GLASGOW CLYDE
COLLEGE

AUDIT COMMITTEE

Thurssday 04 October 2018
Bowfield House Hotel, Howwood

AUDIT COMMITTEE

The Eighteenth meeting of the Audit Committee will be held on Thursday 4th October 2018 at 1.00pm in the Bowfield Hotel and Country Club, Howwood.

AGENDA

18.32	Welcome and Apologies		D Watt
18.33	Declarations of Interests		D Watt

Minutes of Previous Meeting

18.34	Minutes of the Audit Committee meeting of 23.05.18	P	D Watt
18.35	Matters Arising – Action Grid	P	D Watt

Items for Discussion/Decision

18.36	Internal Audit Reports - Estates Strategy/Capital Projects/Building Maintenance - Procurement and Creditors - Business Development - Follow Up Review	P	Henderson Loggie
18.37	Internal Audit 2017/18 Plan Progress & 2018/19 Plan	P	Henderson Loggie
18.38	College Strategic Risk Register	P	J Thomson
18.39	Approval of Accounting Policies	P	T Elliott

Items for Information/Noting

18.40	Internal and External Audit Rolling Action Plan	P	T Elliott
18.41	Certificate of Assurance 2017/18	P	J Thomson
18.42	Updated Guidance on Fraud Prevention	P	J Thomson

Continual Improvement

18.43	Equalities Impact Assessment on Decisions Made		D Watt
18.44	Review of Papers (including Disclosable status)		D Watt
18.45	Any Other Business		D Watt

Date of the next meeting: 4.30pm on Wednesday 28th November 2018, in the Boardroom, Langside Campus

Agenda Item 18.34

NOTES OF THE EIGHTEENTH MEETING OF THE AUDIT COMMITTEE HELD ON 23 MAY 2018, 4.30PM, SEMINAR ROOM 4, CARDONALD CAMPUS

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PRESENT:

David Watt	Committee Chair
Clare Walker	Committee Member
Keith Rosser	Committee Member

IN ATTENDANCE:

Jon Vincent	Principal
Janet Thomson	Vice Principal Resources & College Development
Tracy Elliott	Assistant Principal – Finance & Infrastructure
Stuart Inglis	Henderson Loggie
David Archibald	Henderson Loggie
Gary Devlin	Scott Moncrieff
Glenn Heritage	Clerk to the Board (Minute Taker)

ACTION

18.15 WELCOME AND APOLOGIES

D Watt welcomed everyone to the meeting. Apologies were received from Michael Payne and David Perez.

18.16 DECLARATIONS OF INTEREST

Committee member Clare Walker declared an interest in item 18.20 on the Internal Audit on Student Support due to her department being involved in the Review

18.17 MINUTES OF MEETING HELD ON 21 FEBRUARY 2018

The Minutes are to revert to the wording requested by the Chair in relation to non-audit services and as discussed at the March Board of Management meeting. Item 18.08.and the Action Grid refer.

The Minutes were accepted as a true record of events in all other respects.

18.18 MATTERS ARISING – ACTION GRID

Progress on all of the Matters Arising in the Action Grid was noted.

The paper relating to item 18.08 regarding non-audit services, was circulated at the meeting as an additional item (18.08a) setting out the three areas of key risks and mitigation of conflicts of interest from Scott Moncrieff.

G Devlin also gave the Committee an overview of the process and steps taken relating to their submission of the tender for GDPR services.

The Committee agreed to receive this additional paper and to accept its conclusions.

Under matters arising it was also confirmed that Cyber Resilience would include IT Network Penetration risks and a paper would go the June Board of Management.

18.19 REMIT OF COMMITTEE

The remit with one revised amendment since the last meeting and as indicated at the March Board of Management (being the addition of a sentence relating to other Committees under Governance and Compliance) was circulated with the agenda papers.

The remit was agreed by the Committee.

Under this item the Chair wished the Committee to note his attendance at the Glasgow Regional Chairs of Audit Committees meeting where presentations on mental health and an overview from Scottish Funding Council were given. The notes from this meeting will be circulated to Committee members for information. JT

18.20 INTERNAL AUDIT REPORTS

D Archibald and S Inglis of Henderson Loggie were invited to speak to the reports issued with the agenda.

- CURRICULUM

D Archibald gave an overview of the College’s activities carried out around curriculum setting and the use of new technology. Overall the report was positive and noted the work GCC deployed into these areas.

Whilst no specific recommendations were made, two areas for improvement were noted as employability and soft skills training for students and increasing the use of the Virtual Learning Environment (VLE).

J Vincent affirmed that these areas are recognised, with view to future skills needs by industry. An example is ‘Clydebuilt Career Ready’ which is an initiative being looked at by the College aimed at creating future students of choice for employers.

The Committee discussed aspects of this and the need to align the curriculum to future needs.

Following a lively discussion, the Committee noted the report and the work being undertaken internally.

It was suggested by the Chair that the report should be submitted to the Learning and Teaching Committee and that the Annual Follow Up Review by Henderson Loggie include some narrative on the two areas for improvement indicated in this report. GH Henderson Loggie

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-STUDENT SUPPORT (Business Process Review)

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S Inglis gave an overview of the summary of business process actions which have been shared with the management team.

S Inglis explained the approach and findings, and the four main improvement areas as set out in the paper.

A Committee member asked how we ensure actions are completed and J Vincent advised that the report would feed into the annual self-evaluation process for that area which would ensure full consideration of the report and an agreed plan for any related business process actions.

The Committee discussed briefly and noted the report.

-ESTATES STRATEGY, CAPITAL PROJECTS AND BUILDING MAINTENANCE

D Archibald gave an overview of the comprehensive review carried out across Estates Strategy, Capital Projects and Building Maintenance.

The report made recommendations and identified strengths as well as weaknesses. Areas of weakness around evaluation of tenders and procurement were highlighted in the report.

The contents of the report gave rise to a robust discussion around the availability of evidence which had led to the report conclusions in these areas. GCC staff present were clear that absence of a few specific items of evidence had detracted from the ability to assess an accurate picture.

The Committee considered how standardisation and use of checklists can assist evidence gathering, and the impact of changes in personnel particularly within the APUC procurement function for the College since the projects reviewed had commenced which was some time ago.

After lengthy discussion it was agreed that Henderson Loggie will revise the wording of the report prior to finalising and reflect the absence of evidence in only a few instances. **HL**

The Committee agreed that, following revision by Henderson Loggie the report will be considered at the next Audit Committee meeting.

DATA PROTECTION REVIEW (Part 2)

D Archibald was invited to speak to this report which was circulated by email and tabled at this meeting.

It was noted that this report was a review at a moment in time during the College preparations for GDPR. D Archibald gave an update noting that actions identified in the Part 1 report were all incorporated within the Action

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Plan. Of the 50 actions at the time of the report, 10 were outstanding but assurances were given that the necessary actions would be completed by 25th May.

J Thomson advised the committee that some actions relied on partner organisations (suppliers, third parties) but we will have initiated all actions to suppliers and third parties and some were now not in our control.

A Committee member asked for clarification that consent for marketing activity was sought. J Thomson responded that yes, an opt in process had been put in place and sent out for completion where this was appropriate. She also confirmed all staff were undertaking online training, and this was being tracked for completion.

Following discussion the Committee noted progress and the challenges and asked to be kept informed. JT

18.21 INTERNAL AUDIT 2017/18 PLAN PROGRESS & 2018/19 PLAN

S Inglis was invited to speak to the report issued with the agenda.

S Inglis gave an overview of the progress against 2017/18 Plan and the proposed allocation of internal audit days for 2018/19 which was based on the Internal Audit Strategic Needs Assessment recently agreed by Committee.

The detailed scope of the planned 2018/19 internal audits were confirmed as still to be discussed with senior management and the Plan would revert to this Committee if any changes were found to be appropriate.

The Chair asked if Estates and Facilities would be included in the Health and Safety Planned Audit in the light of the report in agenda item 18.20 above. It was indicated that Health and Safety was a separate area from Estates and it was noted that an internal audit on procurement and creditors/purchasing is due to be completed as part of the final of the 2017/18 audit which will report to the September Committee on purchasing matters. It was also noted that safeguarding should be considered within the planned internal audit of Health and Safety in 2018/19 following recent events and OSCR guidance.

The Committee discussed and noted the Internal Audit Progress and Plan for 2018/19..

18.22 EXTERNAL AUDIT PLANNING MEMORANDUM 2017/18

G Devlin of Scott Moncrieff was invited to speak to the report circulated with the agenda. It was noted that the draft word version had been included in the papers circulated rather than the final PDF version and this had

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failed to format correctly when printed. A final and presentable copy was also circulated at this meeting.

G Devlin took the Committee through each of the sections of the External Audit Plan.

On Respective Responsibilities the Committee confirmed they were comfortable with the responsibilities as set out.

G Devlin detailed the Audit Strategy and Annual Report and Accounts sections. He suggested that an annual meeting with the Principal would be beneficial and this was agreed.

Scott Moncrieff/ JV

G Devlin explained the key audit risks to be considered and the Committee agreed that the correct risks are being captured.

On Wider Scope Audit an overview was given by G Devlin recognising that all colleges face challenging financial situations. In response to the Chair querying the approach to the review of governance and transparency, G Devlin explained this was about updating the external auditors' understanding, not a further full review more of an incremental approach.

Outputs and Timetables – the timescales were queried given the need to report to GCRB and for consolidation across the Region. After discussion it was felt that sharing of information will coincide with our schedule of meetings but that there had been changes with GCRB scheduling. Clerk to confirm this with GCRB.

GH

The Committee noted that the College's Board would be approving the audited accounts at its meetingt in December 2018.

Fees were discussed separately.

G Devlin explained the outcome of Audit Scotland's appointment of Scott Moncrieff for all three Glasgow region colleges and GCRB which had enabling them to undertake a comparative analysis of fee levels.

Some were considered at the wrong level and GCC fees were considered to be too low albeit they are not in a solus position with one other College being assessed as too high.

The proposed increased fee level for GCC represents an uplift of 32.5% and J Vincent has queried this with Audit Scotland to seek a reason for this. Email and letters between J Vincent and Audit Scotland were circulated at the meeting for information.

The Committee discussed the fee levels at length, noted that management is in dialogue with Audit Scotland and confirmed that this should continue to be pursued by the Principal to seek a satisfactory explanation for the proposed significant fee increase.

JV

DRAFT

The Committee approved the External Audit Plan 2017/18 noting the ongoing dialogue on the proposed increased external audit fees.

ACTION

18.23 UPDATE ON GENERAL DATA PROTECTION REGULATION

J Thomson was invited to speak to the paper circulated to members.

J Thomson gave further detail to that provided in the internal audit on Data Protection under item 18.20 and explained the operational actions in place.

Overall, progress is satisfactory and ongoing. A new Data Protection Officer for the Region is now in place and works 2 days per week for GCC.

A Committee member asked if risks of missing deadlines had been assessed and J Thomson explained that RAG status monitoring is being used on the workplan to keep on track.

J Vincent confirmed that it would be appropriate to share with the Board where potential risks existed even if outwith our control. It was agreed a summary be provided in the report to the Board. **JT**

The Committee was content with the level of provision to the Board and that detail and assurances should be made to this Committee.

18.24 INSTITUTIONAL EFFICIENCY RETURN 2016/17

T Elliott was invited to speak to the report circulated with the agenda.

T Elliott explained that this return was made in response to a request from SFC. Committee members queried that the majority of the efficiencies included in the return appeared to be as a result of external funding rather than any internal cost savings and this seemed odd to include these.

T Elliott gave some detail around how and by which means the Scottish Government wishes to see evidence of efficiencies inclusive of inward funding.

The Committee noted that the return has been made to SFC as required.

18.25 COLLEGE STRATEGIC REGISTER

K Rosser left the meeting at this point

J Thomson was invited to speak to the report circulated with the agenda papers.

J Thomson gave an overview of the current status as indicated in the report.

The Committee considered the Risk Register and noted its contents.

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18.26 NATIONAL FRAUD INITIATIVE 2017 OUTCOMES

The Committee noted the contents of the report circulated with the agenda papers.

18.27 SECTION 22 REPORTS - EDINBURGH COLLEGE AND NEW COLLEGE LANARKSHIRE

The Committee noted the contents of the report circulated with the agenda papers.

18.28 INTERNAL AND EXTERNAL AUDIT ROLLING ACTION PLAN

T Elliott was invited to speak to the report circulated with the agenda papers.

A Committee member sought clarification around the staff development action and the date for this and was assured this was May 2018 and actions were taking place.

The Committee noted the contents of the report.

18.29 EQUALITY IMPACT OF DECISIONS MADE

No decisions were made requiring an Equality Impact Assessment

18.30 REVIEW OF PAPERS (INCLUDING DISCLOSABLE STATUS)

The current Henderson Loggie internal audit report 18.20 paper 3 is not Disclosable as it is not a final paper. All other papers are as notated.

18.31 ANY OTHER BUSINESS

1 T Elliott tabled a brief paper and highlighted that following recent communication with Audit Scotland on their draft annual report for the sector she had been made aware that Audit Scotland are proposing to use a different methodology to the SFC guidance, and in their proposed public report show GCC as being in deficit, representing an adverse financial position. **TE**

T Elliott advised that discussions with both SFC and Audit Scotland were ongoing.

The Audit Committee will be updated when possible.

2 G Devlin notified the Committee that Scott Moncrieff would be hosting executive forum events and that invitations would shortly be issued.

DATE OF NEXT MEETING

4.30pm on Wednesday 3^{RD} October 2018, in Boardroom, Langside Campus .

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AUDIT COMMITTEE

MEETING HELD ON 23 MAY 2018

MATTERS ARISING ACTION GRID

ITEM	ISSUE	LEAD	STATUS
18.17	The Minutes are to revert to the wording requested by the Chair in relation to non-audit services and as discussed at the March Board of Management meeting. Item 18.08.and the Action Grid refer.	**GH**	Minutes reverted.
18.19	**REMIT OF COMMITTEE** Under this item the Chair wished the Committee to note his attendance at the Glasgow Regional Chairs of Audit Committees meeting where presentations on mental health and an overview from Scottish Funding Council were given. The notes from this meeting will be circulated to Committee members for information.	**JT**	These notes have been circulated.
18.20	**INTERNAL AUDIT REPORT - CURRICULUM** It was suggested by the Chair that the report should be submitted to the Learning and Teaching Committee and that the Annual Follow Up Review by Henderson Loggie include some narrative on the two areas for improvement indicated in this report.	**GH** **HL/JT**	This report will go to the October Learning and Teaching Committee. Some narrative is included in the follow up review report
18.20	**INTERNAL AUDIT REPORT - ESTATES STRATEGY, CAPITAL PROJECTS AND BUILDING MAINTENANCE** it was agreed that Henderson Loggie will revise the wording of the report prior to finalising and reflect the absence of evidence in only a few instances. Following revision by Henderson Loggie the report will be considered at the next Audit Committee meeting.	**HL**	The revised internal audit report is on the agenda.

ITEM	ISSUE	LEAD	STATUS
18.22	**EXTERNAL AUDIT PLANNING MEMORANDUM 2017/18** G Devlin detailed the Audit Strategy and Annual Report and Accounts sections. He suggested that an annual meeting with the Principal would be beneficial and this was agreed.	**JV / Scott Moncrieff**	This annual meeting will be scheduled.
18.22	Outputs and Timetables – the timescales were queried given the need to report to GCRB and for consolidation across the Region. After discussion it was felt that sharing of information will coincide with our schedule of meetings but that there had been changes with GCRB scheduling. Clerk to confirm this with GCRB.	**GH**	
18.22	The Committee noted that management is in dialogue with Audit Scotland regarding increased Audit fees and confirmed that this should continue to be pursued by the Principal to seek a satisfactory explanation for the proposed significant audit fee increase.	**JV**	The query on fees has been raised with Audit Scotland.
18.23	**UPDATE ON GDPR** J Vincent confirmed that it would be appropriate to share with the Board where potential risks existed even if outwith our control. It was agreed a summary be provided in the report to the Board.	**JT**	An update paper was submitted to the Board at its June meeting.
18.23	**UPDATE ON GDPR** The Committee was content with the level of provision to the Board and that detail and assurances should be made to this Committee.	**JT**	A verbal update will be given to the Committee.
18.31	**ANY OTHER BUSINESS** Audit Scotland, in their annual report, are proposing to use a different methodology to the SFC guidance, and in their proposed public report show GCC as being in deficit, representing an adverse financial position. Discussions with both SFC and Audit Scotland were ongoing. The Audit Committee will be updated when possible	**TE**	This is now resolved and original presentation format being used.

GLASGOW CLYDE
COLLEGE

AUDIT COMMITTEE MEETING

Date of Meeting	4 October 2018
Paper Title	Internal Audit Reports: Estates Strategy/Capital Projects/Building Maintenance (to follow) Procurement and Creditors Business Development Follow Up Review
Agenda Item	18.36
Paper Number	18.36.1, 18.36.2, 18.36.3, 18.36.4
Responsible Officer	Henderson Loggie, Internal Auditors
Status	Disclosable
Action	For Discussion

1. REPORT PURPOSE

The purpose of this paper is to submit to the Committee for discussion the following reports which have been produced by the College's Internal Auditors, Henderson Loggie.

- Estates Strategy/Capital Projects/Building Maintenance (to follow)
- Procurement and Creditors
- Business Development
- Follow Up Review

2. RECOMMENDATION

Members of the Audit Committee are invited to discuss the attached papers.

3. BACKGROUND

The Estates Strategy/Capital Projects/Building Maintenance internal audit report concludes that there is a satisfactory level of assurance in this area meaning the system meets the control objectives with some weaknesses present. There are two low priority recommendations and two medium priority recommendations in the report. The detail of this report is currently being finalised and, as such, the report will be to follow.

The Procurement and Creditors internal audit report concludes that there is a good level of assurance in this area with the system meeting the control objectives and there is one low priority recommendation.

The Business Development internal audit report concludes that there is a good level of assurance in this area with the system meeting the control objectives and there are three low priority recommendations in the report.

The 2017/18 Follow Up Review internal audit report concludes that of the thirteen recommendations agreed, eight have been fully implement and five have been partially implemented.

4. RISK ANALYSIS

There are no specific risk implications in this paper.

5. LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

The College is required to have an internal audit function undertaken each year as part of the Financial Memorandum.

6. HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

NOTES TO PUBLICATION

Pages under the Procurement and Creditors Internal Audit Report are redacted under FOISA Section 33(1)(b) information prejudicial to commercial interests.

Pages under the Business Development Internal Audit Report are redacted under FOISA Section 33(1)(b) information prejudicial to commercial interests.

Glasgow Clyde College

Procurement and Creditors / Purchasing

Internal Audit Report No: 2018/08

Draft Issued: 13 September 2018

Final Issued: 19 September 2018

LEVEL OF ASSURANCE	Good

Contents

		Page No.
Section 1	Overall Level of Assurance	1
Section 2	Risk Assessment	1
Section 3	Background	1
Section 4	Scope, Objectives and Overall Findings	1 - 2
Section 5	Audit Approach	3
Section 6	Summary of Main Findings	3 - 4
Section 7	Acknowledgements	4
Section 8	Findings and Action Plan	5 - 11

Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

5. Audit Approach

From discussions with Procurement staff we established the procurement strategies, procedures and monitoring arrangements that are in place within the College. These were then evaluated to establish whether they follow recognised good practice.

Specifically, we established whether the procurement procedures ensure that areas of high spend across the College are monitored appropriately, that opportunities for pooling of expenditure are identified in order to achieve best value and ensuring that joint purchasing arrangements available to the College are utilised where appropriate.

We documented the controls in place within the purchasing / payments system through interviews with Finance and Procurement staff and established whether the expected key controls are in place by reference to standard control risk assessment templates. We also performed compliance testing where considered necessary to determine whether key controls are working effectively, including selecting a sample of items of expenditure from the financial ledger and testing these to ensure compliance with the College's Financial Regulations and Procedures.

6. Summary of Main Findings

Strengths

- The College procurement guidance includes a strategy, policy, procedures and additional guidance for staff. From our review, we found each of these documents to be compliant with extant legislation and the College's Procurement Strategy is in line with guidance produced by the Scottish Government.
- The College makes use of resources, including staff, provided by APUC (Advanced Procurement for Universities and Colleges) to monitor areas of high spend, identify potential opportunities for pooling of expenditure as well as ensuring that tender procedures are conducted in accordance with procurement regulations and guidelines.
- The College makes regular use of the framework and collaborative procurement agreements to which it has access. The College is a member of the Glasgow Regional Procurement Team, which enables the College to identify collaborative opportunities. We also noted from our sample testing that a number of national and APUC frameworks had been utilised by the College.
- From our sample testing of purchase orders, we confirmed that these had been appropriately authorised by staff members within their delegated approval limit.
- For a sample of supplier payment runs, we found that all had been authorised by the Finance Manager or Interim Finance Manager. We also identified that secondary checking of supplier payment listings was performed to ensure that invoices were genuine.
- Changes to supplier bank account details are checked with the suppliers by members of the Finance team. As a secondary check, the Finance Manager carries out regular reviews of changes to supplier bank details. A facility is being developed whereby the Finance Manager will receive an automatic update of any change to supplier payment details.

6. Summary of Main Findings (Continued)

Weaknesses

- We found that for six of our sample of 15 purchases tested there was no purchase order. Although the College was satisfied that these purchases did not require a purchase order, the current College guidance does not clearly describe the circumstances in which a purchase order is not required.
- A wider review of the purchase ledger data noted that there were a significant number of manual purchase orders that had not been processed through the College's e-procurement system PECOS or P2P (purchase to pay) module. The College has identified this as an issue and actions are planned to increase the number of purchase orders processed through PECOS and the new TechOne P2P ordering module which is currently being implemented.

7. Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during our audit.

HENDERSON LOGGIE
Chartered Accountants

Glasgow Clyde College

Business Development

Internal Audit Report No: 2018/10

Draft Issued: 14 September 2018

Final Issued: 20 September 2018

LEVEL OF ASSURANCE	**Good**

Content

Page No.

Section 1 Overall Level of Assurance 1
Section 2 Risk Assessment 1
Section 3 Background 1
Section 4 Scope, Objectives and Overall Findings 1 - 3
Section 5 Audit Approach 3
Section 6 Summary of Main Findings 4
Section 7 Acknowledgements 4
Section 8 Main Findings and Action Plan 5 - 14

Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
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Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.
Priority 2	Issue subjecting the College to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

6. Summary of Main Findings

Strengths

- A Business Development Strategy is in place, which is linked to the College Development Plan, and income generation activities are embedded within operational planning processes and are appropriately linked to the College's strategic planning process;
- The growth of commercial income is included within the Operational Plans which provides a focus for senior managers across the College on the importance of developing and maintaining commercial income streams;
- Senior staff are involved in reviewing the financial case for new commercial activities, which reduces the risk of errors in assumptions which may lead to ineffective pricing;
- Business cases and justifications are prepared for all new large commercial opportunities and external funding opportunities;
- The Business Development Team and senior curriculum staff are supported by the Senior Management Team and the Marketing Team in identifying and promoting commercial opportunities;
- The Business Development management team, SMT and Board members receive regular information on commercial and income generation activities, including a summary of financial performance; and
- There are formal mechanisms in place for obtaining and acting upon feedback received from customers, particularly employers.

Weaknesses

- Our review identified a number of internal resource constraints which could limit the College's ability to fully exploit commercial, training and other external funding opportunities, including: a lack of dedicated employer engagement staff within the External Funding Unit; the workload of the College SDS Assessor which may limit the capacity to grow SDS activity; internal supply chain concerns regarding support to the External Funding Unit in certain curriculum sectors due to staffing constraints; and the College may need to re-design its approach to training delivery to reflect the growing demand for online training from customers and employers.

7. Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during the course of our audit visit.

HENDERSON LOGGIE
Chartered Accountants

Glasgow Clyde College

Follow-Up Reviews
2017/18

Internal Audit Report No: 2018/09

Draft Issued: 18 September 2018

Final Issued: 21 September 2018

Content

Page No.

1 Management Summary

- Introduction and Background 1
- Objectives of the Audit 1
- Audit Approach 1
- Overall Conclusion 1 - 2
- Acknowledgements 2

Appendices

Appendix I Updated Action Plan – Corporate Governance (2017/07) 3 - 10

Appendix II Updated Action Plan – Follow-Up Reviews 2016/17 (2017/08) 11 - 14

1. Management Summary

Introduction and Background

As part of the Internal Audit programme at Glasgow Clyde College (‘the College’) for 2017/18 we carried out a follow-up review of the recommendations made in reports issued during 2017/18 and reports from earlier years that had either not already been subject to follow-up or where previous follow-up identified recommendations outstanding.

Internal Audit Reports 2018/01 – Audit Needs Assessment and Strategic Plan 2017 to 2020, 2018/02 – Annual Plan, 2018/04 – Curriculum, 2018/05 – Student Support (Business Process Review) and 2018/06 – Data Protection Follow-Up were not followed up as these reports did not contain any recommendations. Internal Audit Report 2018/03 – Data Protection has already been followed-up by report 2018/06. Internal Audit Reports 2018/07 – Estates Strategy / Capital Projects / Building Maintenance, 2018/08 – Procurement and 2018/10 – Business Development have only recently been finalised and have therefore not been followed up as part of this review.

Objectives of the Audit

The objective of each of our follow-up reviews was to establish the status of implementation of recommendations made in previous internal audit reports.

Audit Approach

For the recommendations made in each of the reports followed-up we verified by enquiry and review of supporting documentation, as appropriate, whether they had been completed or what stage they have reached in terms of completion and whether the due date needed to be revised.

Action plans from the original reports, updated to include a column for progress made to date, are appended to this report.

Overall Conclusion

The College has made progress in implementing previous internal audit recommendations, with eight of the 13 recommendations followed-up being categorised as ‘fully implemented’.

The recommendations classed as being ‘partially implemented’ relate to:

- Internal Audit Report 2017/07 – Corporate Governance, issued December 2017 – three items;
- Internal Audit Report 2017/02 – Staff Development, issued February 2017 – one item; and
- Internal Audit Report 2017/03 – IT Strategy / IT Network Arrangements, issued February 2017 – one item.

Work is in progress to address all of the outstanding recommendations and revised implementation dates have been agreed with management ranging from 31 October 2018 to 31 March 2019.

Overall Conclusion (Continued)

Our findings from each of the follow-up reviews have been summarised as follows:

From Original Reports		*From Follow-Up Work Performed*			
Area	**Recommendation Grades**	**Number Agreed**	**Fully Implemented**	**Partially Implemented**	**Little or No Progress Made**
Corporate Governance	**Priority 1**	-	-	-	-
	Priority 2	-	-	-	-
	Priority 3	9	6	3	-
Total		**9***	**6**	**3**	**-**
Follow-Up Reviews 2016/17	**Priority 1**	-	-	-	-
	Priority 2	2	1	1	-
	Priority 3	2	1	1	-
Total		**4**	**2**	**2**	**-**
Grand Total		**13**	**8**	**5**	**-**
Percentage		**100%**	**62%**	**38%**	**0%**

* the Corporate Governance report also included seven recommendations that were to be integrated into the Board's Development Plan and were not graded. These have also been followed-up as part of our review and progress noted in Appendix I. Four of these recommendations have been assessed as 'fully implemented' and three as partial.

We will follow-up all of the outstanding recommendations as part of the next follow-up review.

The grades, as detailed below, denote the level of importance that should have been given to each recommendation:

Priority 1	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.
Priority 2	Issue subjecting the College to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Acknowledgements

We would like to thank all staff for the co-operation and assistance we received during the course of our reviews

Appendix I – Updated Action Plan
Internal Audit Report 2017/07 – Corporate Governance

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at September 2018
R1 Ensure that all Code of Conduct annual statements are completed and returned on a timely basis.	3	This is an ongoing process when there are changes in Board membership. The remaining signed code of conduct statements will be followed up.	Clerk to the Board	31 December 2017	Outstanding Code of Conduct annual statements from the change in members in 2017 were followed up in February / March 2018. All are now completed and signed, including new appointment January 2018 and Student members in August 2018. ***Fully Implemented***
R2 There is the potential for the Students' Association report to the Learning and Teaching Committee to also note issues raised by students and what action has been undertaken, or is planned, to address these issues.	3	The existing Student President's report to each meeting of the Learning and Teaching Committee will be extended to include a section of feedback gained by the Students' Association through class rep meetings and other forms of student engagement regarding any issues. The actions which have been taken and/or planned will be highlighted within this report.	Student President	28 February 2018	The Student President Report strives to reflect views and contains a section on Class Representation. Two example reports were reviewed and were found to include discussion on feedback received from students and action taken or planned. ***Fully Implemented***

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at September 2018
R3 Consider what assurance can be gained over the quality of services for students and how this can be reported to an appropriate Board Committee.	3	A report on student experience activity, issues and development will be presented at each meeting of the Learning and Teaching Committee.	Assistant Principal Student Experience	28 February 2018	Learning and Teaching Committee papers included reports on the Student Survey November 2017 and February 2018. May 2018 meeting included a presentation on the quality of learning and teaching. ***Fully Implemented***
R4 Periodically review all of the Board papers and minutes on the College website for completeness, accuracy and to ensure all links are working. If there are any Board papers not provided, or any sections in minutes or papers redacted, then there should be a note on the website as to why these papers or sections have not been provided.	3	The papers are currently sent by the Clerk to Marketing to put on to the website. For the new website the Clerk can publish them directly and hence will be able to ensure all papers are there and links working each time.	Clerk to the Board	31 December 2017	The new website was launched in January 2018. Training for the Clerk to upload papers was provided May / June 2018 so there was a hiatus. The Clerk is now working to update the website however this requires greater expertise and time than simple file upload so is taking time to complete, with assistance from IT periodically. ***Partially Implemented*** **Revised implementation date:** 31 December 2018

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at September 2018
R5 Provide the Audit Committee with a signed copy of the Principal's Certificate of Assurance and a completed copy of the internal controls checklist.	3	A copy of the signed Principal's Certificate of Assurance will be provided to the Audit Committee.	Vice Principal Resources and College Development	31 December 2017	The Certificate of Assurance for 2016/17 was provided to the Audit Committee in September 2017. ***Fully Implemented***
R6 Consideration should be given as to whether the Board wants to allow staff and students to have a role in gathering and submitting evidence for the Remuneration Committee when considering the remuneration of the College Principal. If the Board wants to progress this, then there is a need to consider how this will be delivered in practice.	3	Process to be prepared, in discussion with the Principal, and presented to the Board.	Chair of the Board	30 June 2018	This is an ongoing process and under discussion. The minutes of the May 2018 Remuneration Committee meeting note that feedback on the performance of the Principal had been received from a range of staff however a formal method of obtaining feedback (from both staff and students) was being developed and would be brought to the Board. ***Partially Implemented*** **Revised implementation date:** 31 March 2019

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at September 2018
R7 Provide a copy of the Staff Governance Standard to the Board along with details of how the main aspects of this are being complied with.	3	The Staff Governance Standard, along with details of the main actions being taken, will be taken to the December 2017 Board meeting.	Assistant Principal HR	31 December 2017	A copy of the Staff Governance Standard was provided to the Board in December 2017, together with a report advising the Board on the steps taken by the College to ensure good staff governance. ***Fully Implemented***
R8 The College should consider what the process should be for removal of the Board Secretary and consider whether the Articles of Association require to be amended.	3	The Articles of Association will be amended to reflect the requirements of the Code.	Depute Principal/ Clerk to the Board	31 March 2018	The Board Articles of Governance have been amended to refer to the process for removal of the Secretary and the requirements of the Code. ***Fully Implemented***

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at September 2018
R9 Consider putting in place more formal oversight and procedures over the student elections and provide more comprehensive reporting from management to the Board both before and after the student elections.	3	A pre-election report on the procedures and processes over the student elections will be submitted to the Board of Management in December of each session (Stage 1). A post-election evaluative report will be presented to the Board of Management in June of each session (Stage 2)	Assistant Principal Student Experience	31 December 2017 – Stage 1 30 June 2018 – Stage 2	A pre-election report including a timeline for the Students' Association elections was submitted to the Board in December 2017. June 2018 was found to be too early for a report post-election – this will be submitted to the Learning and Teaching Committee in November. ***Partially Implemented*** **Revised implementation date:** 7 November 2018

Recommendations integrated into the Board's Development Plan	Progress at September 2018
Embed the agreed KPIs as they relate to the College's strategic goals and regularly report these KPIs to the Board.	A set of KPIs was agreed by the Board in December 2017. Each committee monitors specific KPIs. The Annual Board Development event in October 2018 will include an overview of College performance. ***Fully Implemented***
The processes used to fill Board vacancies have focussed on selection based on skills and experience of the applicants which may not lead to the Board being reflective of the make-up of its community. We recognise that this is a challenge for all Colleges and therefore this is not an issue which is unique to the College. The Nominations Committee should consider the following: a) identify appropriate community composition benchmark/s; b) review the appraisal criteria and consider changing from only focussing on skills and experience to also considering other aspects, (although ensuring that Equalities Act requirements are met); c) ensure that there is adequate focus on promoting vacant posts through communication channels which target areas of the community for which the Board wishes to increase Board membership from.	Although benchmarks have not been used, in the latest round of Board recruitment effort was made to involve more people from the local community including through wider advertising to local groups. This process does however need to be formalised in writing. ***Partially Implemented*** **Implementation date:** 31 March 2019
The self-evaluation analysis against the Framework for the Development of Strong and Effective College Students' Associations, the partnership agreement and any related action plans should be completed and be taken to the Board or Learning and Teaching Committee or other relevant committee for their review.	The Students' Association / College partnership agreement has still to be finalised and this is planned to be done by October 2018 and submitted to the Learning and Teaching Committee in February 2019. ***Partially Implemented*** **Implementation date:** 28 February 2019

Recommendations integrated into the Board's Development Plan	Progress at September 2018
Specify in the committee structure chart member/s of the management team with responsibility for providing advice to a) the Remuneration Committee and b) the Nominations Committee.	The committee structure chart has been updated to include advisors in attendance at the Remuneration Committee and Nominations Committee meetings. ***Fully Implemented***
The Audit Committee Terms of Reference should contain details as to what assurance is provided by other Board committees and how the Audit Committee will obtain assurance in those areas from the other Board committees.	The Audit Committee Terms of Reference have been updated. The Audit Committee is responsible for reviewing the College's compliance with the Code of Good Governance for Scotland's Colleges and advising the Board of Management on this. As part of this, the Committee shall satisfy itself that other Board committees provide assurance to the Board, as appropriate, on their governance related activities. ***Fully Implemented***

Recommendations integrated into the Board's Development Plan	Progress at September 2018
Ensure that in future any new Remuneration Committee members undertake the online training module for Remuneration Committee members provided by the College Development Network within one month of appointment.	There has been no change in Remuneration Committee membership from the time of the original recommendation however a link to College Development Network governance training is now included in the Board Member Handbook, which can be used as refresher training. The online training module for Remuneration Committee members would also be provided as part of their induction for new members of the Committee. ***Fully Implemented***
Ensure that there is a clear and documented process for setting and agreeing personal performance measures for the Principal which has been reviewed and approved by the Board.	An outline process has been produced, which addresses this recommendation however this has still to be fully implemented and agreed personal performance measures, and progress against these, documented. ***Partially Implemented*** **Implementation date:** 31 March 2019

Appendix II – Updated Action Plan
Internal Audit Report 2017/08 – Follow-Up Reviews 2016/17

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2017	Progress at September 2018
Internal Audit Report 2017/02 – Staff Development						
R3 As part of the review of the Personal Development Planning process the College should consider: • how staff learning and development actions can be more clearly linked to Faculty / departmental objectives on the Personal Development Plans (PDPs); and • developing further guidance for staff and managers on how PDP interviews should be conducted and how development plans should be completed. Any revision to this guidance should be supported by training provided by L&D staff.	3	These recommendations will be incorporated in the new PDPs. To allow this process to be fully reviewed, work will be undertaken over the summer to allow the revised process to be implemented in 17/18.	Gillian Crankshaw	30 November 2017	PDPs are normally completed in March each year. A revised PDP process will be completed by 30 November 2017, and training will be provided by Organisational Development staff to College managers before March 2018. ***Partially Implemented*** ***Revised Completion Date:*** 28 February 2018	At the Organisational Development Committee meeting in May 2018 it was agreed that the new format of the PDP process should be compulsory for all staff and run throughout the academic year not as a paper exercise in May / June as has been done previously. The new format will involve a coaching element and ongoing conversations. PDP training sessions for all staff, and specific sessions for managers, will now run this October. PDP guidelines for staff and line managers have been drafted and will be finalised and rolled out after the training. ***Partially Implemented*** **Revised Completion Date:** 31 October 2018

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2017	Progress at September 2018
Internal Audit Report 2017/03 – IT Strategy / IT Network Arrangements						
R1 Develop an Information Risk Management Policy, which is approved and supported by the Board of Management, which clearly communicates the College's approach to information risk management. This should aim to ensure that all employees, students, contractors and suppliers are aware of the College's approach, how decisions are made, and any applicable risk boundaries.	3	As part of the InfoSec membership, the College will undertake a Business Impact Analysis. This includes a five-step process which will undertake a review of current Information controls and conclude with a Risk Report. Based on the outcome of this exercise, the College will develop and adopt an Information Risk Management Policy.	VP Resources & AP Finance & Infrastructure	September 2017	InfoSec have completed a business impact analysis and an early draft of an Information Risk Management Policy has been prepared. However, it has been agreed that this will not be finalised until GDPR considerations have been taken into account, and it is planned that this will be completed by the end of March 2018. ***Partially Implemented*** ***Revised Completion Date:*** 31 March 2018	An Information Security Policy was published in August 2018. The College's Business Continuity Plan has been updated to reflect changes re possible data breach. ***Fully Implemented***

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2017	Progress at September 2018
R2 Develop a programme of information security training for new and existing users to mitigate information security risks, covering: • the College's information security policy (see **R1**); • an induction process for new users (including contractors and third-party users); • regular refresher training on the security risks to the College; • supporting staff in information security roles to enrol on a recognised certification scheme; • monitoring the effectiveness of security training; • promoting an incident reporting culture; and • establishing a formal disciplinary process to address abuse of the College's security policies.	2	As part of the College's Infosec membership, training material on Information Security is being developed for distribution. The College already has in place an Acceptable Use Agreement for staff which would be enforceable by College disciplinary procedures. As part of the InfoSec membership a FE / HE cross-sector CIRT (Computer Incident Response Team) is being created. **To be actioned by:** Senior Management Team **No later than:** September 2017	Senior Management Team	September 2017	Some training on information security has been provided to the Senior Management Team (SMT), and some training was provided to ICT and to other staff as part of the August 2017 staff development days. The proposed further training for other staff is now being considered as part of a wider process as a result of emerging guidance on GDPR and cyber security. A College group has been set up which will consider all related issues including training. The date has been amended to 31 March 2018 to align with the recommendation above. ***Partially Implemented*** ***Revised Completion Date:*** 31 March 2018	GDPR training was provided to all staff before the GDPR implementation date and a staff do's and don'ts guide on data security has been prepared. An Information Security Policy has now been approved by the Board (see **R1** above) and staff agree to an ICT Acceptable Use Agreement when they sign in to their PCs on a daily basis. College management plans to roll out further training on information security through a series of staff messages, and plans to use some elements from website getsafeonline.org which was highlighted in the recent cyber essentials public sector communications toolkit as sent by the Minister. The College's normal disciplinary procedure will be followed. ***Partially Implemented*** **Revised Completion Date:** 31 October 2018 (date when College plans to have achieved Cyber Essentials Plus)

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2017	Progress at September 2018
Internal Audit Report 2017/06 – Corporate Planning						
R2 Consider the points raised in this internal audit report and implement these as considered appropriate for the College. In summary, the points covered: • review of operational plans to confirm that they have been fully completed, have SMART actions etc.; • refresher training for staff on preparation of operational plans; • inclusion of information to measure operational plan progress; and • formal monitoring of operational plan progress, including using a RAG scoring system.	2	As per response to recommendation above the College will review the Operational Plan process and part of this review will ensure that targets are both prioritised and SMART. Also, will consider option of training. Monitoring of targets will take place quarterly at SMT.	Vice Principal Resources and College Development and Vice Principal Curriculum and External Relations	October 2017	The Operational Plans for 2017/18 are being prepared and it is planned that members of the Executive Management Team will review the operational plans for robustness (including covering the points noted in this audit) in November 2017. ***Partially Implemented*** ***Revised Completion Date:*** 30 November 2017.	The 2017/18 Operational Plans were reviewed for robustness and a reminder issued to the SMT that objectives had to be SMART. This was discussed at a session on planning rather than any separate training, which was not considered necessary. A Strategy Performance Monitoring Schedule is maintained showing actions to be carried out by each department to support delivery of the College's strategic themes. These actions have performance measures noted against them, together with responsible individuals and target dates. Strategy progress updates are provided to the SMT on this schedule using a RAG scoring system. ***Fully Implemented***

AUDIT COMMITTEE MEETING

Date of Meeting	4 October 2018
Paper Title	Internal Audit Plan 2017/18 Progress Report & 2018/19 Plan
Agenda Item	18.37
Paper Number	18.37A
Responsible Officer	Henderson Loggie, Internal Auditors
Status	Disclosable
Action	For Discussion

1. REPORT PURPOSE

The purpose of this report is to provide a summary of the progress against the Internal Audit Plan for 2017/18 from Henderson Loggie as at end September 2018 and to provide a summary of the 2018/19 plan as previously approved at Audit Committee.

2. RECOMMENDATION

Committee Members are invited to review and discuss this paper.

3. BACKGROUND

The attached report from Henderson Loggie indicates to the Audit Committee progress against the Internal Audit Plan for the year and provides a summary of the work completed indicating the overall conclusion against each report and period to complete the report. It also provides a summary of the overall work planned for 2018/19.

4 RISK ANALYSIS

There are no specific risk implications in this paper.

5. LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

The College is required to have an internal audit function undertaken each year as part of the Financial Memorandum.

6. HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

HENDERSON LOGGIE
Chartered Accountants

Glasgow Clyde College

Internal Audit Progress Report
2017/18 Annual Plan and
Proposed allocation of audit days for 2018/19

4 October 2018

Progress with the annual plan for 2017/18 is shown below.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Audit Needs Assessment and Strategic Plan 2017 to 2020	November 2017	Draft 02/11/17 Final 07/02/18	2018/01	N/A	22/11/17	
Annual Plan 2017/18	November 2017	Draft 02/11/17 Final 07/02/18	2018/02	N/A	22/11/17	
Curriculum	May 2018	Draft 26/04/18 Final 09/05/18	2018/04	**Good**	23/05/18	
Student Support (Business Process Review)	May 2018	Draft 16/04/18 Final 09/05/18	2018/05	N/A	23/05/18	The review identified several areas for investigation or improvement through facilitated focus group sessions and interviews with staff. Actions were prioritised for the College to take forward. All of the identified actions were improvement actions designed to enhance efficiency and effectiveness. No issues subjecting the College to material or significant risk were identified during the review.
Estates Strategy / Capital Projects / Building Maintenance	May 2018	Draft 04/05/18 2nd Draft 09/05/18 Final 09/05/18	2018/07	**Satisfactory**	23/05/18	Revised final version of report to be issued after completion of discussion with management.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Procurement and Creditors / Purchasing	October 2018	Draft 13/09/18 Final 19/09/18	2018/08	**Good**	04/10/18	
Business Development	October 2018	Draft 13/09/18 Final 20/09/18	2018/10	**Good**	04/10/18	
Date Protection Part 1	February 2018	Draft 09/02/18 Final 16/02/18	2018/03	**Satisfactory**	21/02/18	
Date Protection Part 2	May 2018	Draft 16/05/18 Final 18/05/18	2018/06	**Satisfactory**	23/05/18	
Follow-Up Reviews	October 2018	Draft 18/09/18 Final 21/09/18	2018/09	N/A see comments	04/10/18	8 Fully implemented 5 Partially implemented 0 Little or no progress 13 in total

In addition, College management has requested that we undertake the following audits, which are required by the Scottish Funding Council but not included in the internal audit programme:

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Credits audit	5 October 2018 – Audit Committee November 2018					Fieldwork commenced 10/09/18.
Bursary, childcare and hardship funds	5 October 2018 – Audit Committee November 2018					Fieldwork commenced 06/09/18.
EMA audit	31 October 2018 – Audit Committee November 2018					Fieldwork commenced 06/09/18.

Appendix I – Strategic Plan 2017 to 2020

We were re-appointed in September 2017 as internal auditors of the College for the period 1 August 2017 to 31 July 2020 with an option to extend for a further year. An Audit Needs Assessment (ANA), based on the areas of risk that the College is exposed to, was prepared as part of our internal audit programme for 2017/18 (internal audit report 2018/01, issued November 2017). Following on from the ANA a Strategic Plan was formulated, covering the normal three-year internal audit cycle (2017/18 to 2019/20), and this was approved by the Audit Committee, together with the ANA, at its meeting on 22 November 2017. The proposed allocation of audit days for 2018/19 set out in the Strategic Plan is noted below. Detailed scopes and objectives for each assignment will be agreed with College management.

Proposed Allocation of Audit Days for 2018/19

	Category	Priority	Planned 18/19 Days
Reputation			
Publicity and Communications	Gov	M	
Health and Safety incl. Safeguarding	Gov	M	5
Student Experience			
Curriculum	Perf	H/M	
Quality	Perf	M	
Student support (Business Process Review)	Perf	M	
Student recruitment and retention	Fin/Perf	H	5
Student Association	Gov	M	
Staffing Issues			
Staff recruitment and retention)	Perf	M/L	
Staff development)	Perf	H/M	
Payroll	Fin	M	
Estates and Facilities			
Building maintenance)	Fin/Perf	M	
Estates strategy / capital projects)	Fin/Perf	H/M	
Space management	Perf	H	
Asset / fleet management	Perf	L	
Financial Issues			
Budgetary control	Fin	H	5
Student fees and contracts / registry	Fin	M	
ESF funding	Gov/Fin	M	4
General ledger	Fin	M	
Procurement and creditors / purchasing	Fin	M	
Debtors/ Income	Fin	M	
Cash & Bank / Treasury Management	Fin	M	
Commercial Issues			
Business Development	Fin/Perf	H/M	
International Activities	Gov/Fin/Perf	H/M	

Proposed Allocation of Audit Days for 2018/19 (Continued)

	Category	Priority	Planned 18/19 Days
Organisational Issues			
Risk Management	Perf	M	
Business Continuity	Perf	L	
Corporate Governance	Gov	M	
Corporate Planning	Perf	M	
Performance reporting / KPIs	Perf	M	4
Partnership Working	Gov/Perf	M	4
Equalities	Gov	M	
Information and IT			
IT network arrangements	Perf	H/M	
Data protection	Gov	H	
FOI	Gov	L	
Systems development / implementation	Perf	M	5
IT strategy	Perf	M	
Other Audit Activities			
Management and Planning)			5
External audit / SFC)			
Attendance at audit committees)			
Follow-up reviews			3
Total			40 ====

Key

Category: Gov – Governance; Perf – Performance; Fin – Financial

Priority: H – High; M – Medium; L – Low

GLASGOW CLYDE
COLLEGE

AUDIT COMMITTEE

Date of Meeting	4 October 2018
Paper Title	College Strategic Risk Register
Agenda Item	18.38
Paper Number	18.38A
Responsible Officer	Janet Thomson, Vice Principal Resources and College Development
Status	Disclosable
Action	For Discussion

1 REPORT PURPOSE

The Report considers the College's Strategic Risk Register which is updated regularly and reported to each Audit Committee and to the Board of Management on a quarterly basis.

2. RECOMMENDATION

Members are invited to DISCUSS this paper.

3. BACKGROUND

The College Strategic Risk Register is a key part of the College's risk management framework, which is updated regularly and considered quarterly by College Senior Management.

4. RISK ANALYSIS

4.1 The College Strategic Risk Register as at 19th September is attached. There is only one minor few changes to the narrative since last reported to the Board of Management in August, which is highlighted in red.

4.2 There are 12 risks on the College Strategic Risk Register and of these 3 risks are scoring as high after mitigating actions and the main reasons for this are summarised in paragraphs 4.3 to 4.5 below.

4.3 Risk F1 – Adverse Funding Changes (SFC/SDS/ESF). This is scoring as probability of 4 and impact of 4 after mitigating actions. There are challenges for each of these funding strands particularly in the medium to long term. The SFC funding allocation does not fund the Region to the full value of the previously calculated simplified model and there is now national bargaining funding for the medium period which completely distorts that proposed model. The SFC are considering a new future model however there is no indication how that will be constructed. For SDS there are changes in the funding strands they provide and changes to SDS itself. ESF funding has reduced for 2018/19 as the previous programme ended. Finally, the capital funding policy by GCRB has some risk although this has reduced for 2018/19 as they are following the SFC funding allocation policy with the very high priority estates needs being funded.

4.4 Risk O1 – Negative impact on employee relations (e.g. national bargaining, industrial action, local consultation). This is scoring as probability of 3 and impact of 5 after mitigating actions. Some of the key issues in this risk are associated with decisions that are not within the College's direct control.

4.5 Risk O2 – Failure of College operational processes/systems/ICT infrastructure (including risk of fraud). This is scoring as probability of 3 and impact of 5 after mitigating actions. This is just scoring within the high range, which is due to the volume of activity across the College processes and the new cyber security requirements from October 2018.

4.6 In addition Risk F2 – Failure to achieve surplus targets for non-SFC commercial activity, Risk O3 – Failure to achieve a sustainable fit for purpose estate, and Risk G1 – Failure to meet all legislative and regulatory requirements and/or recommended guidance are all scoring as medium risk.

5. LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

The College is required to have a risk register as part of the Financial Memorandum.

6. HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

GLASGOW CLYDE COLLEGE - STRATEGIC RISK REGISTER

Key of abbreviations : SFC = Scottish Funding Council, GCRB = Glasgow Colleges Regional Board, GCG = Glasgow Colleges Group, SDS = Skills Development Scotland, ESF = European Social Fund, JISC = Joint Information Steering Committee

as at 19th September 2018

					Score Before Mitigating Actions				Score After Mitigating Actions					
Risk Ref	**New Risk Description**	**Risk Category**	**Link to Development Plan Goal**	**Risk Owner**	**Probability**	**Impact**	**Risk Score**	**Mitigating Actions**	**Probability**	**Impact**	**Risk Score**	**Risk Ranking after mitigating actions**	**Risk Score at last report to the Board**	**Risk Increasing/ Decreasing/ No Change**
Financial Risks														
F1	**Adverse Funding changes (SFC/SDS/ESF)**	Financial	Goal 4 - Ensuring operational effectiveness and efficiency	Principal/ Vice Principals	5	5	25	i) Financial plans developed by College Senior Management and monitored within framework of available activity funding through Glasgow Regional funding for teaching, student support funds and capital. Portfolio planning key element of cost base and monitored on ongoing basis. Portfolio for 2018/19 developed. ii) Continue to aim to inform and influence funding allocations through Principals' Forum, Glasgow Colleges Regional Board, MSPs, and other appropriate bodies. Final funding allocation for 2018/19 announced. iii) Work with Colleges Scotland and Scotland's Colleges Partnership on lobbying regarding impact on ESF funding and development of future alternative resources iv) Projects progressed to address priority items as per College Capital masterplan based on affordability and potential for applications to Foundation v)Ensure ongoing dialogue with SDS vi) Working to achieve requirements of Flexible Workforce Development Fund	4	4	16	🟥 F1	16	Decreased for 2018/19. Increase from 2019/20.
F2	**Failure to achieve surplus targets for non-SFC/ commercial activity**	Financial	Goal 3 & Goal 4 - Contributing to the local, regional and national economy, & ensuring operational effectiveness and efficiency	Assistant Principal International and Business Development	4	5	20	i) Regular monitoring between Business Development Unit and Faculty Management of non-SFC commercial activity and replacement activity identified as required. ii) Costing templates completed for all commercial activity. Further monitoring of in year staff costs being developed during 2017/18. iii) Increased engagement and marketing effort to maintain current business but also to open and grow new income streams. iv) Spread of activity across a range of activity areas to reduce risk of one large contract failure to overall surplus. v) Review and develop market opportunities through business development strategy and grow new markets. vi) Keep informed of constitutional change implications of Brexit and impact on non-SFC activity for the College.	2	5	10	🟨 F2	10	No change
F3	**Failure to achieve contracted overall teaching delivery targets for any key partner (SFC/SDS/ESF)**	Financial/ Organisational	Goal 1 & Goal 2 - Delivering exceptional learning opportunities, & growing exceptional partnerships	Vice Principal - Curriculum & External Relations	3	4	12	i) Annually plan and deliver portfolio to required quality standards, ensuring appropriate recruitment, retention and profile of students. ii) Discussions within Glasgow Colleges Group and with other partners to plan curriculum and make changes annually to meet market needs and Government and SFC guidance iii) Ensure stated teaching activity targets are met. iv) Work closely with relevant partners to ensure programmes implemented as planned v) Ensure all relevant agency (e.g. SDS) milestones and documentation requirements achieved. vi) College undertake effective competitor analysis, clear branding and focused marketing to maintain effective student recruitment	2	4	8	🟩 F3	8	No change

GLASGOW CLYDE COLLEGE - STRATEGIC RISK REGISTER								Key of abbreviations : SFC = Scottish Funding Council, GCRB = Glasgow Colleges Regional Board, GCG = Glasgow Colleges Group, SDS = Skills Development Scotland, ESF = European Social Fund, JISC = Joint Information Steering Committee		as at 19th September 2018				
					Score Before Mitigating Actions				Score After Mitigating Actions					
Risk Ref	**New Risk Description**	**Risk Category**	**Link to Development Plan Goal**	**Risk Owner**	**Probability**	**Impact**	**Risk Score**	**Mitigating Actions**	**Probability**	**Impact**	**Risk Score**	**Risk Ranking after mitigating actions**	**Risk Score at last report to the Board**	**Risk Increasing/ Decreasing/ No Change**
					Score Before Mitigating Actions				Score After Mitigating Actions					
Risk Ref	**New Risk Description**	**Risk Category**	**Link to Development Plan Goal**	**Risk Owner**	**Probability**	**Impact**	**Risk Score**	**Mitigating Actions**	**Probability**	**Impact**	**Risk Score**	**Risk Ranking after mitigating actions**	**Risk Score at last report to the Board**	**Risk Increasing/ Decreasing/ No Change**
Organisational Risks														
O1	**Negative impact on employee relations (e.g. national bargaining, industrial action, local consultation)**	Organisational / Reputational	Goal 1 & 2 - Delivering exceptional learning opportunities & Growing exceptional partnerships	Principal/ Assistant Principal HR	4	5	20	i) Focussed work with Trade Unions, specific and regular meetings with senior management, ensuring good flow of information, and ongoing communications. ii) Regular direct communication with staff e.g. staff briefings, focus groups. iii) Representation made through Employers Association Group, Colleges Scotland, Principals Forum, and GCRB, within national bargaining process. iv) Emphasis being made nationally on imperative of financial sustainability and affordability issues particularly given increased staffing costs and challenges of the Glasgow Regional context. v) Discussion with unions on impact on College financial sustainability and organisational impacts. vi) Business continuity planning used to ensure all stakeholders appropriately communicated with in any potential industrial action.	3	5	15	🟥 O1	15	No change
O2	**Failure of College operational processes/ systems /ICT infrastructure (including risk of fraud)**	Organisational	Goal 1 & 4 -Delivering exceptional learning opportunities & Ensuring operational effectiveness and efficiency	Vice Principal Resources & College Development & Vice Principal-Curriculum & External Relations	4	5	20	i) Monitoring systems in place across College and feedback from relevant staff. Any issues addressed as necessary and action taken. ii) Business system improvement process in place iii) Infrastructure designed not to have single points of failure with all campuses operating a sophisticated dual-core network topology. iv) Virtualisation infrastructure which improves server resilience with two main data centres at different campuses. v) Member of JISC Information Security service which provides support to secure against cyber attack and regular ICT network penetration testing undertaken. vi) ICT backup procedures and Disaster Recovery planning. Penetration testing exercise completed. Preparations for cyber resilience requirements by October 2018 underway. vii) Web filtering technology in place and uninterruptable power supply in place. viii) Fraud response plan in place	3	5	15	🟥 O2	15	No Change
O3	**Failure to recruit and retain an appropriately skilled and effective workforce**	Organisational/ Reputational	Goal 2 & 4 - Growing exceptional partnerships & Ensuring operational effectiveness and efficiency	Assistant Principal HR	3	5	15	i) Recruitment and retention of staff for some skills areas remains challenging and College continues to use a range of approaches as appropriate. ii) Maintain open channels of communication with trade unions, college managers and their staff, and effective attendance management process in place. iii) All new staff have an induction process and annual training programme undertaken. iv) Cover arranged as required for absence of key staff members. v) Appropriate CPD provided for staff to meet identified skills gaps	2	4	8	🟩 **O3**	8	No change
O4	**High Impact Disaster for College e.g. fire, long term power loss**	Organisational	Goal 4 - Ensuring operational effectiveness and efficiency	Vice Principal - Resources & College Development	3	5	15	i) Health and safety risk assessments in place and required testing and audits completed on an annual cycle ii) Business Continuity Plan for College in place. iii) Estates condition survey completed and prioritising projects through estates based on affordability. iv) Business interruption insurance in place v) Fire integrity works completed at Anniesland summer 2018 vi) Mary Stuart building cladding report being prepared	2	4	8	🟩 **O4**	8	No Change

GLASGOW CLYDE COLLEGE - STRATEGIC RISK REGISTER

Key of abbreviations : SFC = Scottish Funding Council, GCRB = Glasgow Colleges Regional Board, GCG = Glasgow Colleges Group, SDS = Skills Development Scotland, ESF = European Social Fund, JISC = Joint Information Steering Committee

as at 19th September 2018

					Score Before Mitigating Actions				Score After Mitigating Actions					
Risk Ref	**New Risk Description**	**Risk Category**	**Link to Development Plan Goal**	**Risk Owner**	**Probability**	**Impact**	**Risk Score**	**Mitigating Actions**	**Probability**	**Impact**	**Risk Score**	**Risk Ranking after mitigating actions**	**Risk Score at last report to the Board**	**Risk Increasing/ Decreasing/ No Change**
O5	**Failure to achieve a sustainable fit for purpose College estate**	Organisational/ Financial	Goal 4 - Ensuring operational effectiveness and efficiency	Vice Principal - Resources & College Development	4	3	12	i) Capital masterplan in place and related to estates condition survey which highlights required investment to maintain College estate. Funding for 2018/19 for very high priority items from condition survey allocated to GCRB and now to College although there are logistical issues in spending the funds within the timeframe. ii) Work with GCRB and SFC to ensure fully informed of estates requirements iii) Action being taken on Langside residences and dialogue nearing conclusion with new lease holder and related legal documents prepared.	2	3	6	**O5**	6	No Change
O6	**Failure to achieve acceptably high standard quality of teaching delivery and support for students**	Organisational/ Financial	Goal 1 - Delivering exceptional learning opportunities	Vice Principal - Curriculum & External Relations	3	4	12	i) Monitor of teaching KPIs across all subject areas and action taken to address areas of concern. ii) Quality mechanisms undertaken through annual cycle including self evaluation and internal and external verification processes. iii) Heads of Curriculum and Unit Managers monitor quality and delivery of service during year and follow up on any issues. iv) Faculty staff work with students association, class reps and student feedback mechanisms to monitor feedback on quality and follow up on any issues	2	2	4	**O6**	4	No Change
					Score Before Mitigating Actions				Score After Mitigating Actions					
Risk Ref	**New Risk Description**	**Risk Category**	**Link to Development Plan Goal**	**Risk Owner**	**Probability**	**Impact**	**Risk Score**	**Mitigating Actions**	**Probability**	**Impact**	**Risk Score**	**Risk Ranking after mitigating actions**	**Risk Score at last report to the Board**	**Risk Increasing/ Decreasing/ No Change**
Governance Risks														
G1	**Failure to meet all legislative and regulatory requirements and/or recommended guidance**	Governance/ Reputational	Goal 4 - Ensuring operational effectiveness and efficiency	Principal/ Clerk to the Board	4	5	20	i) Work within roles, responsibilities and legal implications of Post-16 Legislation and associated related guidance. ii) Liaison with and maintaining ongoing dialogue with relevant bodies e.g. SFC, GCRB and Scottish Government. iii) College ensure full knowledge and implementation of legislative, regulatory and guidance requirements including requirements of Financial Memorandum with GCRB. iv) Individual managers required to keep up to date with legislation relating to their areas and implement appropriate controls v) Ensure Board have appropriate training on key guidance and legislation and take proactive role of Board in ensuring meet all requirements. vi) Seek legal advice as required. vii) Prepare relevant people for potential attendance at Public Audit Committee in relation to Section 22 report and PR/media strategy and Board briefing pack to be developed vii) Data Protection Officer in place to advise on General Data Protection Regulation	3	4	12	**G1**	12	No change
G2	**Failure to recruit, train and retain an appropriately experienced Board of Management**	Governance	Goal 4 - Ensuring operational effectiveness and efficiency	Clerk to the Board	3	4	12	i) Continue to maintain membership of Board of Management at suitable level with the correct level and mix of skills. Nominations committee now established. ii) Annual self assessment for Board members and training provided as required. iii) Induction provided for all new Board members. iv) Ensure Board undertake an ongoing programme of training to meet CPD needs. v) Board member handbook in place and an annual review/update to be undertaken.	2	3	6	**G2**	6	No change
G3	**Failure to comply with Health and Safety requirements**	Organisational	Goal 4 - Ensuring operational effectiveness and efficiency	Assistant Principal HR	2	5	10	i) Glasgow Clyde College Health and Safety Committee and Campus Forums meet regularly to monitor health and safety arrangements and any issues are raised. ii) Health and Safety Officers working across the three campuses and ensure annual cycle of health and safety audits are completed iii) Regular reporting on Health and Safety to Organisational Development Committee as part of their remit requirements iv) Full review of Health and Safety Policy and Procedures being undertaken	1	4	4	**G3**	4	No Change

AUDIT COMMITTEE MEETING

Date of Meeting	4 October 2018
Paper Title	Approval of Accounting Policies
Agenda Item	18.39
Paper Number	18.39A
Responsible Officer	Tracy Elliott, Assistant Principal – Finance & Infrastructure
Status	Non-Disclosable
Action	For Approval

1 REPORT PURPOSE

The purpose of this paper is to present the College Statement of Accounting Policies for approval, and subsequent inclusion in the College Financial Statements for the period ending 31 July 2018.

2. RECOMMENDATION

Committee Members are asked to approve the accounting policies for Glasgow Clyde College for the financial statements to 31 July 2018.

3. BACKGROUND

3.1 The College is required to comply with the Statement of Recommended Practice (SORP) 2015: Accounting for Further and Higher Education and the 2017/18 Statement of Accounting Policies is attached to this paper. There have been no changes to accounting policies in the reporting period.

4. RISK ANALYSIS

There are no specific risk implications in this paper.

5. LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

There are no specific legal, financial or Regional Outcome Agreement implications within this paper.

6. HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The College is a free standing corporate body under the provisions of the Further and Higher Education (Scotland) Act 1992. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2015: Accounting for Further and Higher Education and in accordance with Financial Reporting Standards FRS 102. Where applicable, the Report and Financial Statements also comply with the 2016-17 Government Financial Report Model (FReM) issued by the Scottish Government. The financial statements conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

The College is a public benefit entity and has applied the relevant public benefit requirements of FRS102. The financial statements also conform to guidance published by the Scottish Funding Council.

The preparation of financial statements in compliance with FRS 102 requires the use of certain material accounting estimates. It also requires the Board of Management to exercise judgement in applying the College’s accounting policies as described below.

ACCOUNTING POLICIES & BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historic cost convention, modified by the revaluation of certain fixed assets. The presentation currency is pound sterling and the financial statements are rounded to the nearest thousand.

JUDGEMENTS IN APPLYING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements, the Board of Management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Board of Management are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate	**Basis of estimation**
Valuation of buildings	College buildings are of a specialist nature and are valued on the depreciated replacement cost basis.
Useful economic lives of buildings and equipment	Buildings are depreciated over their expected remaining useful economic life as assessed by an independent, qualified valuer. Buildings owned by the College are split into components and each component is valued and depreciated separately. Land owned by the College is not depreciated. The economic lives currently in use are in the range of 10 to 60 years. The estimated useful life of equipment is 4 to 10 years.

Recoverable amount of trade debtors	Trade debtors are reviewed by an appropriately experienced member of the senior management team with appropriate provision for non-payment of debt being charged to the financial statements as required.
The obligations under the Strathclyde Pension Scheme (SPF)	The Board of Management has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

GOING CONCERN

The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

REVENUE RECOGNITION

Income from grants, contracts and other services rendered is recognised in the Statement of Comprehensive Income and Expenditure in proportion to the extent of completion of the contract or service concerned. The main annual recurring allocation from the Scottish Funding Council is intended to meet recurrent costs, and is credited direct to the Statement of Comprehensive Income and Expenditure and related costs are reported to the relevant period.

Tuition fees are credited to the Statement of Comprehensive Income and Expenditure account in the period in which they are due to be received.

For Bursary, Discretionary and Education Maintenance Allowance funds, the grants are excluded from the Statement of Comprehensive Income and Expenditure of the College as these grants are available solely for students, with the College acting as paying agent. Childcare funds from the SFC are included in the College Statement of Comprehensive Income and Expenditure.

GOVERNMENT GRANTS

Government revenue grants including funding council block grant are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate.

Where a capital grant is received from government sources, the income is recognised over the life asset.

Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

NON EXCHANGE TRANSACTIONS

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

ACCOUNTING FOR RETIREMENT BENEFITS

The College participates in the Strathclyde Pension Fund (SPF) and the Scottish Teachers Superannuation Scheme (STSS).

The Scottish Teachers Superannuation Scheme is administered by the Scottish Public Pensions Agency. It is a multi-employer defined pension scheme, however, the College is unable to identify its share of the underlying assets and liabilities on a consistent and reliable basis and, therefore, as required by FRS 102 accounts for its participation in the STSS as if it were a defined contribution scheme. As a result, contributions are charged to the Statement of Comprehensive Income and Expenditure as they arise.

This is expected to result in the pension cost being a substantially level percentage of current and future pensionable payrolls. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit basis.

The Strathclyde Pension Fund is administered by Glasgow City Council and requires contributions to be made to its Number 1 fund. The Fund is a defined benefit pension scheme which changed from a final salary scheme to a career average scheme from 1 April 2015 and is contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the funds are held separately from those of the College. Fund assets are measured using market values. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Contributions to the Strathclyde Pension Fund are calculated so as to spread the cost of pension over employees’ working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the scheme in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the Fund, after making allowances for future withdrawals.

The expected cost of providing staff pensions to employees contributing to the Fund is recognised in the Statement of Comprehensive Income and Expenditure on a systematic basis over the expected average remaining lives of members of the funds in accordance with FRS 102 and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

SHORT TERM EMPLOYMENT BENEFITS

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the

College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

FINANCE LEASES

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

OPERATING LEASES

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

TANGIBLE FIXED ASSETS

LAND AND BUILDINGS

Land and buildings in operational use have been included in the balance sheet at valuation which, due to their specialised nature in being used as a College, is stated at depreciated replacement cost. The college does not depreciate land.

Values are stated as at the latest interim valuation for 31 March 2017, based on the valuation report with reference to that date as prepared by Ryden. The College has a policy of undertaking a full revaluation at least every five years, with an interim valuation carried out after three years, such that the market value is not materially different to the current value.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Depreciation on buildings is provided in the Statement of Comprehensive Income and Expenditure on opening valuation or cost with an equivalent amount being transferred from the revaluation reserve and included in the Statement of Comprehensive Income and Expenditure.

EQUIPMENT

Individual items of equipment or groups of items costing more than £10,000 have been capitalised at cost and are depreciated over their useful economic life. All other equipment is written off to the Statement of Comprehensive Income and Expenditure in the period of acquisition.

Equipment is carried at depreciated historical cost, which is used as a proxy for fair value. Depreciated historical cost is deemed to be more appropriate than revaluing for equipment as it is common for such assets to reduce in value, rather than increase, as they are utilised by the College.

MAINTENANCE OF PREMISES

The cost of maintenance is charged to the Statement of Comprehensive Income and Expenditure in the period in which it is incurred.

STOCK

Stock is stated at the lower of cost and net realisable value.

PROVISION, CONTINGENT LIABILITIES AND CONTINGENT

Provisions are recognised in the financial statements when the College has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The College has made provision for the enhanced pensions paid to former employees who have taken early retirement for which it is liable. This provision is valued based on an annual actuarial report carried out by an independent actuary. The annual cost is funded from the provision and the provision level is maintained by an annual charge in the Statement of Comprehensive Income and Expenditure.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

FINANCIAL INSTRUMENTS

Financial instruments are recognised in the Balance sheet when the College becomes party to the contractual provisions of the instrument. All of the College’s financial instruments are classified as ‘basic’ in accordance with Chapter 11 of FRS102. All of the College’s financial instruments are measured at transaction price.

Financial assets are derecognised when the contractual rights to the cash flows from asset to expire, or when the College has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits repayable on demand and overdrafts and other highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

TAXATION

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and, therefore, it meets the definition of a charitable body for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

AUDIT COMMITTEE MEETING

Date of Meeting	4 October 2018
Paper Title	Internal and External Audit Rolling Action Plan
Agenda Item	18.40
Paper Number	18.40A
Responsible Officer	Tracy Elliott, Assistant Principal – Finance & Infrastructure
Status	Non-Disclosable
Action	For Noting

1 REPORT PURPOSE

This report is provided to each Committee meeting to update on the implementation status of previous internal and external audit recommendations which have not already been reported as fully implemented. The purpose is to ensure that all recommendations are followed through to full implementation.

2. RECOMMENDATION

Members of the Audit Committee are invited to note this paper.

3. BACKGROUND

3.1 The Internal and External Audit Rolling Action Plan is attached. Within the action plan as at 19 September 2018 there are 14 previous recommendations areas shown, of which 7 are partially implemented and 7 are implemented.

3.2 An update of this action plan is reported to each Audit Committee which is a monitor of actions through to full implementation.

4. RISK ANALYSIS

There are no specific risk implications in this paper.

5. LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

There are no specific legal, financial or Regional Outcome Agreement implications within this paper.

6. HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

Paper 18.40A

GLASGOW CLYDE COLLEGE

ROLLING ACTION PLAN FOR INTERNAL AND EXTERNAL AUDIT PRIOR RECOMMENDATIONS

UPDATE

AS AT 19 SEPTEMBER 2018

Paper 18.40A

Contents

- Partially implemented recommendations, outstanding or within timescale (1.1 – 1.7)
- Fully implemented recommendations (2.1 – 2.7)

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN

Partially implemented, within timescale or outstanding previous recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Status	Report Ref	Update at 19 Sept 2018
1.1	**Staff Development** As part of the review of the Personal Development Planning process the College should consider: How staff learning and development actions can be more clearly linked to Faculty / departmental objectives on the Personal Development Plans; and Developing further guidance for staff and managers on how the Personal Development Plan interviews should be conducted and how development plans should be completed. Any revision to this guidance should be supported by training provided by L&D staff.	**Low**	Organisational Development Manager	October 2018 (revised from November 2017, February 2018 and May 2018)	**Partially Implemented**	Staff Development Internal Audit Report	The Organisational Development Committee agreed the new format of the Personal Development Plan (PDP) process in May 2018. PDP Guidelines for Managers and for Staff are due to be finalised and training sessions are scheduled for October 2018.

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN

Partially implemented, within timescale or outstanding previous recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Recommendation Status	Report Ref	Update at 19 Sept 2018
1.2	**IT Strategy/ IT Network Arrangements** Develop a programme of information security training for new and existing users to mitigate information security risks covering; 1) the College's information security policy (linked to rec 1.5); 2) an induction process for new users (including contractors and third party users); 3) regular refresher training on the security risks to the College; 4) supporting staff in information security roles to enrol on a recognised certification scheme; 5) monitoring the effectiveness of security training; 6) promoting an incident reporting culture and 7) establishing a formal disciplinary process to address abuse of the College's security policies.	**Medium**	Senior Management Team	October 2018 (revised from March and June 2018 & September 2017)	**Partially Implemented**	IT Strategy/ IT Network Arrangements Internal Audit Report	Training on information security was provided to the Senior Management Team. ICT staff have been heavily involved in information security in preparation for Cyber Essentials Plus which the College is due to complete for October. There has been training sent out to all staff on GDPR and further awareness training is planned to be sent out to all staff on information security. A Staff Do's and Don'ts Guide to Data Security has been prepared.

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN

Partially implemented, within timescale or outstanding previous recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Status	Report Ref	Update at 19 Sept 2018
1.3	**Actions arising from Ransom Ware Event May 2017** Take offline any remaining legacy servers that have the potential to be vulnerable.	**Medium** **Low**	Head of ICT Head of ICT	Completed October 2018 (revised from Sept 2018)	**Overall Partially Implemented** **Partially implemented**	College Report on Ransomware Event May 2017	All legacy servers that had a potential vulnerability have either been fully removed or had their external presence removed to mitigate against the potential risk with the exception of a server used by the Commercial team for Worldpay services, which is due to be removed in the coming weeks.. The SysDev team completed a complex project to migrate the data from the three legacy UnitE Oracle based system to a single database hosted on a Microsoft SQL server. The team then created a new, more focused and easier to use, search interface for the MIS team to use to access the migrated legacy data. This new interface replaced the legacy “Columbus Online” and “Enquirer” systems that were in use for the MIS team to access the legacy UnitE systems. The new interface was written with a view for it to be expanded with new features as required.

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN

Partially implemented, within timescale or outstanding previous recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Recommendation Status	Report Ref	Update at 19 Sept 2018
1.4	**Accountability** Periodically review all of the Board papers and minutes on the College website for completeness, accuracy and to ensure all links are working. If there are any Board papers not provided, or any sections in minutes or papers redacted, then there should be a note on the website as to why these papers or sections have not been provided.	**Low**	Clerk to the Board	December 2018 (revised from December 2017 and June 2018)	**Partially Implemented**	Corporate Governance Internal Audit Report	The new website was launched in January 2018. Training for clerk to upload papers was provided May / June 2018 so there was a hiatus. Now working to update however, this requires greater expertise and time that simple file upload so is taking time to complete with assistance from IT periodically. See website.
1.5	**Accountability** Consideration should be given as to whether the Board wants to allow staff and students to have a role in gathering and submitting evidence for the Remuneration Committee when considering the remuneration of the College Principal. If the Board wants to progress this, then there is a need to consider how this will be delivered in practice.	**Low**	Chair of the Board	December 2018 (revised from June 2018)	**Partially Implemented**	Corporate Governance Internal Audit Report	Ongoing process and under discussion. Minutes of Remuneration Committee note that staff were included in the review of the Principal's performance. Student engagement to be implemented.

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN

Partially implemented, within timescale or outstanding previous recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Recommendation Status	Report Ref	Update at 19 Sept 2018
1.6	**Effectiveness** Consider putting in place more formal oversight and procedures over the student elections and provide more comprehensive reporting from management to the Board both before and after the student elections.	**Low**	Assistant Principal Student Experience	December 2017 – Stage 1 November 2018 – Stage 2 (revised from June 2018)	**Overall Partially Implemented** **Stage 1 - Fully Implemented** **Stage 2 – Partially implemented**	Corporate Governance Internal Audit Report	A pre-election update paper was submitted to the Dec17 Board meeting. A post-election evaluative report has been produced and will be submitted to the Learning and Teaching Committee in November 2018 (Stage 2).
1.7	**GDPR Lifecycle maintenance** Develop procedures for ongoing monitoring of data protection and information security compliance including details of testing required beyond 25 May 2018.	**Medium**	Vice Principal Resources & College Development	December 2018 (revised from May 2018)	**Partially Implemented**	Data Protection Review (Part 1)	The Data Protection Officer has drafted procedures for ongoing GDPR lifecycle maintenance which are continuing to be developed.

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN

Fully implemented recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Recommendation Status	Report Ref	Update at 19 Sept 2018
2.1	**IT Strategy/ IT Network Arrangements** Develop an Information Risk Management Policy, which is approved and supported by the Board of Management, which clearly communicates the College's approach to information risk management. This should aim to ensure that all employees, students, contractors and suppliers are aware of the College's approach, how decisions are made, and any applicable risk boundaries.	**Low**	Vice Principal Resources & College Development & AP Finance & Infrastructure	June 2018 (revised from September 2017 & March 2018)	**Implemented**	IT Strategy/ IT Network Arrangements Internal Audit Report	InfoSec have completed a business impact analysis and an Information Security Policy was approved by the Board of Management in August 2018, subject to a couple of minor amendments.
2.2	**Supply chain** Review supplier contracts to ensure that they contain appropriate data privacy / security clauses if they involve personal data. Request that major suppliers, including business system vendors, provide security certifications to demonstrate commitment and compliance with data protection legislation.	**Medium**	Vice Principal Resources & College Development	May 2018	**Implemented**	Data Protection Review (Part 1)	Supplier contracts on APUC Framework agreements have been reviewed by APUC. The College has reviewed its own contracts with suppliers and contacted those with personal data involved.

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN

Fully implemented recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Status	Report Ref	Update at 19 Sept 2018
2.3	**Data Protection – Guidance** • Employee responsibilities regarding data protection to be communicated via an updated Data Protection Policy; • Enhanced data subject rights to be notified to staff via employee Privacy Notice; and • Communicate updated policies and procedures to staff and obtain evidence that staff have read and understood them.	**Medium**	Vice Principal Resources & College Development	May 2018	**Implemented**	Data Protection Review (Part 1)	The Data Protection Policy and guidance has been updated and is on the staff intranet. Staff training has been provided for all staff to access.
2.4	**Data mapping / information audit** Ensure that data audit documents the lawful basis for processing personal data, e.g. contract, legitimate interest, or consent.	**Medium**	Vice Principal Resources & College Development	May 2018	**Implemented**	Data Protection Review (Part 1)	Data Flow maps and data inventories completed with assessment of lawful basis for processing.
2.5	**Business Continuity Plan (BCP)** Update the BCP to reflect risk of data breach and College response and recovery actions.	**Medium**	Vice Principal Resources & College Development	May 2018	**Implemented**	Data Protection Review (Part 1)	Business continuity plan has been updated to include section on data breach.

ROLLING INTERNAL AND EXTERNAL AUDIT ACTION PLAN

Fully implemented recommendations

Item Ref	Recommendation	Priority	Responsibility	Timing	Status	Report Ref	Update at 19 Sept 2018
2.6	**Cyber Essentials** The Scottish Government has set a requirement for all public bodies to achieve the Cyber Essentials or Cyber Essentials Plus certification by the end of October 2018, with confirmation given to the Scottish Government by June 2018 that this will be achieved.	**Medium**	Vice Principal Resources & College Development	June 2018 (revised from May 2018)	**Implemented**	Data Protection Review (Part 1)	The Board received a paper in June and agreed to go for Cyber Essentials Plus certification which has been confirmed to the Scottish Government.
2.7	**CCTV** The College's use of CCTV for crime prevention purposes, and how its use satisfies the ICO's requirements, should be reflected within the College's Data Protection Policy and Privacy Statement.	**Medium**	Vice Principal Resources & College Development	May 2018	**Implemented**	Data Protection Review (Part 1)	The College's Data Protection guidance includes the use of CCTV and has been checked to ensure it satisfies ICO requirements. The College Privacy Statement has been updated.

AUDIT COMMITTEE MEETING

Date of Meeting	4 October 2018
Paper Title	Certificate of Assurance 2017/18
Agenda Item	18.41
Paper Number	18.41A
Responsible Officer	Janet Thomson, Vice Principal – Resources & College Development
Status	Disclosable
Action	For Noting

1 REPORT PURPOSE

This paper summarises the Certificates of Assurance process for the College for 2017/18.

2. RECOMMENDATION

The Committee are requested to NOTE the Certificate of Assurance process for the College and the signed Certificate of Assurance for 2017/18.

3. BACKGROUND

3.1 To comply with the Scottish Public Finance Manual (SPFM) the College has to have in place a Certificate of Assurance process to support the governance statement in the financial statements and to enable the overall Certificate of Assurance for the College to be signed by the Principal

3.2 The Principal has to complete a Certificate of Assurance statement to the GCRB who in turn complete one for Scottish Funding Council as part of their yearend process (their financial period end is March) and the SFC will in turn complete a statement for submission to the Scottish Government.

3.3 This request was received in mid-April as attached with the response required by 28th April. There are fifteen items on the Schedule of Required Assurances for the Certificate of Assurance, which are as shown at the back of the letter requesting completion.

3.4 The College introduced a process from 2016/17 where nominated senior managers provided assurances to the Principal on the elements within the assurance checklist with five members of senior staff providing assurances to the Principal across these items and Certificates of Assurance were signed by these staff for the subset of the items within the checklist.

3.5 The Internal Audit on Corporate Governance completed by Henderson Loggie in December 2017 reviewed the College's compliance with the Code of Good Governance for Scotland's Colleges and this report contained a recommendation that a copy of the signed Certificate of Assurance be provided to the Audit Committee. A copy of the Certificate of Assurance for 2017/18 signed by the Principal is attached.

3.6 For each of the items on the Schedule of Required Assurances, the Principal has either to confirm that these controls have been, and are, working well, and there are in his opinion no significant matters arising in the college which would require to be raised specifically in the assurance to be given, or draw attention to any matter(s) which should be considered by GCRB in the preparation of their governance statement.

3.7 Of the fifteen elements of assurance on the Schedule of Required Assurances, there is only one where the College have highlighted a matter to be draw to their attention. This is for item 7 on the list which is that the College has to ensure that managers at all levels have a clear view of their objectives, and the means to assess and measure outputs, outcomes and performance in relation to those objectives. The statement made in the College's Certificate of Assurance return is "In respect of item 7 on the schedule of required assurances, Glasgow Clyde College does not specifically set objectives for managers at all levels. The process instead is that each individual has an annual Personal Development Plan discussion along with regular meetings to discuss progress in their areas."

3.8 This matter drawn for their attention is a point of clarity on how the College's planning and objective setting operates and did not have any impact on GCRB's preparation of their governance statement.

4. RISK ANALYSIS

The risk implication in this paper is that the Corporate Governance Statement in the financial statements can only be completed if there is an overall Certificate of Assurance compliant with the SPFM in place.

5. LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

The College needs to complete a Certificate of Assurance as part of its requirements under the Scottish Public Finance Manual.

6. HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

Scottish Funding Council
Promoting further and higher education

Comhairle Maoineachaidh na h-Alba
A' brosnachadh foghlam adhartach agus àrd ìre

10 April 2018

Mr Robin Ashton
Executive Director
Glasgow Colleges Regional Board
City of Glasgow College
City Campus
190 Cathedral Street
Glasgow G4 0RF

Dear Robin,

Certificate of Assurance

This letter sets out the duty placed on you as Chief Officer to provide an annual certificate of assurance (annex A) to the Chief Executive/Accountable Officer (AO) of the Scottish Funding Council (SFC).

This assurance allows the SFC AO, in turn, to provide a certificate to the Principal Accountable Officer (Permanent Secretary) of the Scottish Government, providing the necessary assurance to support her in the signing of the governance statement which forms part of the Scottish Government consolidated accounts for the period 1 April 2017 to 31 March 2018.

The reporting requirements are set out in the Scottish Public Finance Manual (SPFM) and can be accessed through the following link, where it states that *separate accounting bodies sponsored by the Scottish Government should arrange for appropriate assurance frameworks consistent with this (SPFM) guidance.*
http://www.gov.scot/Topics/Government/Finance/spfm/assurancecerts

In order to complete this process, it is necessary for you in turn to receive a Certificate of Assurance from the Chief Executive Officer of each assigned incorporated college (annex B). I should be grateful if you would send a copy of this letter to the Chief Executive Officer at each assigned incorporated college and ensure its completion prior to your completion and signing of annex A.

Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD
T 0131 313 6500
F 0131 313 6501
www.sfc.ac.uk

In establishing this procedure, every effort has been made to build upon the assurance work which GCRB and its assigned incorporated colleges already undertake. I understand that the work being carried out by internal and external audit for the July year-end will not conclude for some time. I expect, however, that reliance will be placed on a variety of sources such as:

- Minutes from board committees dealing with Audit, Risk, Finance, Planning and HR
- Audit work carried out for the period April-July 2017 and the 2016-17 audit opinion
- Your own and your assigned incorporated college's chief executive officers views of the operational effectiveness of the controls, processes and procedures in place within the assigned incorporated colleges
- The letter of representation from the assigned incorporated colleges.

To assist you on the penultimate point I have attached, at annex C, a schedule of assurances based on the SPFM internal control checklist.

The completed certificate of assurance must be with the AO of the SFC by 29 April 2018 to enable the AO to make the sector return to the Scottish Government by 3 May 2018.

If you have any questions regarding the content of this letter please contact Lorna MacDonald, Director of Finance at lornamacdonald@sfc.ac.uk in the first instance.

Yours sincerely

John Kemp
Interim Chief Executive

cc Janie McCusker, Regional College Chair for Glasgow

Annex A

Certificate of Assurance
to the Accountable Officer of
The Scottish Funding Council
April 2017 – March 2018

I am aware that as Accountable Officer you are required to provide assurance to the Principal Accountable Officer of the Scottish Government to enable her to sign a governance statement as part of the Scottish Government consolidated accounts for 2017-18.

To assist in that process, I can confirm that I have undertaken a review of the internal control arrangements in the assigned incorporated colleges and Glasgow Colleges Regional Board.

Based on that review, and my own knowledge of the internal control matters in the assigned incorporated colleges and Glasgow Colleges Regional Board:

I can confirm that these controls have been, and are, working well. There are in my opinion no significant matters arising in the assigned incorporated colleges and Glasgow Colleges Regional Board which would require to be raised specifically in the assurance you are required to give.

Or

I would draw your attention to the following matter(s) which should be considered in the preparation of the governance statement.

PLEASE COMPLETE

Apart from the above, I can confirm that controls in the assigned incorporated colleges and Glasgow Colleges Regional Board have been and are working well. There are, in my opinion, no other significant matters arising which would require to be raised specifically in the assurance you are required to give.

Name:

Job Title:

Date:

Annex B

Certificate of Assurance
to the Chief Officer
April 2017 – March 2018

I am aware that as Chief Officer you are required to provide assurance to the Accountable Officer of the Scottish Further and Higher Education Funding Council to enable him to provide assurance to the Principal Accountable Officer of the Scottish Government to sign a governance statement as part of the Scottish Government consolidated accounts for 2017-18.

To assist in that process, I can confirm that I have undertaken a review of the internal control arrangements in my college.

Based on that review, and my own knowledge of the internal control matters in my college:

I can confirm that these controls have been, and are, working well. There are in my opinion no significant matters arising in the college which would require to be raised specifically in the assurance you are required to give.

Or

I would draw your attention to the following matter(s) which should be considered in the preparation of the governance statement.

PLEASE COMPLETE

Apart from the above, I can confirm that controls in the college have been and are working well. There are, in my opinion, no other significant matters arising which would require to be raised specifically in the assurance you are required to give.

Name:

Job Title:

Date:

Annex C

Certificate of Assurance
To the Chief Officer

Schedule of Required Assurances

1. Ensure that appropriate financial systems are in place and applied and that procedures and controls are reviewed from time to time to ensure their continuing relevance and reliability, especially at times of major change.

2. Ensure that proper financial procedures are followed and that accounting records are maintained in the form prescribed for published accounts:

   – ensure that the public funds for which you are responsible are properly managed and safeguarded;

   - ensure that assets for which you are responsible such as land, buildings or other property, including stores and equipment, are controlled and safeguarded;

   - ensure that the financial implications of any new policies have been considered;

   - ensure that delegation of responsibility is accompanied by clear lines of control and accountability together with reporting arrangements.

3. Ensure that procurement activity is conducted in accordance with the applicable public sector procurement requirements.

4. Ensure that effective management systems appropriate for the achievement of the body's objectives, including financial monitoring and control systems, have been put in place.

5. Ensure all risks relating to delivering business objectives, regularity, propriety or value for money are identified. In doing this, you have ensured that their significance was assessed and that systems appropriate to the risks are in place in all relevant areas to manage them.

6. Ensure that arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual.

7. Ensure that managers at all levels have a clear view of their objectives, and the means to assess and measure outputs, outcomes and performance in relation to those objectives.

8. Ensure that all managers are assigned well defined responsibilities for making the best use of resources.

9. Ensure that all managers have the information (particularly about costs), training and access to the expert advice which they need to exercise their responsibilities effectively.

10. Ensure that the body achieves high standards of regularity and propriety in the consumption of resources. Regularity involves compliance with relevant legislation, relevant guidance issued by the Scottish Ministers – in particular the Scottish Public Finance Manual where it applies to your organisation – and the Financial Memorandum document defining the key roles and responsibilities which underpin the relationship between your organisation and the Scottish Funding Council. Propriety involves respecting the Parliament's intentions and conventions and adhering to values and behaviours appropriate to the public sector.

11. Ensure that you have a well communicated fraud policy, an up-to-date fraud response plan and effective avenues for reporting suspicions of fraud.

12. Ensure that there are processes in place around compliance with an IT security policy and for dealing with potential breaches.

13. Ensure that appropriate consideration has been given to business continuity planning and disaster recovery for key activities.

14. Ensure that you have an up-to-date publication scheme, that it is sufficiently open and proactive in publishing information of interest to your stakeholders.

15. Ensure that you have a people/HR strategy in place and that you measure levels of employee engagement (e.g. through a staff survey) and take action in response as required.

Annex B

Certificate of Assurance
to the Chief Officer
April 2017 - March 2018

I am aware that as Chief Officer you are required to provide assurance to the Accountable Officer of the Scottish Further and Higher Education Funding Council to enable him to provide assurance to the Principal Accountable Officer of the Scottish Government to sign a governance statement as part of the Scottish Government consolidated accounts for 2017-18.

To assist in that process, I can confirm that I have undertaken a review of the internal control arrangements in my college.

Based on that review, and my own knowledge of the internal control matters in my college:

~~I can confirm that these controls have been, and are, working well. There are in my opinion no significant matters arising in the college which would require to be raised specifically in the assurance you are required to give.~~

Or

I would draw your attention to the following matter(s) which should be considered in the preparation of the governance statement.

PLEASE COMPLETE

In respect of item 7 on the schedule of required assurances, Glasgow Clyde College does not specifically set objectives for managers at all levels. The process instead is that each individual has an annual Personal Development Plan discussion along with regular meetings to discuss progress in their areas.

Apart from the above, I can confirm that controls in the college have been and are working well. There are, in my opinion, no other significant matters arising which would require to be raised specifically in the assurance you are required to give.

Jon Vincent
Principal and Chief Executive
27 April 2018

AUDIT COMMITTEE MEETING

Date of Meeting	4 October 2018
Paper Title	OSCR Guidance on Fraud Prevention for Charities
Agenda Item	18.42
Paper Number	18.42A1 & A2
Responsible Officer	Janet Thomson, Vice Principal Resources & College Development
Status	Disclosable
Action	For Noting

1. REPORT PURPOSE

The purpose of this paper is to submit to the Committee for discussion the recent guidance document published by the Scottish Charity Regulator (OSCR) on Fraud: Reducing the Risks in Your Charity.

2. RECOMMENDATION

Members of the Audit Committee are invited to note the attached guidance document from OSCR.

3. BACKGROUND

3.1 OSCR producing new guidance on Fraud Prevention for Charities on 6th June 2018 and a copy of this guidance is attached.

3.2 There are two main sections in the guidance which are

- Developing an Anti-Fraud policy; and
- Internal Controls – which has a series of sub-sections

3.3 The College has an Anti- Fraud policy in place and a copy of this is attached.

3.4 In relation to internal controls the College has these for each of the areas listed and these are stated in the College's Financial Regulations. The external auditor performs a series of checks on the College's internal controls as part of their annual audit exercise.

4. RISK ANALYSIS

There are no specific risk implications in this paper.

5. LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

The College is required to comply with the requirements of the Scottish Public Finance Manual which includes a section on fraud prevention, and a discussion on fraud is undertaken each year as part of the external audit process.

6. HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

OSCR
Scottish Charity Regulator

Fraud:
Reducing the risks in your charity

June 2018
Scottish Charity Regulator

Fraud: Reducing the risks in your charity

CONTENTS

Pg 3. WHAT IS FRAUD?

Pg 5. CHARITY TRUSTEE DUTIES AND RENUMERATION

a) Developing an anti-fraud strategy

b) Internal financial controls

Pg 12. HOW OSCR LOOKS AT FRAUD

Pg 14. WHERE CAN I GET ADVICE?

What is fraud?

Fraud is a crime in which some kind of deception is used for personal gain. Fraud comes in many forms and anyone can be a target, including charities.

Fraud can be **internal**, committed by someone within your charity, or **external**, committed by someone not directly involved in the charity.

> If you think your charity has been a victim of fraud you should report it to Police Scotland by phoning 101 immediately. You also need to tell OSCR by sending us a **notifiable event**.

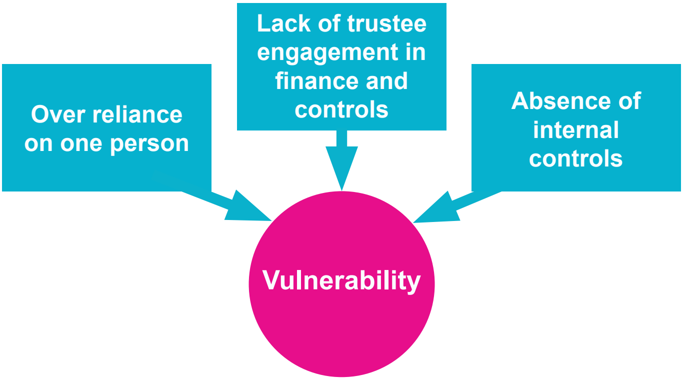
Internal fraud

The vast majority of people involved in charities are honest; however, like other sectors charities are not immune from internal or insider fraud. Examples of internal fraud can include:

- Setting up payments to a fake supplier
- Making payments to an employee who does not exist
- Making overpayments for services or products
- Unauthorised access being gained to the charity’s bank account leading to inappropriate payments being made.

Research from a Charity Commission for England and Wales study **Focus on insider fraud: research report** concludes that much of the insider fraud looked at in the study were made possible by the organisational culture within the charity, that put too much trust and responsibility in one individual, or allowed a lack of challenge and oversight.

Having an organisational culture which values openness and transparency can help to overcome these vulnerabilities.


Lack of trustee engagement in finance and controls
Over reliance on one person
Absence of internal controls
Vulnerability

Having an organisational culture which values openness and transparency can help to overcome these vulnerabilities.

Charity trustee duties and fraud prevention

As a charity trustee, you have a duty under the **Charities and Trustee Investment(Scotland) Act 2005 (the 2005 Act)**, to act in the interest of their charity and in particular to act with the care and diligence that it is reasonable to expect of a person who is managing the affairs of another person.

This means that you must act with a higher level of care than you do with your own finances and affairs. You must make sure that you protect the charity's resources and that you do not put the assets of the charity at risk.

Charity trustees should:

- understand where their charity is vulnerable to fraud
- effectively manage identified risks.

Charity trustees are responsible for the prevention and detection of fraud, even if they delegate some of their executive responsibilities to individual trustees, senior staff or volunteers. Charity trustees have a collective responsibility for financial records and controls over financial procedures to protect the assets of the charity. Ultimately, charity trustees are accountable for all that happens within their charity.

The risk from financial fraud and abuse can never be completely ruled out. However proper and adequate internal financial controls play an important part in managing these risks.

Charity trustees should:

- identify the risks they face from fraud, assessing any particular vulnerability
- document these risks and any changes over time
- manage and/or mitigate these risks
- consider mitigation measures as part of the routine governance of the charity
- pay attention to fundraising, as a point of engagement with the public.

Where charities give large amounts of money to partners and beneficiaries then they must make sure that adequate monitoring takes place – this means verifying that charity funds or property reaches the proper destinations and are used how the charity intended.

a) Developing an Anti-Fraud Policy

An Anti-Fraud policy should be appropriate and proportionate to the size and scale of your charity. The activities your charity carries out will play a part in shaping your policy.

The policy should encourage reporting of anything suspicious, and get all staff to communicate any irregular events or incidents. The policy should be straight forward and easy to understand so staff, volunteers and charity trustees feel confident about what and when to report and what action to take.

Remember: charity trustees are the guardians of donated funds and public money.

Things to think about when developing an Anti-fraud policy:

- Introduction – who does this policy apply to, what kind of action will be taken if fraud is identified or suspected.
- Definition of fraud – include any particular areas of vulnerability identified in the risk assessment/management process.
- Responsibilities – specify the different strategic and operational responsibilities undertaken by charity trustees, chief officer, senior managers, staff and volunteers in preventing and responding to fraud.
- Other relevant policies – recruitment (employee references) whistleblowing, financial procedures manual, risk register.

- Detection and investigation – is there a designated staff member or charity trustee with responsibility for investigating fraud? If this person falls under suspicion, who will investigate?
- Disciplinary procedures – are there any circumstances which may lead to disciplinary action? For example, failing to follow internal controls and financial procedures, making malicious accusations.
- Reporting – to whom will cases of suspected or actual fraud be referred? In what circumstances?
- Review and refresh – make sure your policy is reviewed and updated as necessary, and appropriate training is provided.

Charity trustees need to take the risk of fraud seriously and act to protect the charity, including its assets and reputation.

b) Internal financial controls

One way of following the duty to act with care and diligence is to make sure that there are proper financial controls in place.

What do we mean by financial controls?

Good financial controls are tools for making sure that you manage the charity effectively and meet your legal duty to act with care and diligence.

Financial controls are the systems you have in place to make sure that you protect the assets of the charity.

Reviewing accounts

A major part of financial control is to review the accounts. A useful way to do this is to compare the amounts spent on individual expense categories since they were last reviewed with what was expected to be spent in that period. Ideally, a budget will be prepared and approved by the charity trustee board before the beginning of the financial year. Then the actual results can be compared to the expected or budgeted results, making it easier to investigate any differences or ‘variances’.

In a small organisation it may be appropriate just to compare the expenditure of one period with that of the corresponding previous period, for example the month before.

Controls offer protection

It is important to remember that being a charity trustee is a significant responsibility. Where controls are correctly set up and used they will both protect the assets of the charity and you as a charity trustee.

What areas do you need to consider?

• Collective responsibility

All of the charity trustees have responsibility for the financial records, not just the treasurer. As charity trustees, it is important that you all have a basic understanding of the finances of your charity and can quickly identify if there are any problems. The financial information should be discussed at meetings to make sure that everyone knows the charity’s financial situation. For example, finance should be a recurring item on the agenda of every board meeting. It is good practice that someone other than the treasurer also has an understanding of how the charity’s financial records are kept.

• Finance Committee

Some organisations find it helpful to set up a finance sub-committee of charity trustees and advisors with financial or accounting knowledge. They have additional meetings to spend extra time on detailed finance matters, like budget preparation, and then report back to the charity trustee board. Having a committee does not absolve the other charity trustees of their collective responsibility but can be helpful in clarifying matters that are submitted to the full charity trustee board.

- **Separation of duties**

Where possible you should separate out the administrative tasks so that no one individual has sole responsibility for the financial transactions of your charity. We call this ‘separation of duties’.

For example, when your charity makes a purchase the same individual (whether it is a charity trustee, employee or volunteer) should not be responsible for arranging the purchase, authorising the payment and making the payment. In very small charities, it can be difficult to have a separation of duties. You should make sure that checks are regularly carried out on financial records and transactions to compensate for this.

- **Written procedures**

Your financial procedures should be documented. This will help where charity trustees change regularly and if something unexpected happens such as a treasurer being taken ill.

You should review your procedures annually to make sure they are still fit for purpose, being followed correctly and understood.

- **Controls over cash**

Where possible it is best to avoid the use of cash, as it is harder to maintain a trail of cash and much easier for theft or fraud to happen and go undetected. You should encourage donations to be made by bank transfer, cheques or online and you should make payments in this way wherever possible.

If you do receive cash donations, two people should count these and then make sure the money is banked as soon as possible. You should issue receipts for the donations and not make any payments out of this cash before taking it to the bank.

You should keep petty cash to a minimum. Receipts should be required for all items of petty cash. Access to the petty cash box should be restricted and it should be held in a secure place. A cashbook should be kept to record what goes into the petty cash and what is paid out of it. Each time there is money added to or taken out of the petty cash it should be recorded in the cash book with supporting documentation, such as a copy of a donation receipt or expenditure receipt. The amount in the petty cash box should be regularly counted and compared to the balance in the cashbook to make sure that all money is properly recorded and accounted for.

• Banking

Banking is an important part of the financial controls. Charity trustees have a legal duty to protect the charity's assets and so should make use of regulated banking services where these are available to make sure the charity's funds are secure. When considering your charity's banking arrangements, you should choose an organisation that is able to offer formal banking facilities and the full range of services that you need. In the UK those organisations that are able to offer formal banking facilities are usually authorised and regulated by the Financial Conduct Authority (FCA).

Banks will ask for details of all signatories and usually all the charity trustees, so be prepared to have this information available. You should be aware of the terms and conditions of your banking arrangements and advise the bank immediately of any changes that may affect these for example, a change of signatories.

Bank statements should be agreed to the accounting records regularly, at least monthly, and someone other than the person who is otherwise involved in the banking process should review these reconciliations.

Bank reconciliations should be reviewed at trustee meetings. In smaller charities, bank statements and transactions may be checked at trustee meetings.

- **Cheque payments**

Cheques should have a minimum of two signatories to make sure that it is not just one person who can make payments. You should have systems in place to check invoices and authorise payments before they are made.

You should not sign cheques where the amount and the recipient are not already filled in (blank cheques). You should ensure that the details on the cheque stub match the corresponding cheque. If this is not done the cheques may not be accounted for correctly and might result in lost or stolen money.

- **Automated payments**

Automated payments from the bank account such as Direct Debits and Standing Orders should be subject to the same controls as other payments. A review of all such automated expenditure should take place regularly.

- **Internet banking and online payments**

It can be more difficult to develop tight financial controls for bank transfers as access may be restricted to a single log in. You should consider making a rule that two people have to be present when large transactions are being processed.

Some banks allow charities to provide more than one person to authorise payments (dual authority). You should ask your charity's bank for details of their dual authority options so that you can consider what is right for your charity.

- **Credit Cards**

Credit cards are often required to pay for travel or purchase items online. There should be internal control procedures to cover this including credit limits, authorisation procedures and review and authorisation of credit card statements.

How OSCR looks at fraud

OSCR's role is to make sure that charities comply with the requirements of Scottish charity law and that charity trustees run charities in line with their legal duties.

Where fraud occurs in a charity, our focus is to make sure that charity trustees act appropriately and in accordance with their charity trustee duties. We look to see whether you have suitable controls over financial procedures to protect the assets of the charity and what steps the charity trustees have taken since the event happened to ensure it doesn't recur.

If you fail to comply with the charity trustee duties then this is misconduct and we do have powers to take action, where appropriate. Our response will be proportionate depending on the situation. Where a charity trustee has acted reasonably and honestly it is unlikely to be treated as **misconduct**.

You can find out more about what we can and cannot do and what to expect if we have a concern about your charity on **our website**.

OSCR is not responsible for investigating or prosecuting criminal activity. Where we have concerns regarding criminal conduct we can and do report them to the Crown Office and Procurator Fiscal Service.

Our **Inquiry Policy** sets out how we assess concerns about charities. The policy sets out the matters that OSCR can and cannot deal with and explains how we assess concerns to decide if we take them forward.

Where a fraud is identified within a charity, the charity trustees should first of all report this to the police.

Reporting instances of fraud to OSCR

Our Notifiable Events regime requires charity trustees to report events that are likely to have a significant impact on their charity. When there has been a fraud, charity trustees should consider our **Guidance on Notifiable Events** to understand whether this should also be reported to us.

Reporting demonstrates that charity trustees have identified a serious incident within their charity and that they are taking appropriate action to deal with it and protect the charity from further risk or abuse.

When reporting, trustees should provide as much information as possible about the facts of the case and the actions being taken. This will allow us to assess if the appropriate actions are being taken in any given case.

There is no legal requirement to report a notifiable event. However, it is an important way for charity trustees to reassure us that they are on top of the issues they are facing. Ultimately, we may become concerned if there has been a matter that has not been reported to us; especially if it goes on to have a negative impact on the individual charity or the wider charity sector. Where something significant has happened within a charity and this has not been reported to us in full, we will take this into account if we have to open an inquiry. Ultimately, this could be considered to be misconduct.

Reporting a notifiable event helps OSCR to assess the volume and impact of fraud incidents within charities and to understand the risks facing the sector as a whole. This helps us to decide how we can better support charities through our guidance and assess where we need to focus our activities.

If you’re not sure whether to report something as a notifiable event please **contact us**.

Where can I get more information?

- The **Action Fraud website** contains more detailed information on fraud and how to protect yourself.
- The **Charity Finance Group has guidance and checklists** designed for small charities looking to prevent fraud.
- The Charity Commission for England and Wales has guidance called **'Protect your charity from fraud'** and **Internal financial controls for charities (CC8)** which contains practical advice and links to other sources of help.
- OSCR's factsheet: **Cybercrime - what is it and what you need to know**.
- National Cyber Security Centre (NCSC) has produced a **small charity guide**.

Notes

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2nd Floor
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9 Riverside Drive
Dundee
DD14NY

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ScottishCharityRegulator

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Policy Area: Board of Management

Policy Title: Anti Bribery, Fraud & Corruption Policy

Revision No.: 0

Review Period: 5 years

Review Due: On or before August 2021

It is the policy of the Board of Management to provide a high standard of service and accountability to protect against bribery, fraud and corruption within the College and from external sources. The key elements of this policy are:

- Adequate preventative measures systems and procedures, which incorporate internal controls, including adequate separation of duties to ensure that, as far as possible, errors, fraud and corruption are prevented.
- Systems for detection and investigation, including policy guidance and the Fraud Response Plan
- Understanding and awareness within the College of the College's agreed policies and procedures e.g. Financial Regulations.
- An open, honest and transparent culture
- The adoption of a policy for Unethical Behaviour & Whisteblowing

This policy has been developed with due regard to all relevant legislation including the Bribery Act 2010.