



Glasgow Colleges' Regional Board

2021/22 Annual Audit Report to the Board and
the Auditor General for Scotland

January 2023



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Key messages

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This report concludes our audit of Glasgow Colleges' Regional Board ("GCRB") for 2021/22.

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

Financial statements audit

<p>Audit opinion</p>	<p>Our independent auditor’s report includes:</p> <ul style="list-style-type: none"> • An unqualified opinion on the financial statements; • An unqualified opinion on regularity; and • An unqualified opinion on other prescribed matters.
<p>Key findings on audit risks and other matters</p>	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are in line with the Statement of Recommended Practice and are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>GCRB had appropriate administrative processes in place to prepare the annual report and accounts and the required supporting working papers.</p>
<p>Audit adjustments</p>	<p>We are pleased to report that our audit identified no adjusted or unadjusted differences to the GCRB financial statements or the consolidated financial statements.</p> <p>We identified some minor disclosure amendments during our audit, which have been reflected in the final set of consolidated financial statements.</p>
<p>Accounting systems and internal controls</p>	<p>We have applied our risk-based methodology to the audit. This approach requires us to document, evaluate and assess GCRB’s processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where we identify any control weaknesses as part of our testing, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

Wider scope audit

As outlined in our External Audit Plan, our annual audit work in respect of our wider scope audit responsibilities was restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the Governance Statement; and
- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

Our conclusions and key observations are set out below:



Governance statement



We are satisfied that the Governance Statement has been prepared in accordance with the SFC Accounts Direction and that the content is consistent with the consolidated financial statements.

GCRB has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in GCRB's accounting and internal control systems throughout the period.

We are satisfied that the Board continued to receive sufficient and appropriate information throughout the period to support the effective and timely scrutiny and challenge. This has informed the governance statement process and content.



Financial sustainability

Auditor judgement



GCRB has adequate arrangements in place for short and medium term financial planning, although the Glasgow region continues to face significant challenges and is operating within tight financial parameters. The College sector's ability to develop and maintain its core services in a sustainable manner remains at significant risk from 2022/23 and beyond, and this requires continuing careful management and oversight.

Both the GCRB and the Glasgow region FFRs, submitted to the SFC in October 2022, forecasted adjusted operating deficits from 2022/23 to 2026/27. There remain a number of uncertainties in relation to staff cost, inflation and sector wide issues which continue to increase financial risk and uncertainty to the College sector.

Our review of medium-term financial forecasts reiterates the need for the Glasgow region to explore alternative and more collaborative delivery models as a priority to support the financial sustainability of the further education sector across the Glasgow region. The SFC's review of Regional Strategic Bodies was concluded in December 2022. On completion of the review, the SFC entered a further consultation period where this work remains ongoing. An outcome on the best way to take forward a more collaborative delivery model has not yet been agreed or reported to the GCRB.

Definition

We have used the following grading to provide an overall assessment of the arrangements in place as they relate to financial sustainability.



Introduction



We carried out our audit in accordance with Audit Scotland's Code of Audit Practice and maintained auditor independence



Scope

1. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit Committee at the outset of our audit. The core elements of our work include:
 - an audit of the 2021/22 annual report and accounts and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1; and
 - any other work requested by Audit Scotland.

Exhibit 1: Audit dimensions within the Code of Audit Practice



Responsibilities

2. GCRB is responsible for preparing 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.
3. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
4. This is our final year of our audit appointment under the current audit arrangements. 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 Standard. 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.

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 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 GCRB 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.

Financial statements audit

GCRB's 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 2021/22 annual report and consolidated financial statements.

Overall conclusion

11. The annual report and consolidated financial statements were considered by the Audit Committee on 17 January 2023 and by the Board on 30 January 2023. Our independent auditor’s report is unqualified.
12. We received the unaudited annual report and consolidated financial statements and supporting papers of an adequate standard, in line with our agreed timetable. Our thanks go to staff at GCRB for their assistance with our work.
13. An extension to submission deadline to 31 January 2023 (previously 31 December 2022) has been agreed with Audit Scotland to accommodate the timing of the consolidation process. The annual report and consolidated financial statements will be submitted to the Scottish Government and Auditor General for Scotland by the 31 January 2023 deadline.

Administrative processes / timescales

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing as required by the Code of Audit Practice.</p> <p>Our findings / conclusion to inform our opinion are set out in this section of our annual report.</p>	Unqualified audit opinions.
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of the services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise GCRB’s functions.</p>	<p>We reviewed the financial forecasts for 2022/23. 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.</p> <p>Our audit opinion is unqualified in this respect.</p>

Opinion	Basis for opinion	Conclusions
	<p>Our wider scope audit work considers the financial sustainability of GCRB.</p>	
<p>Regularity</p>	<p>We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts.</p>	<p>We did not identify any instances of irregular activity.</p> <p>In our opinion in all material respects the expenditure in the financial statements was incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.</p>
<p>Matters prescribed by the Auditor General for Scotland:</p> <ul style="list-style-type: none"> • Performance Report and Governance Statement • Remuneration and Staff Report 	<p>We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p> <p>We plan and perform audit procedures to gain assurance that the statutory other information has been prepared in accordance with relevant legislation and regulations</p>	<p>The annual report contains no material misstatements or inconsistencies with the financial statements.</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> • the information given in the Performance Report and in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; • the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made

Opinion	Basis for opinion	Conclusions
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit. 	<p>thereunder by the Scottish Funding Council.</p> <p>We have no matters to report.</p>

An overview of the scope of our audit

- The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit Committee in May 2022. 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.
- 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.

- In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas

- Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

18. The significant risk areas 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.

Significant risk areas

1. Management override

Significant risk description

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*.

How the scope of our audit responded to the significant risk

Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override GCRB’s controls for specific transactions.

Audit procedures

- Review of GCRB’s accounting records and audit testing on transactions.
- Adoption of data analytics techniques in carrying out testing.
- Review of judgements and assumptions made in determining accounting estimates as set out in the financial statements to determine whether they are indicative of potential bias. This included a retrospective review of the prior year estimates against the current year estimates.

Key observations

We have not identified any indication of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

2. Revenue recognition

Significant risk description

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 Board 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.

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. However, we do not deem this risk to be present for funding received from the Scottish Funding Council (SFC) due to a lack of incentive and opportunity to manipulate transactions.

Audit procedures

- As GCRB does not undertake any income generating activity and funding from the SFC is their only source of income, no further audit procedures deemed necessary.

Key observations

We confirmed that GCRB did not receive income from any sources other than funding from the SFC. We revisited our conclusion to rebut the risk of revenue recognition in relation to SFC funding throughout the audit and our conclusion remained the same.

3. Expenditure recognition

Significant risk description As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals around the year end.

Audit procedures

- Evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing).
- Consideration of GCRB's key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Key observations

We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

4. Pension assumptions (significant accounting estimate)

Significant risk description

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.

How the scope of our audit responded to the significant risk

Key judgements

Given that small movements in the underlying assumptions may translate into significant changes of the pension liability we deem this area to be subject to a high risk of misstatement.

Audit procedures

- Review controls in place to ensure that the data provided from the pension fund is complete and accurate.
- Review the reasonableness of the assumptions used in the calculation against the pension fund actuary and other observable data.
- Agreed the disclosures in the financial statements to information provided by the actuary.
- Consider completeness and accuracy of the information provided by the actuary.
- Ensure that we can rely on the actuary's work as an expert by obtaining sufficient appropriate audit evidence that such work is adequate for the purposes of the audit.

Key observations

The net pension liability was £59.000million as at 31 July 2022 (2021: £493.000million). We gained reasonable assurance that the pension assumptions used are appropriate and that the pension liability is not misstated in the annual accounts.

We reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data. No issues were noted.

We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 Audit Evidence. From this review, we did not identify any items which gave us cause for concern over the suitability of the actuary.

Other risk factors

Impact of COVID-19 on the annual accounts

19. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. In response to

the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. Our conclusions are set out in the table below.

Area considered	Description	Conclusion
Access to audit evidence	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.	<p>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.</p> <p>We stayed in close contact with GCRB colleagues right up until the point of accounts signing, to ensure all relevant issues are satisfactorily addressed.</p>

Estimates and judgements

20. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.

21. As part of the planning and fieldwork stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements. Consideration was given to asset valuations, impairment, depreciation and amortisation rates,

pension liability, provisions and accruals. Other than the pension liability, we have not determined the other accounting estimates to be significant. We revisited our assessment during the completion stages of our audit and concluded that our assessment remained appropriate.

22. Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between Prudent, Balanced and Optimistic.

Estimates and judgements

Pension assumptions

Balanced

Management consider the present value of retirement obligations on an annual basis. The valuation is carried out by the actuarial firm Hymans Robertson. We considered key assumptions against other sources of evidence and did not identify any indication that the valuation was materially misstated as at 31 July 2022.

The assumptions of the actuary, Hymans Robertson, were within our expected range. The assumptions were predominantly in the middle our expected range with the exception of the discount rate which, while within our expected range, is considered to be on the prudent end of the scale.

Materiality

23. 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 and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.

24. Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the GCRB any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

25. Our initial assessment of materiality for GCRB's financial statements was £15,000. On receipt of the unaudited financial statements, we reassessed materiality and updated it to £18,040. We consider that our updated assessment has remained appropriate throughout our audit.

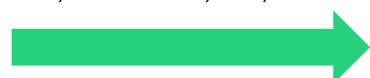
Materiality

GCRB

Group

Overall materiality

£18,040 £2,791,000



100%

Accounts materially misstated where total errors exceed this value

Performance materiality

£13,530 £2,093,250



75%

Work performed to capture individual errors at this level

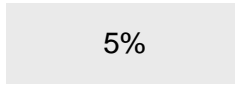
Trivial threshold

£902

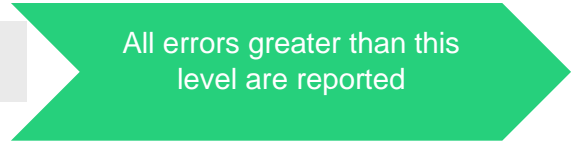
£139,550



5%



All errors greater than this
level are reported



Materiality	<p>Our assessment is made with reference to GCRB’s and the group’s gross expenditure. We consider the level of gross expenditure to be the principal consideration for the users of the financial statements when assessing financial performance of GCRB and the group.</p> <p>Our assessment of materiality equates to approximately 1.5% of gross expenditure as disclosed in the 2021/22 unaudited financial statements.</p> <p>We apply a lower level of materiality to the audit of the Remuneration and Staff Report. Our materiality is set at £5,000.</p>
Performance materiality	<p>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.</p> <p>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.</p>
Trivial misstatements	<p>Clearly trivial are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>

Group audit

26. GCRB prepares its financial statements on a group basis. The group consists of GCRB and the three colleges within the Glasgow region as outlined below.
27. As group auditors under ISA (UK) 600 we are required to obtain sufficient

appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The following table sets out the components within the group

Component	Significant	Level of response required
Glasgow Colleges Regional Board	Yes	Comprehensive
City of Glasgow College	Yes	Comprehensive
Glasgow Kelvin College	Yes	Comprehensive
Glasgow Clyde College	Yes	Comprehensive

Comprehensive The component is of such significance to the group as a whole that an audit of the component financial statements is required for group reporting purposes. Azets is the appointed auditor to all significant components.

Audit differences

28. We are pleased to report that our audit identified no adjusted or unadjusted differences to the GCRB financial statements or the consolidated financial statements.
29. We identified some minor disclosure amendments during our audit, which have been reflected in the final set of consolidated financial statements.

audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to GCRB. These matters are limited to those which we have concluded are of sufficient importance to merit being reported. As noted at Appendix 3, we have no such issues to report in 2021/22.

Internal controls

30. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our

Follow up of prior year recommendations

31. As concluded in our 2020/21 Annual Audit Report, there are no outstanding audit recommendations from prior years to follow up on.

Area	Assessment	Comment
Control and process environment	Satisfactory	We consider the control environment within the entity to be satisfactory.
Quality of supporting schedules	Satisfactory	The supporting schedules received during the course of the fieldwork were sufficient for our audit purposes.
Responses to audit queries	Satisfactory	Management's responses to our audit queries were appropriate and received on a timely basis.

Other communications

Accounting policies, presentation and disclosures

32. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by GCRB.
33. The accounting policies, which are disclosed in the annual accounts, are in line with the Statement of Recommended Practice and are considered appropriate.
34. There are no significant financial statements disclosures that we consider should be brought to the attention of GCRB. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
35. Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

36. We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.
37. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

38. As part of our standard audit testing, we have reviewed the laws and regulations impacting GCRB. There are no indications from this work of

any significant incidences of non-compliance or material breaches of laws and regulations that would necessitate a provision or contingent liability.

Written representations

39. We provided the final letter of representation to the Board for signing at the same time as approving the annual report and accounts.

Related parties

40. We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

41. All requested third party confirmations in respect of bank and legal confirmations have been received.

Wider scope

Following consideration of the size, nature and risks of the Board, our annual audit work on the wider scope has been restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
 - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
-

Wider scope conclusions



Governance statement

We are satisfied that the Governance Statement has been prepared in accordance with the SFC Accounts Direction and that the content is consistent with the consolidated financial statements.

GCRB has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in GCRB's accounting and internal control systems throughout the period.

We are satisfied that the Board continued to receive sufficient and appropriate information throughout the period to support the effective and timely scrutiny and challenge. This has informed the governance statement process and content.



Financial sustainability

Auditor judgement



GCRB has adequate arrangements in place for short and medium term financial planning, although the Glasgow region continues to face significant challenges and is operating within tight financial parameters. The College sector's ability to develop and maintain its core services in a sustainable manner remains at significant risk from 2022/23 and beyond, and this requires continuing careful management and oversight.

Both the GCRB and the Glasgow region FFRs, submitted to the SFC in October 2022, forecasted adjusted operating deficits from 2022/23 to 2026/27. There remain a number of uncertainties in relation to staff cost, inflation and sector wide issues which continue to increase financial risk and uncertainty to the College sector.

Our review of medium-term financial forecasts reiterates the need for the Glasgow region to explore alternative and more collaborative delivery models as a priority to support the financial sustainability of the further education sector across the Glasgow region. The SFC's review of Regional Strategic Bodies was concluded in December 2022. On completion of the review, the SFC entered a further consultation period where this work remains ongoing. An outcome on the best

way to take forward a more collaborative delivery model has not yet been agreed or reported to the GCRB.

Our approach to the wider scope audit

42. Our approach to the wider scope audit (as set out in our 2021/22 External Audit Plan) builds on our understanding of GCRB which we developed from previous years, along with discussions with GCRB and review of minutes and key strategy documents.
43. During our audit we also considered the GCRB's arrangements as they relate to the best value theme of fairness and equality.
44. Overall we concluded that GCRB has appropriate arrangements in place, as noted below.

Fairness and equality

In 2017, the GCRB set the following five shared equality outcome themes;

- The diversity of students & staff reflects the communities the College serves.
- All students and staff experience and contribute to a culture of dignity and respect.
- All students and staff benefit from inclusive and accessible spaces, environments and services.
- All students and staff actively engage in fully inclusive and accessible learning.
- Successful student and staff outcomes are increased irrespective of protected characteristic.

The Glasgow Region College's equality outcomes were then designed to align with the GCRB's equality outcomes set in 2017. In meeting with the Glasgow Region colleges and assessing the impact of Covid-19, a decision was made not to change the equality outcome themes. It was agreed that these themes remain relevant and will be reviewed in 2022/23.

The GCRB is required to report on progress made against equality outcomes at least every two years. The latest Mainstreaming Equality Report was published in 2020/21 and is available on the GCRB's website.

Management recognise the importance of mainstreaming and integrating equality in day to day processes and decision making. The

Mainstreaming Equality Report details a number of initiatives that the Glasgow Region has implemented or plans to implement.

The key group in place within the Glasgow Region to support mainstreaming fairness and equality is the cross-colleges Equalities and Inclusions Group which includes representation of relevant managers from the three colleges and is attended by GCRB members. In addition, reporting of equalities implications are scrutinised along with the relevant GCRB Board and Committee papers.

We are satisfied that appropriate arrangements are in place to oversee and report on delivery of the Glasgow Region's equality outcomes.



Governance statement

Our audit opinion considers whether the Governance Statement has been prepared in accordance with the Government Financial Reporting Manual and the SFC Accounts Direction, and is consistent with the financial statements.

45. We are satisfied that the Governance Statement for the year to 31 July 2022 is consistent with the financial statements and information gathered during the course of our audit work. We have confirmed that the disclosures made are in line with the Government Financial Reporting Manual and the SFC Accounts Direction.
46. From our audit work we have concluded that GCRB has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in GCRB's accounting and internal control systems.
47. The Board has confirmed that GCRB has complied with all the principles of the 2016 Code of Good Governance

for Scottish Colleges throughout the year ended 31 July 2022.

48. An effective internal audit service is an important element of an entity's overall governance arrangement. GCRB's internal audit service is provided by Henderson Loggie. We have taken cognisance of the work of internal audit in forming our opinion on the appropriateness of the disclosures in the Governance Statement

Governance arrangements during COVID-19

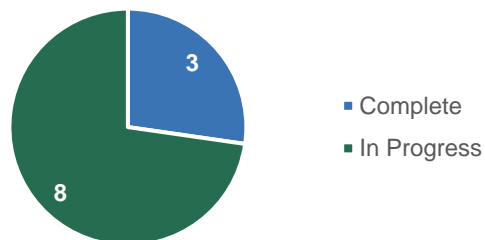
49. The GCRB adapted its governance arrangements in response to the pandemic. In June 2022, the Board met in person for the first time since January 2020 and have continued to conduct meetings in person to date. Committee meetings have continued to be held virtually without significant disruption.
50. The Board continued to receive and consider all standing agenda items during 2021/22 including risk register updates, finance reports and committee updates. We are satisfied that the Board received sufficient and timely information throughout the

period to support the effective scrutiny, challenge and decision making.

Exhibit 2- Progress made in addressing effectiveness review recommendations

Effectiveness review

- 51. The Code of Good Governance for Scotland's Colleges (the Code) requires college Boards to keep its effectiveness under annual review, with an externally facilitated review completed at least every three years.
- 52. The College Development Network (CDN) completed their external effectiveness review in 2020/21, publishing their report in April 2021. Eight recommendations were noted from the CDN review.
- 53. In response to the external effectiveness review, the GCRB developed a 2021/22 Board Development Plan which included eleven actions to support the delivery of the review recommendations. Updates on the Board's progress against the plan were reported to each meeting of the Nominations & Remuneration Committee during the year.
- 54. The Board has made sufficient progress in addressing the recommendations, however, as illustrated in Exhibit 2, the Board reported eight outstanding recommendations which have been incorporated into the 2022/23 Board Development Plan.



Source: 2022/23 Board Development Plan and further analysis

- 55. We encourage the Board to continue building on their governance arrangements and consider these outstanding actions as an area of priority.



Financial sustainability

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

Significant audit risk

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

Financial sustainability

The Glasgow college region continues to face significant financial challenges and is operating with tight financial parameters. The Financial Forecasting Return (FFR) approved by the Board in January 2022 forecasted an underlying deficit of £1.6m in 2021/22 with an improving position over the subsequent two years.

Robust financial management is important in ensuring the risks to this financial position are appropriately managed. The region relies on one-off funding from its Arms' Length Foundations, totalling £7.8 million over the three years outlined in the FFR. However, reliance on this funding is not sustainable, making colleges less resilient to future challenges. In addition, savings across the region have predominantly been achieved through reduction in staff costs. These perennial cuts can present a risk to the delivery of education across the region and are not sustainable. Effort and activity continues to reach a long term sustainable financial position across the region, including consideration of a more collaborative approach to services delivery and shared efficiencies.

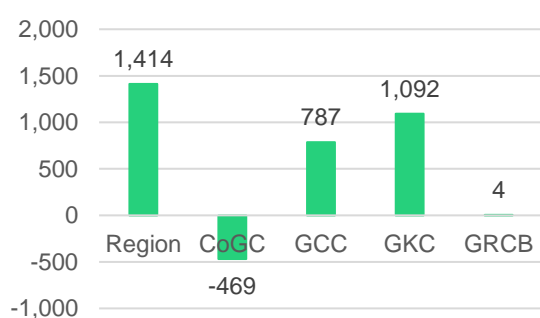
Noted in the 2021/22 External Audit Plan

58. Our detailed findings on the GCRB's financial framework for achieving medium term financial sustainability are set out below.

2021/22 financial performance

59. The principal financial objective for the Glasgow region is to work within its annual budget, which includes an annual allocation from the SFC.
60. The GCRB reports a deficit of £0.131million for 2021/22 (2020/21: £0.061million surplus) and an adjusted operating surplus of £0.004million (2020/21: surplus of £0.151million).
61. The Glasgow region reports a deficit of £9.604million (2020/21: deficit of £10.383million). Adjusting for technical accounting factors that are outwith the region's controls, such as pension costs and net depreciation, the region reports an adjusted operating surplus of £1.414million (2020/21: surplus of £1.671million). The adjusted operating position at the single entity level is detailed below at Exhibit 3.

Exhibit 3: Adjusted operating position 2021/22 (£'000)



Source: 2021/22 Financial Statements

2022/23 budget

62. The SFC published indicative funding allocations in March 2022 and final allocations in May 2022. The GCRB subsequently provided a breakdown of allocations across the assigned colleges, including a top slice for the GCRB running costs and collaborative projects.

63. The Board approved the 2022/23 GCRB budget in June 2022. The budget forecasts a breakeven position against the budget which consists of the following two elements;
 - Allocation of £0.496million to cover GCRB running costs (2021/22 budget: £0.470million).
 - Regional Programme of Action budget of £0.445million to fund initiatives intended to improve collaboration and regional efficiencies (2021/22 budget: £0.547million).
64. The reduction in Regional Programme of Action budgeted income and corresponding expenditure compared to the 2021/22 budget is primarily due to the exclusion of SFC Strategic Funding until the applications for funding have been confirmed by SFC.
65. The regional FFR, inclusive of the Board and the three assigned colleges, was submitted to the SFC for October 2022. This forecasts a deficit of £4.812million in 2022/23 (2021/22: deficit of £1.727million) and an adjusted operating deficit of £4.566million (2021/22: deficit of £1.638million).

Medium term financial forecasts

66. Due to the significant financial pressures facing the College sector the SFC requested that a financial forecast be submitted for the period of 2021-22 to 2026-27 as part of the FFR process. The SFC published guidance in August 2022 and the FFR was submitted to the SFC for October 2022.

67. The SFC has developed a set of common, indicative assumptions for Colleges to use in the aim of achieving consistency and comparability across the sector. The SFC has taken into account the results from the Scottish Government's Spending Review, published on 31 May 2022, and the subsequent impact on grant funding, pay costs and inflation when setting the FFR assumptions.
68. Assumptions include:
- Credit targets will remain stable.
 - Flexible Workforce Development Funding will continue but with a likelihood of a reduced budget from 2023/24.
 - Student support funding requirements will be fully met.
 - SFC capital maintenance funding should be based on the final 2022/23 funding allocations.
 - Funding for digital poverty will not continue at 2022/23 levels.
 - Staff costs will reflect: agreed cost of living increases, public sector pay policy, no assumed increase in social security costs and any known or expected increases in employer pension contribution rates.
- Funding will not be provided for voluntary severance schemes.
69. Using the above assumptions, GCRB has prepared their FFR and one consolidated return for the region. The use of these assumptions helps support consistency and comparability across the region.
70. For GCRB, the FFR anticipates adjusted operating deficits from 2022/23 to 2026/27. GCRB deem the risk level associated with this forecast to be low, given the predictable cost structure of the Board and we are satisfied that key assumptions have been applied appropriately.
71. The Glasgow region forecasts an adjusted operating deficit position from 2022/23 to 2026/27, as set out in Exhibit 4 below.

Exhibit 4: Glasgow Region Medium term financial forecasts	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Total income	181,469	178,657	176,381	176,358	176,440
Total expenditure	(186,281)	(181,868)	(178,654)	(177,980)	(179,638)
Operating surplus / (deficit)	(4,812)	(3,211)	(2,273)	(1,622)	(3,198)
Adjusted operating surplus / (deficit)	(4,566)	(5,033)	(2,080)	(1,554)	(3,160)

Source: GCRB Financial Forecast Return 2022/23 to 2026/27

72. Arm’s Length Foundations (ALFs) can provide financial support to colleges through funding allocations. The estimated balance held by ALF as at 1 August 2022 is £7.359million. Over the period outlined in the FFR, the region relies on one-off funding of £7.900million from the ALF to support the financial position outlined above. Reliance on this funding is not sustainable, making colleges less resilient to future challenges.
73. Savings across the region have predominately been achieved through


reduction in staff costs. There perennial cuts can present a risk to the delivery of education across the region and is not sustainable. To support a more collaborative approach to service delivery and opportunities to achieve shared efficiencies, the SFC have undertaken an options appraisal exercise as a follow up to the GCRB’s Review of Coherent Provision and Sustainability of Glasgow College Region. We have considered the outcome of this below.

Governance & transparency

In October 2020 the SFC published the outcomes of its review of GCRB as a Regional Strategic Body (RSB), focusing on its effectiveness in meeting its core strategic duties and wider aims of regionalisation. In response to the recommendations raised GCRB commenced a Review of Coherent Provision and Sustainability of Glasgow College Region. The outcome, presented to the Board in August 2021, was an articulation of the broad options of delivery models available to improve collaboration within the region. A further options appraisal is now required to explore these further.

Whilst there has been consensus on the need to establish a more regional approach to strategic decision making and financial planning, there has been disagreement on the best way to take this forward.

Noted in the 2021/22 External Audit Plan

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75. GCRB sought to procure external consultancy to support the Executive in undertaking a thorough options appraisal exercise as a follow up to the Review of Coherent Provision and Sustainability of Glasgow College Region. To support this exercise, the Board developed and endorsed a set of strategic priorities against which change could be measured.
 76. However, the SFC requested that it undertakes the options appraisal exercise internally instead where the SFC's review was concluded in December 2022. On the completion of the review, the SFC entered a further consultation period where this work remains ongoing.
 77. Our review of medium-term financial forecasts reiterates the need for the Glasgow region to explore alternative and more collaborative delivery models as a priority to support the financial sustainability of the further education sector across the Glasgow region. An outcome on the best way to take this forward has not yet been agreed or reported to the GCRB.

Appendices



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Appendix 1: Respective responsibilities of the Board and the Auditor

The Code of Audit Practice (2016) sets out the responsibilities of both the Board and the auditor and are detailed below.

The Board's responsibilities

The Board has primary responsibility for ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver its objectives.

Area	Board's responsibilities
Corporate governance	<p>The Board is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements.</p>
Financial statements	<p>The Board has responsibility for:</p> <ul style="list-style-type: none">• preparing financial statements which give a true and fair view of its financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures;• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority;• maintaining proper accounting records; and• preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also address the longer term financial sustainability of the body and the region. <p>The Board is responsible for communicating relevant information to users about the entity and its financial performance, including providing adequate</p>

disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

The Board is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Board is also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct for prevention and detection of fraud and error

The Board 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.

Financial position

The Board is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:

- Such financial monitoring and reporting arrangements as may be specified;
- Compliance with statutory financial requirements and achievement of financial targets;
- Balances and reserves, including strategies about levels and their future use;
- Plans to deal with uncertainty in the medium and long term; and
- The impact of planned future policies and foreseeable developments on the financial position.

Best value

Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value.

Auditor responsibilities

Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on the financial statements and the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports;
- notify the Auditor General when circumstances indicate that a statutory report may be required; and
- demonstrate compliance with the wider scope of public 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.

We have concluded that the full application is not appropriate due to the size of the organisation. As part of our annual audit we consider and report against:

- appropriateness of the disclosures in the governance statement; and
- financial sustainability of the body and the services that it delivers over the medium to longer term.

Independence

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Audit and non-audit services

The total fees charged to GCRB for the provision of services in 2021/22 (with prior year comparators) is as follows:

	Current year £	Prior year £
Audit of GCRB (Auditor remuneration)	24,940	24,410
Total audit	24,940	24,410
Non-audit services	-	-
Total fees	24,940	24,410

The FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services were provided to the GCRB.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report which covers our work at the GCRB since appointment can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>

Appendix 2: Adjusted and unadjusted errors identified during the audit

Adjusted differences

We did not identify any adjusted differences during our audit of the GCRB financial statements or the consolidated financial statements.

Unadjusted differences

We did not identify any unadjusted differences during our audit of the GCRB financial statements or the consolidated financial statements.

Disclosure amendments

No	Detail
1	Staff Report- additional disclosures to address new FReM requirements.

Appendix 3: Action Plan

We did not identify any actions during our 2021/22 audit. In addition, there are no actions outstanding from the prior year.



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