a whole.

- **Collaboration and Joint Working:** the four region boards will promote opportunities for collaborative working through short-life groups and longer-term arrangements between boards and chairs of boards; board committees and committee chairs, other member as appropriate and college and GCRB executives.
- **Joint Development and Networking:** the four region boards will actively seek opportunities for joint training, development and networking activities to promote common understanding and build stronger and more effective relationships across the region. This includes joint board development and training events. The GCRB will co-ordinate collective activity.

109. From our review of the regional ambitions, we have not identified any issues in relation to open and proactive communication between the GCRB and the colleges. Key developments to date include:

- **Regional Conversation Events:** College and regional Board members are now collaborating on key governance issues, including risk management, GDPR, mental health, cyber-security and increasing diversity on boards. The response of Board members to these 'regional conversation' events has been positive.
- **Collaborative Management Structure:** Significant progress has been made by the new Regional Leads in relation to collaborative approaches to CPD, to more systematic and in-depth curriculum review, to delivering more consistent student support services, and to improved data provision and analysis.
- **Cross College Groups:** New cross college groups were formed to share skills and knowledge, support the development of consistent regional approaches and develop more effective and efficient joint delivery structures. This includes a new regional Organisational Development group which planned and deliver joint CPD activity across the three Glasgow colleges.
- **Needs based Capital funding process:** This was developed by the GCRB to replace the national funding model based on prioritises of the region.



## Internal Audit

110. An effective internal audit service is an important element of the GCRB's overall governance arrangements. MHA Henderson Loggie provides the GCRB'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 GCRB's total audit resource.

## Openness and transparency

111. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny.
112. The GCRB's current arrangements in respect of openness and transparency appear reasonable and comparable to the colleges within the Glasgow region. Whilst Board meetings are not open for public attendance, we are satisfied that minutes and papers from the Board and supporting committees are published on the GCRB's website, where commercial interests allow. Papers for public access are clearly marked as 'disclosable'.
113. At the time of writing this report, the latest available Board papers on the GCRB's website were dated October 2019. Similar was noted in respect of Audit and Assurance Committee, Performance and Resources Committee, and the Nominations Committee papers which were sufficiently up-to-date.

## Risk management

114. 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.
115. The GCRB's Board is responsible for the overall review and effectiveness of the GCRB's risk management arrangements and the Audit Committee carries delegated responsibility for reviewing these arrangements. The Strategic Risk Register is reviewed and approved by the Board at each meeting.
116. The GCRB Audit Committee have a standing item on their agenda to review the risk registers of the Glasgow region colleges on a quarterly basis to ensure that they are consistent across the region.
117. As part of our audit work, we have reviewed the regional colleges' risk registers and compared these to the GCRB's risk register. We are satisfied that they are suitably aligned across the region.

118. Overall, we are satisfied that the GCRB's risk management arrangements are adequate.

## EU withdrawal

119. 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
120. At this time, the wider potential implications of EU withdrawal across the college sector remain uncertain. Whilst the direct impact on the GCRB is likely to be relatively small compared to some other parts of the public sector, the GCRB anticipate that the indirect effects would be much more significant in the medium and longer term.
121. We are satisfied that during the academic year, the GCRB has undertaken appropriate consideration on the potential impacts of Brexit and we have seen sufficient evidence to confirm that this assessment is continuing.

## Dependency on key suppliers

122. One of the sector risks identified by Audit Scotland for 2018/19 relates to public sector organisations reliance on key suppliers. Following the collapse of Carillion, it became apparent that public sector bodies face significant risks where suppliers are experiencing difficult trading conditions.
123. The GCRB, along with the assigned colleges in the Glasgow region, is a member of Advanced Procurement for Universities and Colleges (APUC) Ltd which is the Procurement Centre of Expertise for 62 universities and colleges. APUC Ltd works collaboratively with universities and colleges in setting up contracts on behalf of the Higher and Further Education Sectors in Scotland.
124. The GCRB is not directly involved in the assessment of risk for suppliers: this assessment rests with APUC. APUC is responsible for the monitoring of procurement which is reviewed and reported on annually. At the time of this report, the 2019 monitoring report not currently available.
125. Due to the use of this centralised approach, we do not consider there to be a significant risk to the GCRB in respect of dependency on key suppliers.



# 7. 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 GCRB's own reporting of its performance.**



The GCRB has continued to develop a robust performance management framework in 2018/19.

Sufficient progress has been made in relation to the 2018/19 ROA with areas of improvement highlighted to drive forward in 2019/20.

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



## Value for money

### Value for money framework

126. The Financial Memorandum between the SFC and the GCRB requires the GCRB to have a strategy for reviewing systematically management's arrangements for securing value for money.
127. A variety of value for money principles are embedded in the day to day operations of the GCRB as follows:
- Integrating value for money principles within planning, management, decision-making and review processes, particularly in regard to any project or decision with financial implications;
  - Using risk management to assess the financial risks;
  - Complying with relevant legislation and regulation;
  - Adopting good practice wherever possible;
  - Being open and transparent;
  - Working with others and collaboration'
  - Communicating with staff; and
  - Continuous improvement.
128. We are satisfied that the GCRB has demonstrated commitment to achieving value for money through its annual review of the value for money strategy along with the push for better collaborative working arrangements across the Glasgow college region.

### Performance framework

129. The Glasgow Region Strategic Plan for College Education 2017-22 has been in place since May 2017. This collaborative plan, setting out the direction for the Glasgow college region, is used to inform the content of the annual Regional Outcome Agreement (ROA).
130. The key components of the strategic plan are the annual ROA and the annual operating plans, as summarised:

Our seven learning priorities and four added-value drivers are paramount. College level strategies and operating plans will drive their success.



### Regional Outcome Agreement (ROA)

131. The 2018/19 ROA was approved by the GCRB Board in December 2017. The purpose of the ROA which is required by the SFC is to set out how the Glasgow region will undertake action to deliver learning opportunities which meet the key imperatives in the year.
132. There are four key outcomes around which the 2018/19 ROA is centred on:
- Meeting the needs of employers;
  - Widening access;
  - Enhancing progression routes and pathways; and
  - More flexible provision,
- which we are satisfied are appropriately aligned to the Strategic Plan.
133. A range of target measures were developed for the region, and subsequently split between the three regional colleges. An evaluation of the 2018/19 ROA performance was presented to the Performance Resources Committee in October 2019, and subsequently submitted to the SFC by the 31 October.
134. The evaluation is performed in accordance with SFC guidance. The quantitative analysis is based on finalised data provided by the colleges following internal audit.
135. Key achievements recognised within the outturn include:

- Overall Credits Delivered: All three colleges delivered about their targets for core and additional European Social Funded Credits. Collectively, they delivered approximately 1,500 credits above the target.
- Widening Access: The region exceeded three of its four targets for widening access for delivery of credits to black and minority ethnic learners, learners with a known disability, and learners with care experience.
- Developing the Young Workforce: The colleges collectively increased the number of Senior Phase pupils studying vocational qualifications and exceeded the 2018/19 target by 537 pupils.
- Successful Progression to Work and Study: The region collectively increased (by 0.7pp) the proportion of fulltime qualifiers successfully



progressing to work or study, although this fell slightly short of the targeted increase.

136. Despite these successes, there were a number of targets that were not met by the region during 2018/19:
- Total childcare credits were 649 credits short of the target.
  - Volume of credits delivered to learners in areas within the 10% Scottish Index of Multiple Deprivation was 2,933 below the target.
  - Delivering an effective college region: the achievement measures for the region were all below target.
137. We have reviewed the evaluation of the 2018/19 ROA and can consider that sufficient progress has been made in year with areas of key focus highlighted to take forward to 2019/20.

## Self-Evaluation Report on Regional Effectiveness

138. The Board approved the GCRB's self-evaluation of regional effectiveness in June 2019 which was in response to the recommendation in the Audit Scotland review of colleges from June 2018.
139. This evaluation looked at three main areas which the GCRB has looked to improve in the Glasgow region:
- Regional Planning and Provision: ensuring that the colleges meet the regional needs through aligning their curriculums to these needs.
  - Productivity and Performance: monitoring performance against the ROA regularly, strengthening governance, and delivering value for money.
  - People and Partnerships: promoting regional collaboration, and ensuring student and staff representation.

## Key Achievements:

- Developing Glasgow's first regional strategy for college education.
  - Coordinating and delivering the ROA goals and improving learner attainment for the region.
  - Establishing a regional collaborative management structure.
  - Developing regional funding arrangements to align Glasgow's capital expenditure with areas of greatest regional need.
140. We have reviewed the GCRB's self-assessment and are satisfied that the conclusions reached by the Board are consistent with our audit work.
141. From the Board's Self-Evaluation the areas upon which improvement is needed have been taken into the Regional Programme of Action for 2019/20.
142. Key areas of development noted in the self-evaluation are:
- Create a new curriculum and resources plan for the Glasgow college region, replacing the current 2015-2020 plan.
  - Implement a refreshed regional STEM strategy and increase the proportion of learners undertaking STEM-related learning, ensuring the regional curriculum offer responds to the needs of the STEM economy.
  - Build seamless pathways across the Glasgow region curriculum and create guaranteed articulation agreements which allow students on programmes at one Glasgow college to progress directly to programmes at the next level at another Glasgow college.

## Progress of Collaborative Projects

143. The GCRB are currently undertaking six collaborative projects in the Glasgow region. These are:
- Developing digital curriculum maps;
  - ESOL partnership;
  - Aligning curriculum more closely to regional and national skills needs;
  - Developing online learning resources for HNC childcare courses;
  - Establishing a new student support service for care experienced young people; and
  - Developing a more extensive mental health service.



144. Progress on these projects has been presented to the Performance and Resources Committee in October 2019.
145. From our review of the documented progress on these projects during 2018/19, we consider reasonable development has been achieved across all six projects.
146. The GCRB has ensured that achieving value for money with these projects is being considered throughout the lifetime of the projects. This has been sought through competitive tendering and partnership working with Skills Development Scotland.
147. We will continue to monitor progress and developments with collaborative working arrangements as part of our 2019/20 audit.

### Key Performance Outcomes

148. Below is a summary of the Glasgow region's performance against the targets set as part of the 2018/19 Regional Outcome Agreement.

#### Exhibit 9: 2018/19 Performance against ROA targets for Glasgow Region

	2018/19 ROA Target	Actual measure for 2018/19 (Subject to validation by SFC)	Variance
Total Credits	387,466	388,968	1,522
Administration, Financial and Business Services	80,033	76,985	-3,048
Creative and Cultural Industries	58,612	58,320	-292
Energy, Engineering, Construction and Manufacturing	72,007	73,687	1,680
Food, Drink, Tourism, Hospitality and Leisure	65,575	61,453	-4,122
Health, Care and Education	40,820	42,812	1,992
Land-Based Industries	2,790	2,794	4
Life and Chemical Sciences	12,126	13,619	1,493
Transition and Supported Learning	54,183	59,298	5,115
Total Childcare Credits	7,095	6,446	-649
Volume of STEM related training credits	88,098	97,647	9,549
Proportion of full-time learners with substantial "work placement experience"	20.8%	19.3%	-1.5%
Number of senior phase age pupils (SCQF 5+)	669	1,206	537
Volume of school/college Credits delivered (S3+)	11,581	11,671	25,465



	2018/19 ROA Target	Actual measure for 2018/19 (Subject to validation by SFC)	Variance
Proportion of Credits delivered to Black and Minority Ethnic learners	14.3%	16.6%	2.4%
Proportion of Credits delivered learners with a known disability	14.1%	16.7%	2.6%
Proportion of Credits delivered to learners with Care Experience	1.7%	3.4%	1.7%
Volume of credits delivered to learners in 10% SIMD	117,716	114,783	-2,933
Percentage of credits delivered to learners in 10% SIMD	30.4%	29.5%	-0.9%
FT FE Success %	68.7%	66.5%	-2.2%
PT FE Success %	83.4%	81.6%	-1.7%
FT HE Success %	75.8%	71.2%	-4.6%
PT HE Success %	83.5%	78.2%	-5.3%
Percentage of students overall satisfied	89.7%	86.8%	-3.0%
Full-time % successful progression to work or study	95.5%	97.2%	1.7%
% destinations known of qualifiers	87.0%	85.9%	-1.1%



# 8. Appendices

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## Appendix 1: Respective responsibilities of GCRB and the Auditor

### Responsibility for the preparation of the annual report and consolidated financial statements

It is the responsibility of the GCRB and the Interim Executive Director, as Accountable Officer, to prepare consolidated 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 consolidated financial statements, GCRB is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the Board will continue in operation.

#### GCRB is also responsible for:

- keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements comply with 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.

### Auditor responsibilities

#### We audit the annual report and consolidated financial statements 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 SFC of the state of the affairs of the parent and its group affairs as at 31 July 2019 and of its surplus/deficit for the period 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;
- 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 Ministers;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report and Governance Statement for the financial period for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with directions made by the Scottish Funding Council.

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

- proper accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit.



## 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 of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

## Independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

Scott-Moncrieff provides taxation services to City of Glasgow College. All taxation services are provided by independent partners and staff who have no involvement in the audit of the annual report and consolidated financial statements. The total value of the taxation services provided in 2018/19 is approximately £2,500 (excluding VAT).

### Confirmation of independence

We confirm that we complied with FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff and the GCRB, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.



## Appendix 2: Follow up of prior year audit recommendations

Of the four recommendations raised within our prior year annual audit reports and which were outstanding/yet to be fully implemented at the commencement of our 2018/19 annual audit, we note that all have now been implemented. Details are given below.

Note that no further recommendations have been identified during our 2018/19 audit.

### Action plan grading structure

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.



## Follow up of prior year recommendations

### 1. Financial ledger and journals

Initial rating	Issue & recommendation	Management comments
<b>Grade 3</b>	<p><b>Issue</b></p> <p>From our review of journals we identified that the City of Glasgow College maintain a separate cost centre within the colleges ledger system, which is the basis of the financial statements. In 2016/17 and 2017/18, only income and expenditure/ transactions were posted to the GCRB's cost centre. Balance sheet transactions were manually populated.</p> <p><b>Risk</b></p> <p>There is an increased risk over the completeness of the GCRB financial statements due to ledger posting omissions. Manual population increases the risk of misstatements. As the GCRB transactions are posted within the City of Glasgow Colleges module of the ledger, although in a separate account code, there is a significant amount of recharges from City of Glasgow cost centres. There is therefore an increased risk over the completeness and transparency of GCRB transactions.</p> <p><b>Recommendation</b></p> <p>We recommend that the GCRB explores the option of creating a separate organisational module within the City of Glasgow College ledger system, and that all journals relating to the GCRB are posted to the appropriate cost centre.</p>	<p>Agreed. Discussions have taken place with City of Glasgow College and work is taking place to implement this recommendation.</p> <p><b>Responsible officer:</b> Finance and Resources Director</p> <p><b>Implementation date:</b> 31 March 2019</p>
Current status	Management response	
<b>Complete</b>		



## 2. Regional financial reporting

Initial rating	Issue & recommendation	Management comments
<b>Grade 2</b>	<p><b>Issue</b></p> <p>The Performance and Resource committee receive a report on regional financial monitoring progress as a standard agenda item. The papers include updated financial forecast figures until 2022/23. Although the forecast outturn position for the year is transparent for the committee, there is no year to date position presented.</p> <p><b>Risk</b></p> <p>There is a risk of insufficient oversight by the Performance and Resource committee of the year to date regional financial position throughout the year.</p> <p><b>Recommendation</b></p> <p>Management should consider strengthening regional resource reporting by including a regional year to date analysis within the financial monitoring reports.</p>	<p>Agreed. A revised process for reporting in-year financial forecasts will be introduced for the financial year 2018-19.</p> <p><b>Responsible officer:</b> Finance and Resources Director</p> <p><b>Implementation date:</b> 30 April 2019</p>
Current status	Management response	
<b>Complete</b>		



### 3. Register of interests

Initial rating	Issue & recommendation	Management comments
<b>Grade 1</b>	<p><b>Issue</b></p> <p>Board members are responsible for maintaining their register of interest and this should be kept up to date with accurate information. As part of our work on related parties we identified one individual who had interests in organisations which were undisclosed on their register of interests during the financial year. The Board should ensure all Board members are aware of the process for updating their register of interests.</p> <p><b>Recommendation</b></p> <p>The GCRB should ensure all Board members are aware of the process for updating their register of interests.</p>	<p>Agreed. Board members will be reminded of this requirement.</p> <p><b>Responsible officer:</b> Board secretary</p> <p><b>Implementation date:</b> 31 May 2019</p>
Current status	Management response	
<b>Complete</b>		



## 4. Cyber security

Initial rating	Issue & recommendation	Management comments
<b>Grade 3</b>	<p><b>Issue</b></p> <p>The GCRB has stated that reliance is placed on the City of Glasgow College cyber security systems as the provider of IT systems and service to the GCRB. We are aware the City of Glasgow College is currently working towards accreditation and has engaged an external provider to complete a pre-assessment test. The College has therefore not met the 31 October deadline for accreditation. The GCRB should closely monitor progress to ensure compliance is achieved as soon as possible.</p> <p><b>Risk</b></p> <p>There is a risk that cyber security arrangements may not be fully compliant.</p> <p><b>Recommendation</b></p> <p>The GCRB should closely monitor progress with the City of Glasgow College to ensure compliance is achieved as soon as possible.</p>	<p>Agreed. GCRB will liaise with the College to ensure accreditation is achieved.</p> <p><b>Responsible officer:</b> Finance and Resources Director</p> <p><b>Implementation date:</b> 31 March 2019</p>
Current status	Management response	
<b>Complete</b>		

