



## City of Glasgow College

2019/20 Annual Audit Report to the Board and the Auditor General for Scotland

November 2020



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# Key messages

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This report concludes our audit of the City of Glasgow College for 2019/20.

This section summarises the key findings and conclusions from our audit.

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<p><b>Annual report and accounts</b></p>	<p>The annual report and accounts for the year ended 31 July 2020 were approved by the City of Glasgow College on 16 December 2020.</p> <p>We report within our independent auditor’s report an unqualified opinion on the 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.</p>
 <p><b>Financial Sustainability</b></p>	<p>The next two financial years will be extremely challenging for the College.</p> <p>The College is forecasting underlying operating deficit position in the next financial year of £3.090million. The forecast underlying operating position is improved for 2021/22 with a smaller underlying operating deficit of £0.499million and a small surplus is forecast for 2022/23 of £0.104million.</p> <p>The College has incorporated the financial impact of the COVID-19 pandemic into its financial forecasts and continues to monitor the overall impact on its financial position.</p>
 <p><b>Financial Management</b></p>	<p>The College manages its finances well overall, but needs to do more to better integrate the finance function with other College departments and to align its activities more clearly with the College’s strategic objectives.</p> <p>The College reports an operating deficit of £5.474million for the year. The adjusted underlying operating deficit for the year was £0.306million.</p> <p>To achieve ongoing improvement in structure, process and performance an IT service improvement plan should be developed by the College to address the recommendations our ‘Review of IT effectiveness’ report.’</p>
 <p><b>Governance &amp; Transparency</b></p>	<p>Governance arrangements at the College were found to be satisfactory and appropriate, including throughout the COVID-19 pandemic to date.</p> <p>Effective arrangements are in place regarding financial control, prevention and detection of fraud and irregularity, and standards of conduct.</p>
 <p><b>Value for Money</b></p>	<p>The College has appropriate performance management processes in place that support the achievement of value for money. Performance in 2019/20 has improved from the previous year.</p> <p>Work has begun by the College to develop a new Strategic Plan 2020/25.</p>

## Conclusion

This report concludes our audit for 2019/20. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

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November 2020

# 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 College for 2019/20.

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 College, we have designated the Audit Committee as "those charged with governance".

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## Introduction

1. This report summarises the findings from our 2019/20 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 and Assurance Committee at the outset of our audit. The core elements of our work include:
  - an audit of the 2019/20 annual report and accounts 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



## Responsibilities

3. The College is responsible for preparing an annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report 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 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. We would like to thank all management and staff for their co-operation and assistance during our audit.

## Auditor independence

5. 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.
6. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standards. In our professional judgement, we remained independent and our objectivity has not been compromised in any way.
7. We set out in Appendix 1 our assessment and confirmation of independence.

## Openness and transparency

10. This report will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Adding value through the audit

8. 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

9. 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 any member of your audit team.



# Annual report and accounts

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The College's annual report and accounts 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 2019/20 annual report and accounts.

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## Annual report and accounts

### Unqualified audit opinion on the annual report and accounts

The annual report and accounts for the year ended 31 July 2020 were approved by the Board on 16 December 2020. We report 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

11. Our independent auditor's report includes:

- An unqualified opinion on the financial statements;
- An unqualified opinion on regularity; and
- An unqualified opinion on other prescribed matters.

12. We are also satisfied that there are no matters which we are required to report by exception.

13. The assessed risks of material misstatement described in the table below 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 below.

### Our assessment of risks of material misstatement

## Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### 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 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*.

*Noted in the 2019/20 External Audit Plan*

14. We have not identified any indication of management override in the year. We have reviewed the College'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.

### 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 income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

*Noted in the 2019/20 External Audit Plan*

15. At the planning stage of our audit we concluded that the revenue recognition risk was present in all revenue streams except for the College's revenue resource allocation from Scottish Government.
16. Based on audit work performed, 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.

### Risk of fraud in the recognition of expenditure

Practice Note 10 - *The Audit of Public Sector Financial Statements* 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.

*Noted in the 2019/20 External Audit Plan*

17. 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 College's policy for recognising expenditure is appropriate and has been applied consistently throughout the year.

### Estates valuation

The College has invested significantly in its estate in recent years through PPP contracts for the City and Riverside campus developments. Funding for these developments is partly reliant on future asset sales and a one college site has recently been sold with a number of other sites currently held for sale. The carrying value of assets in the College's accounts are based on a range of estimates and small changes in estimate have the potential to result in a material change in asset valuation.


*Noted in the 2019/20 External Audit Plan*

18. We have reviewed the arrangements in place in relation to the accounting for these developments. We have reviewed the reasonableness of the treatment, any related assumptions, the use of any experts, and any other observable data. We have agreed the disclosures in the financial statements to information provided and underlying nature of the transactions and balances.

## Pension Assumptions

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under FRS 102 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.

*Noted in the 2019/20 External Audit Plan*


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19. We have reviewed the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate. We have reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We have agreed the disclosures in the financial statements to information provided by the actuary.

## COVID-19

The current COVID-19 pandemic presents a number of unprecedented challenges to the operation, financial management and governance of an organisation. Systems and processes have been amended to support remote working, governance arrangements and decision making has moved to a virtual environment and many organisations are forecasting large operating deficits due to loss of income and additional cost pressures.

There is increasing uncertainty of how long these challenges will persist and as a result, the extent of the impact on the preparation and audit of the 2019/20 annual report and financial statements remains unknown. We will continue to monitor government and relevant announcements as they pertain to the audit of the College and adapt our audit approach as required.

*Noted in the 2019/20 External Audit Plan*

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20. We have monitored the emerging situation and liaise with the College to ensure they continue to adopt robust governance arrangements and maintain an appropriate system of internal control. We have reviewed the year-end process to ensure this supports the preparation of true and fair financial statements, including consideration of management estimates, valuations and the necessary supporting disclosures. We also considered the Board's consideration of the College's ability to continue as a going concern.
21. We have assessed the impact of the valuations on assets and pensions as part of our audit work to determine if any disclosures are

required in the accounts or if any modification to the audit opinion maybe required.

22. We have gained assurance that the going concern basis is reasonable and that steps have been taken to mitigate the effects of COVID-19. No subsequent events were identified. The disclosures within the financial statements are adequate. We have concluded no modification to the audit opinion is required.

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## Content of the annual report and accounts

23. In May 2020, HM Treasury issued an addendum to the Government Financial Reporting Manual (FReM) which covered the following:
  - The addendum permits, but does not require, bodies to omit the performance analysis section from the Performance Report. Where relevant performance information has already been published elsewhere, bodies are encouraged to refer to the relevant publication.
  - Where unaudited information otherwise required to be included in the Accountability Report is already published elsewhere, bodies are permitted to refer to the relevant publication rather than including the information in their Accountability Report.
24. The College took the decision to include the performance analysis section of the Performance Report and make the full disclosures in the Accountability Report.

### Access to audit evidence

25. Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate

audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.

26. We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.
27. We stayed in close contact with College finance colleagues right up until the point of accounts signing, to ensure all relevant issues were satisfactorily addressed.

### Good Administrative processes

28. We received draft financial statements and supporting papers of a good standard and in line with our agreed audit timetable. Our thanks go to all staff at the College for their assistance throughout our audit.

## An overview of the scope of our audit

29. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Assurance Committee in September 2020. 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.

- 30. 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.
- 31. 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 below.

### Our application of materiality

- 32. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We review our assessment of materiality throughout the audit.
- 33. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or

groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

- 34. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
- 35. Our initial assessment of materiality for the financial statements was £1.9million. On receipt of the 2019/20 draft accounts, we reassessed materiality and changed this to £1.7million. We consider that our updated assessment has remained appropriate throughout our audit.

	Materiality £million
<b>Overall materiality:</b> Our assessment is made with reference to the College's expenditure, which is considered one of the principal considerations for the users of the financial statements when assessing financial performance.	1.7
<b>Performance materiality:</b> using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	1.3
36. We noted within our External Audit Plan that we would report to the College all audit differences in excess	

of 5% of the overall materiality figure, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identify when assessing the overall presentation of the annual accounts.

## Audit differences

37. We identified no material adjustments to the unaudited annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of accounts. There were no unadjusted differences to the unaudited annual accounts.

## Other matters identified during our audit

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

### Other information in the annual report and accounts

39. "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

40. 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.

41. 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.

42. We have concluded that the performance report has been prepared in accordance with directions from Scottish Ministers and is consistent with the financial statements.

### The accountability report

43. 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

44. 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 2019/20 Accounts Direction, released by the SFC.

45. We consider the coverage of the governance statement to be in line with our expectations.

### Remuneration and staff report

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



## Regularity

47. 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.
48. In our opinion 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.

## College representations

49. We have requested that a signed representation letter be presented to us at the date of signing the annual accounts.

## Follow up of prior year recommendations

50. We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 2.

## Qualitative aspects of accounting practices and financial reporting

51. During the course of our audit, we considered 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 financial statements. Our audit conclusions on these qualitative aspects are as follows:

Qualitative aspect considered	Audit conclusion
<p>The appropriateness of the accounting policies used.</p>	<p>We have reviewed the significant accounting policies, which are disclosed and are satisfied with the appropriateness of the accounting policies used.</p>
<p>The timing of the transactions and the period in which they are recorded.</p>	<p>We did not identify any concerns over the timing of transactions or the period in which they were recognised.</p>
<p>The appropriateness of the accounting estimates and judgements used.</p>	<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 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.</p> <p>Significant estimates have been made in relation to the valuation of property, plant and equipment. The last valuation took place as at 31 July 2019 and was informed by advice from qualified, independent experts. The valuation process is in line with the requirements with accounting standards.</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. We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate.</p>
<p>The appropriateness of the going concern assumption</p>	<p>We reviewed the financial forecasts for 2020/21. 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.</p>

Qualitative aspect considered	Audit conclusion
The potential effect on the financial statements of any uncertainties, including significant risks and related disclosures that are required.	We did not identify any uncertainties, including any significant risk or required disclosures, which are not already included in the annual accounts.
The extent to which the financial statements 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 financial statement disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention other than the material uncertainty disclosure on property valuations noted above. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or financial statements 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.

# 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 and the way in which they should be delivered.



The next two financial years will be extremely challenging for the College.

The College is forecasting underlying operating deficit position in the next financial year of £3.090million. The forecast underlying operating position is improved for 2021/22 with a smaller underlying operating deficit of £0.499million and a small surplus is forecast for 2022/23 of £0.104million.

The College has incorporated the financial impact of the COVID-19 pandemic into its financial forecasts and continues to monitor the overall impact on its financial position.

## Significant audit risk

52. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

### Financial sustainability

The Scottish Funding Council (SFC) requires colleges to prepare five year Financial Forecast Returns (FFRs). We reported in our 2018/19 Annual Audit Report that the College prepared a FFR, in line with SFC guidance, which forecast a small surplus in each of the next 5 years.

We reported in our 2018/19 Annual Audit Report that the FFR assumes that the current savings programme identified by the College is implemented as planned. Any set-backs in the execution of this programme could have significant financial implications for the College in meeting their targets.

We will assess the impact COVID-19 will have on the College's ability to deliver their services and what impact this will have on its financial plans.

*Noted in the 2019/20 External Audit Plan*

53. The College has prepared a three-year medium-term financial forecast as required by FFR process. The latest FFR, approved by the Board of Management in August 2020, reported the forecasted year-end position for 2019/20, the budget for 2020/21 and forward forecasts for 2021/22 and 2022/21. Our work and conclusions on the budget and financial forecasts for 2020/21 onwards is set out below and notes the challenges the College faces in the next two years.

## Short Term Financial Planning

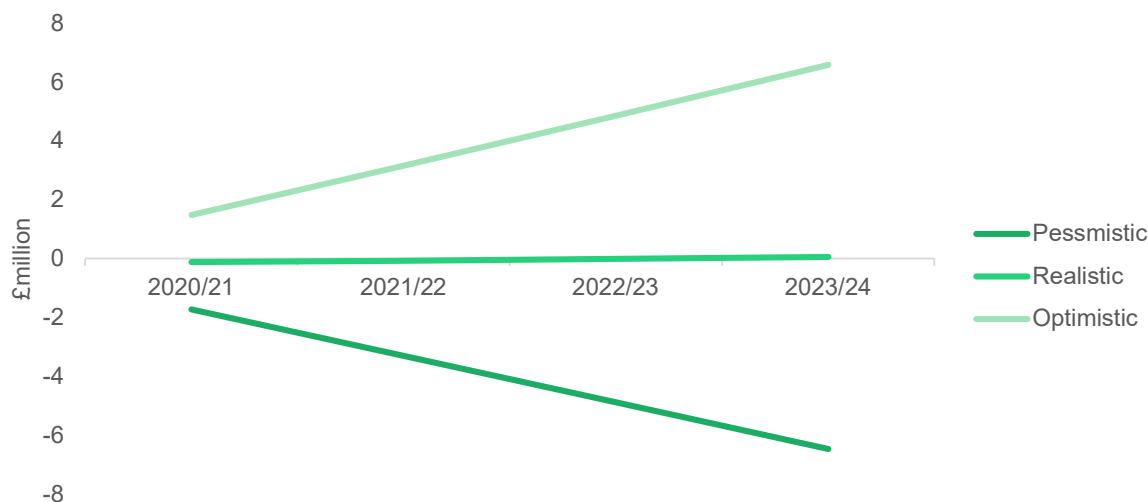
54. Scotland's further education sector is facing an extremely challenging financial situation during the next financial year from the impact of national bargaining harmonisation/ job evaluation costs, cost of living pay award increases and pension increases. For example, the Public Sector Pay Policy 2020/11 provides a guaranteed minimum of 3% pay increase to public sector workers who earn up to £80,000.
55. Notwithstanding the reduction in non-SFC income and increase in expenditure are a result of the COVID-19 pandemic. The SFC has confirmed however that it will not recover funds for shortfall against core outcome agreement targets where these are related to COVID-19 in 2019/20 and 2020/21. The full financial impact of the COVID-19 pandemic is highly uncertain putting the further education sector's financial sustainability at significant risk.
56. The SFC published indicative funding allocations in April 2020 and final

- allocations in June 2020. The GCRB has subsequently provided a breakdown of allocations across the assigned colleges, including a top slice for the GCRB running costs and collaborative projects.
57. The College prepared their Financial Plan for the year 2020/21 based on three set of financial assumptions:
- realistic assumptions;
  - optimistic assumptions; and
  - pessimistic assumptions.
58. The Financial Plan for the year 2020/21 was presented to the Finance and Physical Resources Committee (FPRC) in May 2020, projecting an operating deficit of £1.971million (based on realistic assumptions). Once adjusted for non-cash and exceptional items, the College forecasts an underlying operating deficit of £3.670million.
59. If the pessimistic assumptions identified by the College crystallised (worst case scenario), rather than realistic assumptions, this would increase the underlying deficit to £7.017million for 2020/21.
60. The committee considered the scale of the loss too high and requested further work to review budgeted expenditure and income. The Financial Plan was considered by the Board in August 2020, where the realistic assumption forecast an operating deficit of £1.306million and an underlying deficit of £3.068million.
61. The plan highlights that there is high level of uncertainty across several major streams of income and expenditure. This includes significant uncertainty of demand for commercial and international training. The College has reduced forecast commercial and, overseas fees by 40% to £2.3million.
62. The College recognises that it will need to substantially change the teaching model for academic year 2020/21 to take account of Government guidance, social distancing and minimising infection risk. Additional costs will be incurred in 2020/21 to ensure the campus adheres to social distancing requirements and other COVID-19 related measures. The next financial year will be extremely challenging for the College.

## Long Term Financial Planning

63. In February 2020, FPRC considered the College's five-year financial forecast based on three sets of financial assumptions, as outlined in paragraph 57. This forecast was prepared before the COVID-19 pandemic. The financial forecast projected small underlying operating deficits in 2021/22 (£0.076million) and 2022/23 (£0.017million) and a small underlying surplus in 2023/24 (£0.55million) using realistic assumptions, as shown in the graph below.

Forecast underlying operating position as at February 2020

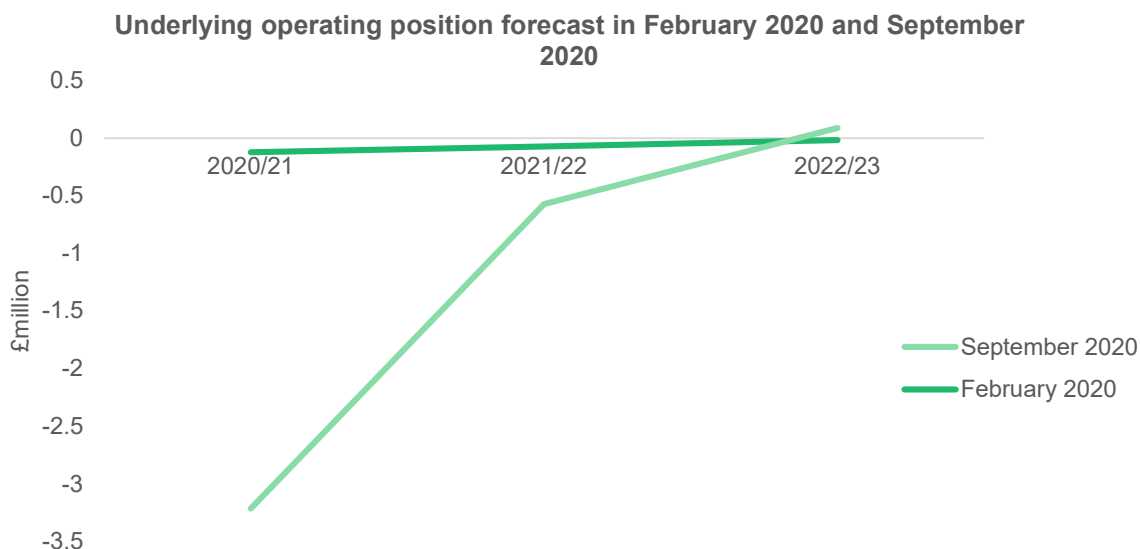


Source: Long term financial planning, Finance and Resources committee February 2020

64. Since the COVID-19, the College has prepared a FFR as required by the SFC.
65. The FFR is an established part of the SFC’s financial health monitoring framework. The FFR allows the SFC to monitor and assess the medium-term financial planning and health of colleges. The latest FFR, requires colleges to report actual financial performance for the session 2019/20, forecasts through to 2022/23. The SFC has developed key assumptions with college Finance Directors that should be used in the FFR to support consistency and comparability across the sector. There is no Scottish Government budget beyond the year 2020/21 so the assumptions are indicative.
66. “SFC Call For Information: Financial forecast return (FFR) for further education institutions 2019/20 to 2022/23” provides guidance to the colleges for the preparation of the FFR including key financial planning assumptions. The assumptions include:
- Credits and teaching income (Core and European Social Fund activity): core funding and additional funding for ESF activity for 2020/21 should be based on the final funding allocations announced in June 2019. SFC anticipates a shortfall in against student number credit target as a result of COVID-19 however no revision to activity targets for any region prior to 2022/23 when there will be a 2.7% reduction at sector level in activity.
  - Flexible workforce development fund: colleges should assume that Flexible Workforce Development funding will Continue at 2019/20 levels.
  - Regional strategic bodies: will need to advise their assigned colleges of their funding assumptions over the forecast period to 2022/23.
  - 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 2020/21 funding allocations announced in April 2020.
  - 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.
  - Disposals: any planned property disposals and include both expected proceeds and costs of disposal.
67. Using the above assumptions the College has prepared a FFR which forecasts underlying deficits for the next two financial years and a small underlying surplus in 2022/23.
68. The graph below shows the underlying operating position for the College forecast in February 2020 and the updated forecast in September 2020 (using realistic assumptions). The most significant change to the forecast underlying position is expected in 2020/21 – an increase to the underlying deficit of £2.967million.
69. Since February 2020, the forecasts have been updated for further information as it has become available. This includes the significant impact COVID-19 has and will continue to have on the College's income and expenditure.
70. The College recognises that COVID-19 has had a significant adverse impact on the College's ability to achieve an operating surplus in 2019/20 and 2020/21. The College recognises that achieving a balanced budget will not be possible for 2019/20 or the next financial year.





Source: Long term financial planning, Finance and Resources committee February 2020 and FFR, Finance and Resources committee September 2020

71. The FFR also requires colleges to set out material risks to income and expenditure, and if possible to quantify these risks, which should link to the college's risk register. The College identifies five key risks:

- failure to achieve a sustainable model and level of grant funding within the Glasgow region;
- failure to maximise income via diversification;
- negative impact of Brexit;
- failure to achieve operating surplus via control of costs and achievement of income targets; and
- failure to obtain funds from College Foundation.

72. The scale of the financial challenge for the College and the further education section over the next two financial years is unprecedented.

# Financial management

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



The College manages its finances well overall, but needs to do more to better integrate the finance function with other College departments and to align its activities more clearly with the College's strategic objectives.

The College reports an operating deficit of £5.474million for the year. The adjusted underlying operating deficit for the year was £0.306million.

To achieve ongoing improvement in structure, process and performance an IT service improvement plan should be developed by the College to address the recommendations our 'Review of IT effectiveness' report.'

## Financial performance

73. The College reports an operating deficit of £5.476million for the year ended 31 July 2020. Adjusting the operating position for technical accounting factors that are outwith the control of the College, such as pensions and net depreciation, the College shows an adjusted underlying deficit of £0.306million

74. The table below sets out the College's 2019/20 income and expenditure budget against results for the year as disclosed within the financial statements:

2019/20 performance against budget	Budget	Actual	Variance
	£000	£000	£000
SFC income	66,967	67,302	335
Tuition fees (fundable, international and commercial)	19,028	17,890	(1,138)
Other income (including investment income, catering and student accommodation)	5,234	4,770	(464)
Grant from Foundation	1,000	24	(976)
EU and international projects	1,002	795	(207)
<b>Total income</b>	<b>93,231</b>	<b>90,781</b>	<b>(2,450)</b>
Staff costs	52,898	57,048	(4,150)
Other operating expenses (including depreciation and exam fees)	22,771	22,154	617
Property costs	17,772	17,055	717
<b>Total expenditure</b>	<b>93,441</b>	<b>96,257</b>	<b>(2,816)</b>
<b>Operating surplus / (deficit) for the year ended 31 July 2020</b>	<b>(210)</b>	<b>(5,476)</b>	<b>(5,266)</b>

## Performance against budget

- 75. The primary variance between budget and actual income was in relation to non-SFC income of £2.785million less than budgeted largely due to the impact of COVID-19 on the College's operations and finances.
- 76. Catering and accommodation income was £1.440million below budget due to the closure of the College and students returning home. Tuition fees were also £1.138million below budget due to cancelled courses. This reduction in income is partially offset against an increase in other income of £0.996million. This mainly relates to furlough scheme grant.
- 77. There was also a reduction in Foundation grant of £0.973million as no funding application was submitted in 2019/20.
- 78. The College did not make an application for capital funding prior to

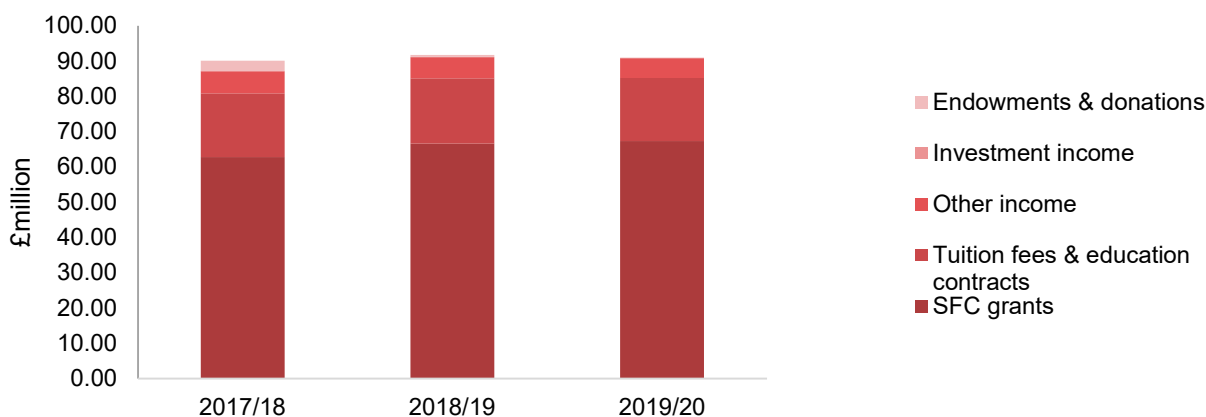
31 July. The £563k income recognised in the financial statements is in respect of a previous request.

- 79. Staff costs have increased significantly from the previous year. This is as a result of the Strathclyde Pension Fund adjustment, additional teaching staff costs and job evaluation/ harmonisation costs.

## 2019/20 Income and expenditure

- 80. The College's main source of income continues to be grant funding from the SFC (74% in 2019/20). 2019/20 total income is 1.0% lower than in the previous year. This decrease is largely due to a reduction in tuition fees, which is partially offset against a small increase in SFC funding. Income over the past three financial years is relatively stable, as shown in the graph below.

Analysis of income



Source: Financial statements

- 81. Whilst the College has a long-term ambition to substantially increase non-SFC income, they face competition

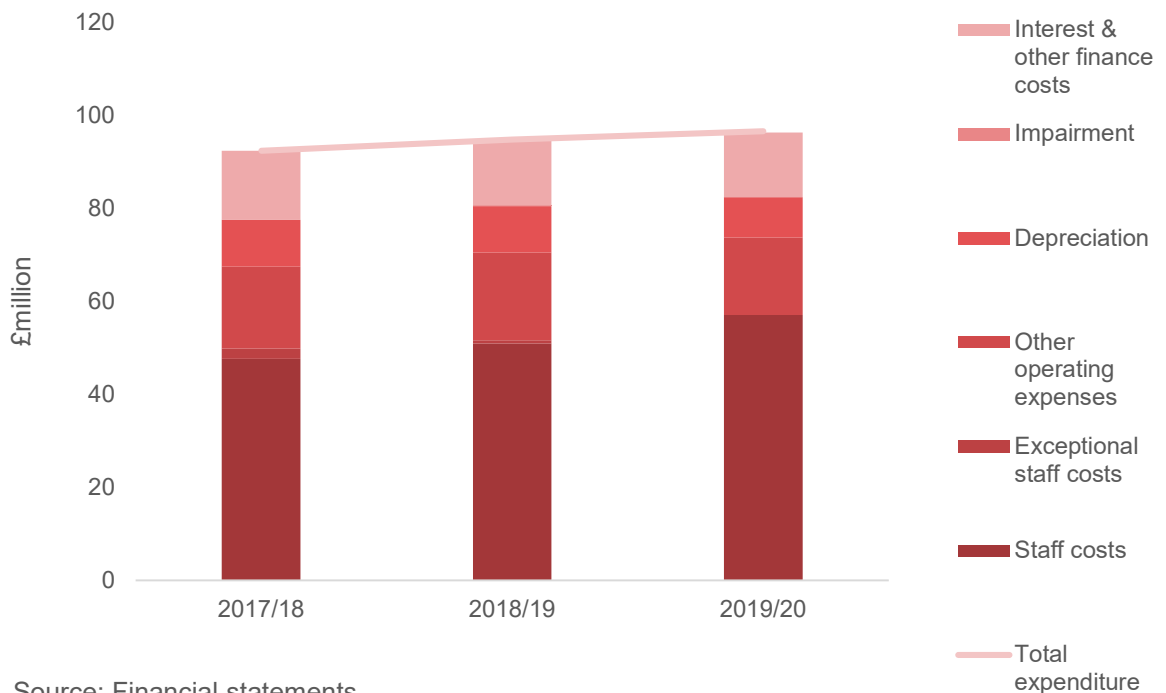
from across the sector and significant challenges as a consequence of COVID-19. The College is currently

exploring teaching models to increase and improve online provision to minimise the reduction in income

82. Expenditure has increased by 1.6% from the previous year (excluding exceptional costs of £9.350million recognised in 2018/19<sup>1</sup>), as shown in the graph below. Staff costs continue to be the highest area of spend for the College accounting for 59.3% of total expenditure an increase of 10% from the previous year. Implementing the

new agreed rates of pay for teaching staff is now placing a significant additional financial pressure on the College and increases in employers' pension contributions and is making it increasingly challenging to maintain expenditure and investment levels in other areas of College activity which are essential to the quality of learning and teaching which it offers.

**Expenditure Analysis**



Source: Financial statements

Exceptional costs of £9.530million recognised in 2018/19 have been excluded from the graph above

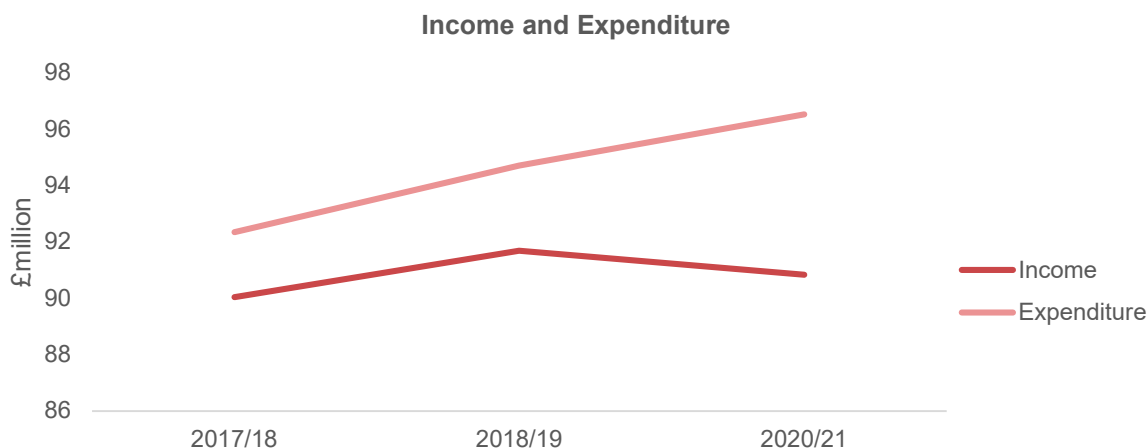
83. Expenditure over the past three years has increased by 4.2%. However,

income has only increased by 0.9% over the same period. The financial

<sup>1</sup> Exceptional costs of £9.350million incurred in year relate to the sale of the College's property in North Hanover Street in April 2019. From the proceeds of the sale the Scottish Funding Council directed the College to pay £9.350million to Forth Valley College to help fund their new Falkirk campus.

environment for the further education section is highly challenging, the gap between expenditure and income is

widening. The graph shows the widening of between income and expenditure over the past three years.



Source: Financial Statements

## Budget setting

84. The Financial Memorandum between the GCRB and the assigned Glasgow colleges sets out the formal relationship between the GCRB and the College and the requirements with which the College must comply in return for payment of grant by the Regional Strategic Body.
85. The GCRB are responsible for leading the regional funding allocation process, however college input is necessary.
86. The Vice Principal Corporate Services is responsible for preparing an annual revenue and capital financial plan, aligned to the College's strategic and operational plan, for consideration by the FPRC before submission to the Board.
87. The budget preparation process is built upon contributions from budget

holders to ensure meaningful and achievable estimates are agreed.

## Budget monitoring and reporting

88. The control of income and expenditure within an agreed budget is the responsibility of the designated budget manager, who must ensure that day-to-day monitoring is undertaken effectively. The Head of Finance undertakes continuous monitoring to allow for forecasts to be updated accordingly.
89. The financial projection for the year and position to date is presented to the FPRC in September, November, February and May each year, with updates provided to the subsequent Board meeting. We are satisfied that the papers submitted are clear and allow for appropriate scrutiny and challenge.

## Systems of internal control

90. 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.
91. We did not identify any significant weaknesses in the College's accounting and internal control systems during our audit.

## Prevention and detection of fraud and irregularity

92. During 2018/19 the College identified an alleged fraud, involving the fraudulent procurement and subsequent theft of IT equipment. The 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).
93. The College has notified relevant internal and external parties, including the SFC, Scottish Government, OSCR and the GCRB of this event. The College undertook an internal disciplinary exercise, a forensic examination has now been completed by the Internal Auditors.

## Review of the Effectiveness of the Finance Function

94. The fraud raised questions about the appropriateness of the financial control environment within the

College, including potential weaknesses in the structure and management of the finance team.

95. We undertook an independent review of the effectiveness of the finance department to consider the current arrangements for the financial management of the College and incorporate an evaluation of the effectiveness of the College's financial control environment and the structures, systems and process that support this environment. A separate report was presented to the Audit and Assurance committee in September 2020 and the Board in November 2020.
96. The report found that the College has a well-established Finance team in place that demonstrates a level of control in all key areas. The College's Corporate Strategy includes key financial objectives and a thorough analysis of the College's financial position is carried out and reported to the Board and its committees.
97. One theme emerging from our work was a perceived disconnect between the Finance team and the core business of the College, which manifested in a number of ways.
98. In addition, we noted a lack of effective engagement with budget holders and management over budget setting and monitoring, financial reporting and project delivery. A consistent theme from interview evidence was the operational managers regarded engagement with the Finance team as limited, which impact on confidence in financial reports prepared for Board and committee meetings.
99. The report concludes that the College Finance team is insufficiently

integrated with the overall strategic management of the College and is often viewed as a siloed, unapproachable and sometimes unhappy function by other College departments. There is a clear need to review cultures, behaviours and approach within the Finance team to better integrate financial management into the operational management of the College.

100. The report also highlights a number of areas of good practice and improvement. We have not duplicated the recommendations within this report.

### Review of IT Effectiveness

101. We also undertook a review of the effectiveness of the current IT function and the control environment across IT services. The review focused on the effectiveness of controls in the following areas:
- IT strategy and governance;
  - IT live service management;
  - IT project and programme delivery;
  - IT management and leadership;
  - IT third party and vendor management;
  - IT procurement and provisioning;
  - IT security; and
  - disaster recovery.
102. A separate report was presented to the Audit and Assurance committee in September 2020 and the Board in November 2020.
103. We reported that over the past 24-months, the College's IT team has been in constant change including change in senior management and staff who left through voluntary redundancy not being replaced. In addition to this, there has been the restructuring of the IT team which had

been ongoing for 12 prior to the Director of IT being appointed as well as the response to the alleged fraud. These issues have consumed significant IT resources and impeded the ability of the Director of IT to increase the maturity of IT processes and develop a more strategic approach to IT service provision as detailed in the 2019/20 IT Operational Plan.

104. We noted that the maturity assessment performed by the Director of IT highlights that the College's IT team focus has been on reactive behaviours and a number of core processes, in particular, incident management, problem management and system development, were found to be under-developed.
105. We concluded that to achieve ongoing improvement in structure, process and performance, the Director of IT should develop a service improvement plan that will address the recommendations in this report. This should be subject to monitoring by the Executive Leadership Team as well as the FPRC. The report states that it will be important to commit appropriate investment in skills and people development within the IT team, so as to create the conditions to support the implementation of the service improvement plan.
106. We reported that improved controls have been implemented over the purchasing, recording and deployment of IT assets in response to the incident in 2019. Current processes are manual for maintaining the IT asset register and rely on physical verification of assets. The report highlights areas of improvement including use of a system-based asset register.



### National fraud initiative

107. 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.
108. Participating bodies were required to submit data in October 2018 and received matches for investigation in January 2019.
109. We reviewed the College's participation in the NFI exercise in February 2020. We confirmed that match investigation work has been completed and the results recorded on the NFI system, with no instances of fraud identified.
110. Overall we concluded that the College's arrangements with respect to NFI are satisfactory.

# Governance and transparency

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

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Governance arrangements at the College were found to be satisfactory and appropriate, including throughout the COVID-19 pandemic to date.

Effective arrangements are in place regarding financial control, prevention and detection of fraud and irregularity, and standards of conduct.

## Governance and transparency

### Regional Governance arrangements

111. The GCRB is making progress in coordinating collaborative regional activity and continues to work with the assigned colleges to deliver all of the intended benefits of regionalisation.
112. There is a financial memorandum in place between the GCRB and assigned colleges which ensures that the terms and conditions of grant funding are clear and understood.
113. Additionally, there is an annual Regional Outcome Agreement (ROA) which sets out planned outputs and objectives between the GCRB and the Glasgow colleges. From review of available committee minutes and papers, we are satisfied that the College routinely considers reports on the development and implementation of the ROA.

### Governance arrangements

114. The Board is responsible for ensuring the overall governance of the College. In driving forwards the strategic direction of the College and ensuring the governance framework is operating as intended, the Board continues to be supported by seven committees:

- Audit and Assurance (previously Audit committee);
- Development;
- Finance and Physical Resources;
- Learning and Teaching;

- Performance and Nominations;
- Remuneration; and
- Students, Staff and Equalities.

115. In May 2018, the Scottish Government updated its guidance for Audit Committees in the public sector through an update to the Audit Committee Handbook. The revised handbook sets out the fundamental principles relating to the role, membership and work of Audit Committees. The changes within mean that Audit Committees need to:

- Refresh their Terms of Reference to comply with the changes outlined in the new Handbook.
- Develop an assurance framework and consider whether there are gaps or duplication in the assurance that they are receiving.
- Consider training audit committee members on the new assurance framework and other changes to the Handbook.

116. Within our 2018/19 Annual Audit Report we recommended that an assurance framework, addressing all requirements of the Audit Committee Handbook 2018, should be drafted and approved by the Audit Committee and Board. In February 2020, the Audit Committee agreed to align the College's audit and assurance processes with the handbook, including revising the committees Terms of Reference and endorsing the name change to Audit and Assurance Committee. The committee also

considered a draft Assurance Framework, which was approved for completion with a progress report at the next meeting of the committee in May 2020.

117. The progress report was not received by the committee at the meeting in May 2020 due to additional priorities arising from the COVID-19 pandemic as progress was delayed. A verbal update was provided with the committee at its in September 2020.

## Internal Audit

118. 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.
119. During 2019/20 we did not place formal reliance on the work of internal audit. However, we considered their outputs, where relevant, to ensure consistent with our own understanding.

## Responding to the COVID-19 pandemic

120. The Board received an update on the College's response to the COVID-19 pandemic its meeting of the Board on 11 March 2020.
121. As part of the College's response to the COVID-19 pandemic a COVID-19 Advisory Group was established, drawn from the senior management team. This group met daily and co-

ordinated the College's response to the pandemic.

122. The Board, its committees and senior management team have continued to meet during the COVID-19 pandemic with all meetings taking place online to oversee management of essential functions, management of impacts and preparedness for future functionality and delivery. There was no change to the meetings schedule or frequency of these meetings.
123. The risk register was updated in May 2020 at the meeting of the Audit Committee to reflect that significant risk COVID-19 presented to the College and its ability to continue to operate:
124. "The College fails to manage the acute, immediate and short-term threats resulting from the coronavirus/COVID-19 crisis."
125. The College acted to ensure all appropriate and incumbent mitigations were implemented.

## 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 reporting of its performance.



The College has appropriate performance management processes in place that support the achievement of value for money. Performance in 2019/20 has improved from the previous year.

Work has begun by the College to develop a new Strategic Plan 2020/25.

## Value for money framework

126. The Financial Memorandum between the 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 (VfM); and
- as part of internal audit arrangements, obtain a comprehensive appraisal of management's arrangements for achieving value for money.

127. As included within the College's Financial Regulations, securing the economical and effective management of the College's resources and expenditure is the responsibility of the Board.

128. The College has VfM objectives and targets in place, which sit within the College's sustainability strategy. The sustainability strategy, which aligns to the College's overall Strategic Plan 2017-25, focuses on three key themes: financial, social and environmental.

129. The College is currently working to develop a new College Strategic Plan 2020-25, with all strategies also under revision. Work on the new Strategy Plan began before COVID-19 however the crisis will have an impact on the strategy and objectives.

## Value for money framework

130. The College's Strategic Plan 2017-2025 is underpinned by five delivery strategies:

- Student Experience;
- People and Culture;

- Corporate Development;
- Systems Integration; and
- Sustainability.

131. This plan sets out the vision, mission, strategic priorities and strategic objectives of the College. For 2018/19, the College's strategic objectives were:

- To be an inspirational place of learning;
- To enable individuals to excel and realise their full potential;
- To live our values, value our people, and innovate in partnership;
- To be a valued partner of the city region, supporting the national economy, and the international learning community;
- To deliver excellence in performance;
- To be efficient, effective, innovating, and vigilant;
- To maintain our long-term financial stability; and
- To secure diversity of income and sustainable development.

132. Underpinning these strategic objectives are operational performance measures, which are identified as part of the operational planning process in accordance with the College's Planning Framework.

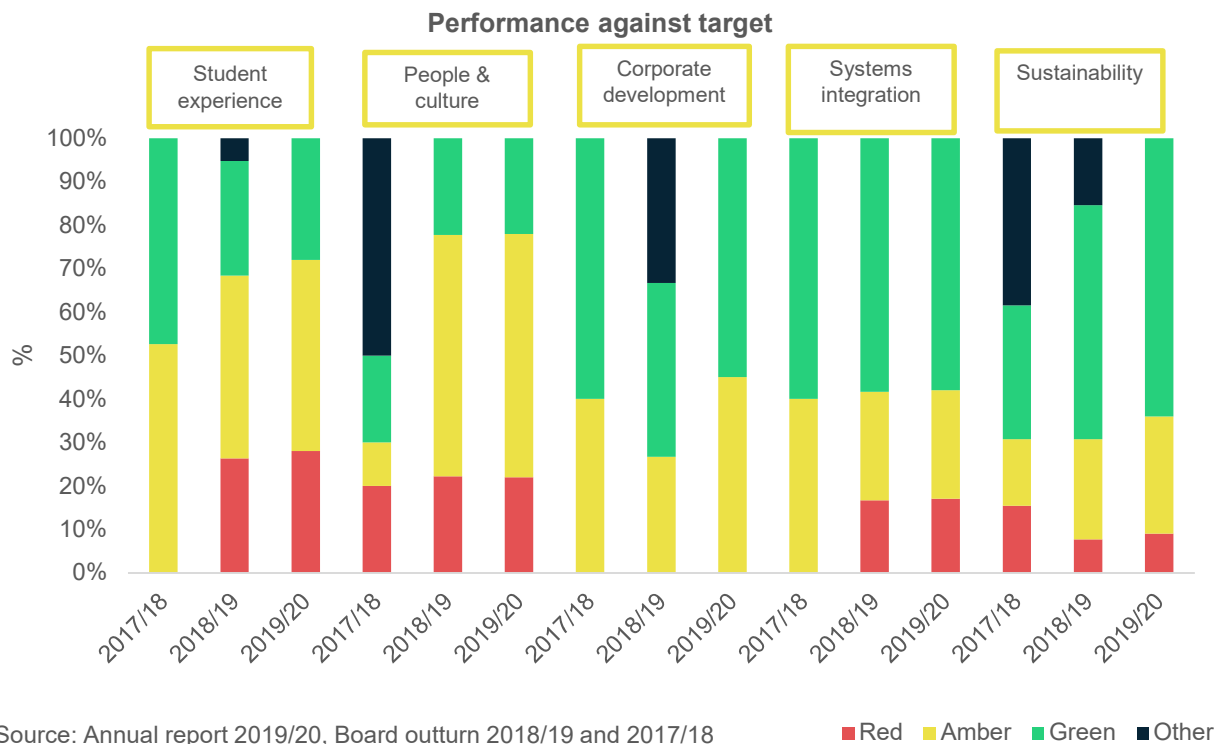
133. The College takes a rounded view of its performance, it recognises the importance of managing performance across all aspects of its activity. The College has a range of performance measures and targets which are aligned to the above referred strategic objectives and designed to drive improvement across the College.

- 134. Performance is monitored routinely throughout the year by committees as appropriate and progress against performance measures is presented to the Board annually for challenge and scrutiny.
- 135. During the year, the College continued to implement the Education Scotland quality framework 'How Good is Our College'. In February 2020, Education Scotland carried out a Progress Visit to assess how well the College is delivering on the targets and milestones identified in enhancement plan (the enhancement plan covers the period 2018-21) and whether satisfactory progress against the enhancement plan had been made. Education Scotland reported positive

progress against the enhancement plan actions.

### Performance results

- 136. A total of 68 operational targets were set by the College for achievement by 2020. The College has RAG rated performance based on the current position on the pathway to achieving the five delivery strategies (outlined in paragraph 130).
- 137. Overall performance has improved from the previous year, with 5% more targets carrying a green rating. 45% (40% in 2018/19) of these targets carry green ratings, 40% (39% in 2018/19) have been graded as amber, 15% (15% in 2018/19) as red.



- 138. The above graph provides a summary of progress over the past three years.

Performance has improved from the previous year. The College has the

most progress to make within the Student Experience and the People and Culture strategies with 28% and 22% red performance against target respectively.

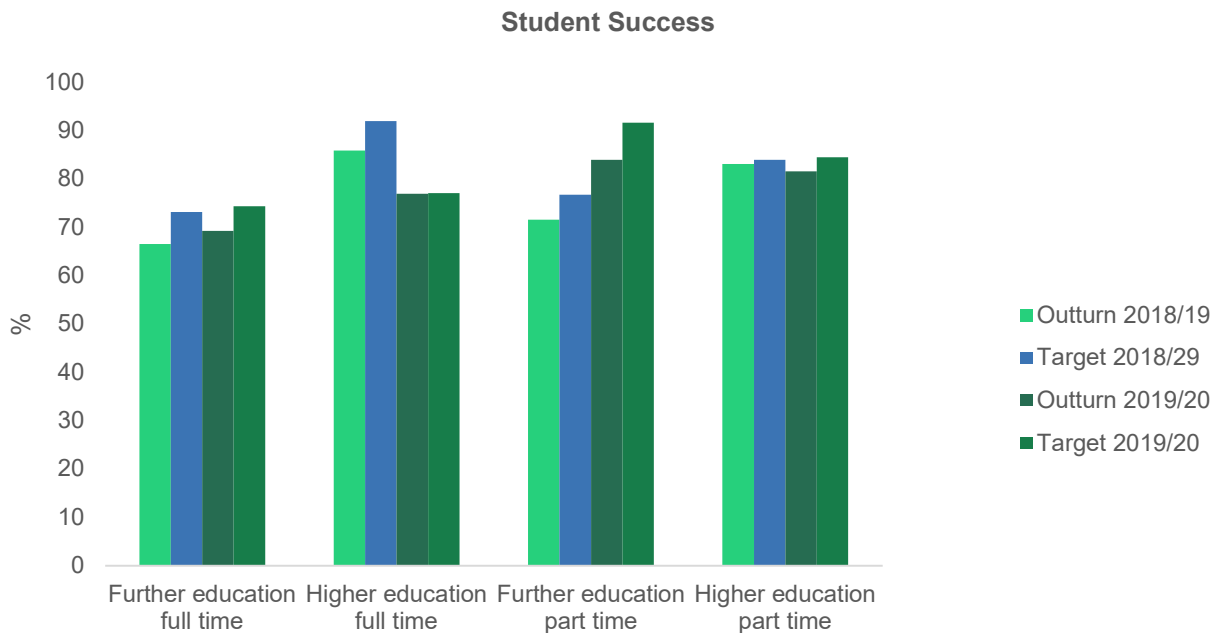
- 139. Sustainability has seen improvements in year, with 64% of targets being graded green in 2019/20 compared with 54% in the previous year.

### 2019/20 Regional Outcome Agreement

- 140. GCRB annually develops on a ROA which sets out how the funding allocated by the Scottish Funding Council will be used within the Glasgow regional with the aim of funding an outstanding regional learning system which promotes a more equal society, a more successful economy, high-performing institutions

and greater innovation in the economy.

- 141. The 2019/20 ROA included targets for the region as a whole as well as individual targets for the three assigned colleges.
- 142. Success rates for all learners were below target, however this should be considered in the context of the COVID-19 pandemic which has made it an extremely challenging time for both students and the College.
- 143. As shown in the graph below, the College has seen an increase in student success in all types of learning except for higher education full time compared with the previous year. The target for higher education full time was lower than in the previous year and this was nearly achieved.



Source: Financial statements and Regional Outcome Agreements



144. The Scottish Index of Multiple Deprivation (SIMD) is a measure of area deprivation. It ranks areas based on their relative levels of deprivation. The SIMD 10 represents the 10% most deprived areas in Scotland.
145. We noted in our prior year Annual Audit Report that the College 23.7% of credits to learners in SIMD 10 against a target of 24.7%. The College has made progress against this target. The achieved 24.1% of learners in 10% SIMD against a target of 24.9%.

# Appendices



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

### Responsibility for the preparation of the annual report and accounts

Within the terms and conditions of the financial memorandum between the SFC and the Board of Management of the College, the Board, through the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and the surplus or deficit for that year.

#### **In preparing the report and financial statements, the Board 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 College will continue in operation.

#### **The Board is 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 SFC of the state of the body's affairs as at 31 July 2020 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, 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 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 for the financial period for which the financial statements are prepared is consistent with the financial statements.

### 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; or
- the governance statement does not comply with Scottish Funding Council requirements.

## 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.

Azets provides taxation services and audit of the 2019-20 data return for funding purposes (FES return) to the College. Both services are provided by independent partners and staff who have no involvement in the audit of the annual report and accounts. The total value of the taxation services provided in 2019/20 is anticipated to be approximately £1,418 (excluding VAT) and audit of the data return is anticipated to be approximately be between £4,000-£6,000.

### Confirmation of independence

We confirm that we have complied with the FRC's Ethical Standards. 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 Azets and the College, 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 recommendations

We have followed up on recommendations which were raised in 2018/19 or were reported as outstanding in 2018/19 (and had been raised in previous years). We report that of the five recommendations followed up; four have been completed and one remains outstanding.

### Action plan grading structure

The recommendations are rated to help the Board assess the significance of the issues and prioritise the actions required.

The rating structure is summarised as follows:

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

## Follow up of prior year recommendations

### Annual Report

Initial rating	Issue & recommendation	Management comments
<b>Grade 2</b>	<p><b>Issue</b></p> <p>We note that the annual report section of the accounts now runs to some 120 pages with instances of duplication within, making the College’s annual report and accounts amongst the longest in the sector.</p> <p><b>Risk</b></p> <p>There is a risk that key messages are not sufficiently brought to the readers’ attention. Further, there is a risk that the specific disclosure requirements of the FReM and associated are not adequately addressed.</p> <p><b>Recommendation</b></p> <p>The College should review the content of the annual report section of its accounts for future years to ensure key messages are captured and communicated appropriately.</p>	<p>Agreed, the annual report will be shorter and more concise for 2019/20.</p> <p><b>Responsible officer:</b></p> <p>College Secretary</p> <p><b>Implementation date:</b></p> <p>August 2020</p>
Current status	Update	
<b>Complete</b>	<p>The annual report in 2019/20 was shorter and more concise.</p> <p>We deem this action to be complete.</p>	

### New employee starter forms not authorised

Initial rating	Issue & recommendation	Management comments
<p><b>Grade 2</b></p>	<p><b>Issue</b></p> <p>During our sample testing of payroll procedures, we noted that one of the new employee's starter forms was not authorised by an appropriate member of staff.</p> <p><b>Risk</b></p> <p>There is a risk that payroll processors could create fictitious employees and add them onto the payroll.</p> <p><b>Recommendation</b></p> <p>We recommend that the College ensure all new employee starter forms are authorised by an appropriate member of staff.</p>	<p>Agreed, the annual report will be shorter and more concise for 2019/20.</p> <p><b>Responsible officer:</b></p> <p>College Secretary</p> <p><b>Implementation date:</b></p> <p>August 2020</p>
Current status	Update	
<p><b>Complete</b></p>	<p>From review of our testing this year new employee starter forms are appropriately authorised.</p> <p>We deem this action to be complete.</p>	



## Absence of assurance framework

Initial rating	Issue & recommendation	Management comments
<p><b>Grade 2</b></p>	<p><b>Issue</b></p> <p>The Scottish Government issued a revised Audit and Assurance Committee Handbook in April 2018. Changes within meant that Audit Committees had to:</p> <ul style="list-style-type: none"> <li>• Refresh their Terms of Reference to comply with the changes outlined in the new Handbook.</li> <li>• Develop an assurance framework and consider whether there are gaps or duplication in the assurance that they are receiving.</li> <li>• Consider training audit committee members on the new assurance framework and other changes to the Handbook.</li> </ul> <p>The Audit Committee received a copy of the revised handbook and the Committee Terms of Reference were reviewed in February 2019. However, we are not aware of any further amendments or updates that have been made as a result of the most recent revisions to the handbook.</p> <p><b>Risk</b></p> <p>The absence of a documented assurance framework, and necessary reference to within the Committee’s Terms of Reference, creates a risk of insufficient assurance setting, monitoring and reporting and by default underlying issues being undetected.</p> <p><b>Recommendation</b></p> <p>An assurance framework, addressing all requirements of the Audit Committee Handbook 2018, should be drafted and approved by the Audit Committee and Board.</p>	<p>Agreed, an assurance framework will be drafted and approved by the Audit Committee and Board.</p> <p><b>Responsible officer:</b> College Secretary</p> <p><b>Implementation date:</b> March 2020</p>

Current status	Update
<b>In progress</b>	<p>In February 2020, the Audit Committee agreed to align the College's audit and assurance processes with the handbook, including revising the committees Terms of Reference and endorsing the name change to Audit and Assurance Committee. The committee also considered a draft Assurance Framework, which was approved for completion with a progress report at the next meeting of the committee in May 2020.</p> <p>The progress report was not received by the committee at the meeting in May 2020 due to additional priorities arising from the COVID-19 pandemic as progress was delayed. A verbal update was provided with the committee at its in September 2020.</p>

## Publicly available policies and procedures

Initial rating	Issue & recommendation	Management comments
<p><b>Grade 2</b></p>	<p><b>Issue</b></p> <p>Review of policies and procedures publicly available on the College’s website has identified instances of documents, while valid, being passed their stated review date.</p> <p><b>Risk</b></p> <p>There is a risk that the public are reliant on out of date information and make incorrect or unformed judgements as a result.</p> <p><b>Recommendation</b></p> <p>A review of policies and procedures available on the College’s website should be undertaken to ensure that all documents are up-to-date. The College may also wish to consider version control arrangements going forward.</p>	<p>Agreed, all policies and procedures will be reviewed and updated where appropriate.</p> <p><b>Responsible officer:</b> Vice Principal Corporate Services</p> <p><b>Implementation date:</b> January 2020</p>
Current status	Update	
<p><b>Outstanding</b></p>	<p>From review of the policies and procedures there are still instances of documents which have passed their stated review date.</p>	

## Register of interests

Initial rating	Issue & recommendation	Management comments
<b>Grade 3</b>	<p><b>Issue</b></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><b>Recommendation</b></p> <p>The College should ensure all Board members are aware of the process for updating their register of interests.</p>	<p><b>2016/17 update</b></p> <p><b>Action owner:</b> College Secretary</p> <p><b>Due date:</b> March 2018</p> <p><b>2017/18 update</b></p> <p>External audit review 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><b>Action owner:</b> College Secretary</p> <p><b>Due date:</b> December 2018</p>
Current status	Update	
<b>Complete</b>	From review of the website we can now see a register of interests is in place.	



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