



**Scott-Moncrieff**  
business advisers and accountants

# **Glasgow Colleges' Regional Board**

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

**January 2019**

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# Key messages

## Annual accounts audit

The group annual accounts for the year ended 31 July 2018 are scheduled to be signed by the Board on 28 January 2019. We intend to report within our independent auditor's report an unqualified opinion on the group annual accounts, regularity and on other prescribed matters.

The group annual accounts and supporting schedules were of a high standard. Our thanks go to staff at the Glasgow Colleges' Regional Board for their assistance with our work.

## Wider scope audit

### Financial sustainability

The Glasgow region medium term financial forecast shows that the region is forecasting an underlying surplus in 2018/19, followed by underlying deficit positions each year until 2022/23. The underlying deficit position fluctuates from £0.394 million in 2019/20 to £3.713 million in 2022/23.

GCRB recognise that there are significant challenges ahead to bridge the gap and work is underway to identify savings options.

### Financial management

The GCRB has adequate arrangements in place for Board and regional financial management. We found regional budget monitoring processes and systems of internal control to be adequate.

A key matter for the Glasgow region moving forward is ensuring that funding model approaches provide adequate scope and capacity for regional variation.

Group financial reporting has developed significantly in 2017/18.

### Governance & transparency

The GCRB operated with satisfactory governance arrangements in place for its internal operations.

GCRB and the SFC should continue to work in partnership to ensure that the work undertaken by each party is complementary.

The GCRB has taken action to improve collaborative working across the region in 2017/18. Further opportunities for regional collaboration should continue to be explored by the GCRB.

### Value for money

The GCRB has continued to develop a robust performance management framework.

Reasonable progress has been made against the 2017/18 ROA with areas noted for improvement in 2018/19. Reasonable progress against the regional strategic ambitions has also been made. The GCRB has demonstrated commitment through the annual review of the VfM strategy.

## Key facts

- The GCRB reported an overall surplus position of £6,979, primarily due to pension gains in year. GCRB's expenditure increased by 36% from 2016/17 reflecting the transition to fully fundable operational status.
- The GCRB region reported an accounting deficit of £2.481million for the year and an underlying surplus of £1.634million. SFC grants increased by £4.3million.
- Exceptional staff costs of £2.254million for the region increased significantly in 2017/18. This relates to a voluntary severance scheme from the reorganisation of the leadership team at the City of Glasgow College.

## Conclusion

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

## Scott-Moncrieff, January 2019

# 1

## Introduction

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

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

At the Glasgow Colleges' Regional Board, the Audit Committee has been designated as "those charged with governance".

# Introduction

1. This report summarises the findings from our 2017/18 audit of the Glasgow Colleges' Regional Board ("the GCRB").
2. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit Committee on 29 May 2018. The core elements of our work include:
  - an audit of the 2017/18 financial statements and related matters;
  - consideration of the wider dimensions of public audit work, as set out in Exhibit 1; and
  - any other work requested by Audit Scotland, for example, input into performance audit work.

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



Source: Audit Scotland Code of Audit Practice, May 2016

3. The GCRB is responsible for preparing group annual report and accounts that show a true and fair view of the financial affairs of the Glasgow Colleges Region and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the group annual report and accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
  4. The report contains an action plan with specific recommendations, responsible officers and dates for implementation. We give each recommendation a grading to help the GCRB assess their significance and prioritise the actions required.
  5. We discussed and agreed the content of this report with the Executive Director and Finance and Resources Director. We would like to thank all management and staff for their co-operation and assistance during our audit.
- ### Confirmation of independence
6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
  7. The audit fee reported in our external audit plan was £20,760. No adjustment to the fee has been required during the course of our audit.

8. We confirm that we have complied with the Financial Reporting Council's (FRC) Ethical Standards throughout our audit and that, in our professional judgement, we have remained independent and our objectivity has not been compromised in any way.

### Adding value through the audit

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

### Feedback

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

# 2

# Group annual report and financial statements

The Glasgow Colleges' Regional Board Group Annual Report and Financial Statements are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

In this section we summarise the findings from our audit of the 2017/18 Group Annual Report and Financial Statements.

# Group annual report and financial statements

The group annual report and financial statements for the year ended 31 July 2018 were presented to the GCRB Board in January 2019. We intend to report unqualified opinions within our independent auditor’s report. We did not identify any significant adjustments to the unaudited group annual report and accounts.

The GCRB has good administrative processes in place to prepare the group annual report and accounts and the required supporting working papers.

## Overall conclusion

### An unqualified audit opinion on the group annual report and accounts

12. The group annual report and accounts for the year ended 31 July 2018 were considered by the Audit Committee on 18 December 2018 and are expected to be signed by Board in January 2019. We intend to report within our independent auditor’s report:

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

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

### Appropriate administrative processes were in place

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

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

### Our assessment of risks of material misstatement

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

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

**1. Revenue recognition**

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

*Excerpt from the 2017/18 Group External Audit Plan*

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

17. At the planning stage of our audit we considered the nature of the revenue streams at the GCRB against the risk factors set out in ISA 240. We identified that for Scottish Funding Council (SFC) grant funding the risk of revenue recognition could be rebutted due to a lack of incentive and opportunity to manipulate revenue of this nature.
18. We reviewed income streams across the group and concluded that although the risk of revenue recognition could be rebutted for GCRB, the three colleges within the group have significant other income streams and the risk of fraud in relation to revenue recognition is present.
19. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the group financial statements. To inform our conclusion we liaised with the college auditors and gained sufficient assurance over the control environment in place and the revenue figures reported in the accounts of the regional colleges.

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

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

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

*Excerpt from the 2017/18 Group External Audit Plan*

20. At the planning stage of our audit we considered the nature of the expenditure at the GCRB against the risk factors set out in ISA 240. We identified that the majority of the expenditure related to payroll and that this is not subject to manipulation in the same way as other expenditure items. We therefore rebutted the risk of expenditure recognition for the GCRB parent accounts.
21. As the group accounts consist of the expenditure for the GCRB and the three regional colleges, we recognise that the regional college's expenditure is more complex than the GCRB therefore we did not rebut the risk for the group accounts.
22. We have gained reasonable assurance on the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the group financial statements. To inform our conclusion we liaised with the college auditors and gained reasonable assurances over the control environment in place and expenditure figures reported in the accounts of the regional colleges.

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

### 3. Management override

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

*Excerpt from the 2017/18 Group External Audit Plan*

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

### 4. Preparation of consolidated financial statements

The Scottish Funding Council (the SFC) approved the fundable body status of GCRB as of 1 April 2017. However, fundable body status did not take effect until 1 August 2017.

GCRB considered the implications of achieving fundable body status for their financial reporting. GCRB referred to the guidance in FRS 102 on consolidation and concluded that when fundable body status took effect this would create a group arrangement with City of Glasgow College, Glasgow Kelvin College and Glasgow Clyde College being subsidiaries of GCRB. This would trigger a need to prepare consolidated financial statements under FRS 102.

GCRB is planning to produce consolidated financial statements for the period ended 31 July 2018. They are working with the colleges to ensure there are consistent accounting policies across the region and there is a suitable timetable to allow GCRB to meet the reporting deadlines as outlined in the SFC accounts direction.

*Excerpt from the 2017/18 Group External Audit Plan*

24. We have not identified any issues in relation to the consolidation workings provided by GCRB. We have therefore obtained sufficient assurance that the group financial statements have been prepared correctly and inter-group balances have been appropriately eliminated.
25. ISA 600 requires that as group auditors we obtain appropriate audit evidence regarding the financial information of the subsidiaries and the consolidation process, to express an opinion on whether the group financial statements are prepared in accordance with the SORP.
26. All three subsidiaries are significant for the purposes of the group financial statements and as such we have obtained comprehensive assurance that the figures provided by the colleges' are materially correct. To inform our conclusion we have liaised with the college auditors and reviewed the three colleges audit findings reports. As a result we have obtained sufficient assurance over the three group financial statement risks identified.
27. We have concluded that the subsidiary financial statements give a true and fair view and that there are no unadjusted errors which would have a material impact on the group.

## Our application of materiality

28. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.
29. Our initial assessment of materiality for the GCRB Board was £5,800 and for the GCRB group accounts was £2,544,000. On receipt of the 2017/18 draft accounts, we reassessed materiality and set new thresholds of £7,909 for the GCRB Board accounts and £2,608,000 for the GCRB group accounts.
30. We consider the gross expenditure to be the principal consideration for the users of the Board and group accounts when assessing financial performance. We have set our materiality for the GCRB Board accounts at 1.8% of draft 2017/18 gross expenditure. We have lowered our materiality for the group to 1.5% of combined expenditure as reported in the draft 2017/18 group financial statements. This takes cognisance of the increased level of stakeholder interest anticipated due to 2017/18 being the first year of consolidation.

### Performance materiality

31. Performance materiality is the amount set by the auditor at less than overall materiality for the annual accounts as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the annual accounts as a whole.
32. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We performed audit procedures on all transactions and balances that exceeded our performance materiality. This means that we performed a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the following table:

Area risk assessment £			
	High	Medium	Low
Board	3,954	4,745	5,932
Group	1,174,000	1,434,000	1,826,000

33. We agreed with the Audit Committee that we would report all material corrected misstatements, uncorrected misstatements with a value in excess of £395 for the GCRB Board accounts and £130,000 for the GCRB group accounts, as well as other misstatements below these thresholds that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the group financial statements.

### Audit differences

34. We are pleased to report that our audit identified no material adjustments to the GCRB Board financial statements and the GCRB group financial statements.
35. We identified some minor disclosure and presentational adjustments during our audit, which have been reflected in the final set of group annual accounts.
36. We identified one immaterial misstatement to the group financial statements in relation to expected claw back of 2017/18 ESF Youth Employment Initiative funding by the SFC in March 2019. The SFC's intention to claw back the funds was not communicated to the GCRB and regional colleges until January 2019. An adjustment was not made to the group financial statements on the grounds of materiality; however a narrative disclosure has been included. We have recorded the unadjusted difference at appendix 4.
37. From liaising with the college auditors and reviewing the colleges' audit findings reports; we have not identified any further adjusted or unadjusted audit misstatements above our group audit reporting threshold of £130,000. We have also not been made aware of any

significant control weaknesses at the regional colleges.

#### Financial Ledger System and Journal Processing

38. From our review of journals we identified that the City of Glasgow College maintain a separate cost centre within the colleges ledger system, which is the basis of the financial statements.
39. In 2016/17 and 2017/18, only income and expenditure transactions were posted to the GCRB's cost centre. Balance sheet transactions were manually populated. Manual population increases the risk of misstatement.
40. As the GCRB transactions are posted within the City of Glasgow College module of the ledger, although in a separate account code, there are a significant number of recharges from City of Glasgow Colleges cost centres taking place. There is therefore an increased risk over the completeness and transparency of GCRB transactions.
41. GCRB should explore the option of creating a separate organisational module within the City of Glasgow College ledger system, and ensure that all journals relating to the GCRB are posted to the appropriate cost centre.

See appendix 2, action point 1

#### An overview of the scope of our audit

42. The scope of our audit was detailed in our Group External Audit Plan, which was presented to the Audit Committee at the outset of our audit. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the GCRB. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
43. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
44. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical review. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork

team and the results were reviewed by the audit manager and audit partner. In performing our work we have applied the concept of materiality, which is explained earlier in this report.

#### Other matters identified during our audit

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

##### Other information in the group annual report and accounts

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

##### The performance report

47. Our opinion on other prescribed matters includes a requirement to provide an opinion on whether the performance report is consistent with the financial statements and whether it has been properly prepared in accordance with applicable legal requirements and directions made by the SFC.
48. From our review of the performance report, we can conclude that the information presented is consistent with the financial statements, and has been prepared in accordance with applicable legal requirements and SFC guidance.

##### The accountability report

49. The accountability report is required in order to meet key parliamentary accountability requirements and comprises three sections: a corporate governance report (including the governance statement), remuneration and staff report; and a parliamentary accountability report.

##### Governance statement

50. The GCRB's Governance Statement explains that the GCRB was compliant with the principles of the 2016 Code of Good Governance for Scotland's Colleges. This is deemed to be in accordance with the requirements outlined in the 2017/18 Accounts Direction, released by the SFC.

51. We are satisfied the content of the Governance Statement is consistent with information gathered during the course of our normal audit work and SFC guidance.

#### Remuneration and staff report

52. Our independent auditor's report confirms that the part of the remuneration and staff report to be audited has been properly prepared.
53. We raised a minor issue with regards to the calculation of the pay median. The issue has been adjusted in the revised financial statements and we have concluded that the disclosures are in line with underlying records and disclosure requirements.

#### Regularity

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

### Qualitative aspects of accounting practices and financial reporting

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

Qualitative aspect considered	Audit conclusion
The appropriateness of the group accounting policies used.	The group accounting policies, which are disclosed in the group annual accounts, are in line with the Government Financial Reporting Manual and FRS 102. We reviewed the accounting policies of the GCRB parent and each subsidiary and did not identify any material inconsistencies.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the group accounting estimates and judgements used.	In 2017/18 the GCRB had employee members of the Strathclyde Pension Fund (SPF) and Scottish Teachers Superannuation Scheme (STSS). The GCRB Board recognised its pension surplus in line with the SORP. Pension estimates for the SPF have been informed by advice from qualified, independent experts. We evaluated the competence, objectivity and capability of managements' experts in line with the requirements of ISA (UK) 500. We liaised with the college auditors and no issues or concerns were raised in relation to the appropriateness of accounting estimates and judgements applied by the regional colleges. The accounting estimates and judgements used by management in preparing the group financial statements are therefore considered appropriate on the whole.
The appropriateness of the going concern assumption	We have reviewed the detailed financial forecasts for 2018/19. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the GCRB will continue to operate for at least 12 months from the signing date.
The potential effect on the group annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the group annual accounts.
The extent to which the group annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed of the GCRB, we did not identify any significant unusual transactions in 2017/18. We liaised with the subsidiary auditors and were not made aware of any significant unusual transaction made by the regional colleges in 2017/18.
Apparent misstatements in the group annual report or material inconsistencies with the group financial statements.	The group annual report contains no material misstatements or inconsistencies with the group financial statements.
Any significant group annual accounts disclosures to bring to your attention.	There are no significant group annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While minor disclosure and presentational adjustments were made during the audit there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.

3

# Financial management

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

# Financial management



The GCRB reported an overall surplus position of £6,979. The Glasgow region reported an accounting deficit of £2.481million for the year and an underlying surplus of £1.634million.

The GCRB has adequate arrangements in place for financial management, regional budget monitoring processes and systems of internal control. Group financial reporting has developed significantly in 2017/18.

A key matter for the Glasgow region moving forward is ensuring that funding approaches provide adequate scope and capacity for regional variation.

## Financial performance

56. The principal financial objective for the GCRB group is to work within the resource budget allocated to the Glasgow region by the SFC. The GCRB aims to report a break-even position after adjusting the Statement of Comprehensive Income, as prepared under the FE/ HE SORP, for non-cash items as outlined by the Scottish

Funding Council.

57. In 2017/18 the GCRB reported an overall surplus position of £6,979. The GCRB group reported a deficit of £2.481million, which when adjusted for non-cash items resulted in an underlying surplus of £1.634million. The Glasgow region had originally forecast an underlying surplus of £1.254million.

### Exhibit 3: The GCRB group financial performance

	2017/18 Forecast £000*	2017/18 Actual £000	Variance £000	2016/17 Actual £000
<b>Income</b>				
Scottish Funding Council grants	114,784	122,750	7,966	118,372
Tuition fees and education contracts	30,344	29,531	(813)	30,010
Other income (including investment income)	18,244	12,630	(5,614)	10,014
Endowments and donations	7,634	6,426	(1,208)	5,260
	<b>171,006</b>	<b>171,337</b>	<b>331</b>	<b>163,656</b>
<b>Expenditure</b>				
Staff Costs	(102,245)	(103,075)	(830)	(97,555)
Exceptional staff costs - restructuring	(2,254)	(2,322)	(68)	(292)
Other operating expenses	(34,900)	(35,039)	(139)	(37,027)
Depreciation and amortisation	(17,149)	(17,645)	(496)	(16,028)

### Exhibit 3: The GCRB group financial performance

	2017/18 Forecast £000*	2017/18 Actual £000	Variance £000	2016/17 Actual £000
Interest and Other Finance Costs	(15,198)	(15,437)	(239)	(15,564)
Donation to Arm's Length Foundation	(300)	(300)	-	(2,800)
	<b>(172,046)</b>	<b>(173,818)</b>	<b>(1,772)</b>	<b>(169,695)</b>
Loss on Continuing Operations	<b><u>(1,040)</u></b>	<b><u>(2,481)</u></b>	<b><u>(1,441)</u></b>	<b><u>(6,039)</u></b>

\* From September 2018 Financial Forecast Returns

58. 2017/18 is the GCRB's first year of reporting as a fundable body. The GCRB's expenditure increased by 36% from 2016/17 reflecting the transition to fully fundable operational status. The GCRB's operating costs are significantly less than the indicative budget set by the Scottish Government when the GCRB was formed in 2014.

59. The GCRB reported an overall surplus of £6,979 in 2017/18. This is primarily due to an actuarial gain of £8,000 in relation to the GCRB pension schemes. The original budget assumed that a change to the GCRB staffing structure would take effect from August 2017; however recruitment to the post of Finance and Resources Director was completed in January 2018. This resulted in a staff cost saving for the year.

60. GCRB Board expenses were also lower than budget due to the reduced number of days claimed by the Interim Chair of the Board.

61. Regional income increased by 5% from 2016/17 primarily due to additional SFC grants received in 2017/18. SFC grants income for the region increased by £4.3million from 2016/17. Approximately £1.6million of this increase was to account for the increased costs associated with national bargaining across the region. The remaining increase related to capital activity across the region. 59% of total regional expenditure relates to staff costs (57% in 2016/17). The increase in SFC grants was completely offset by an increase in staff costs of £5.5 million in 2017/18.

62. Exceptional staff costs of £2.254million for the region increased significantly in 2017/18. This

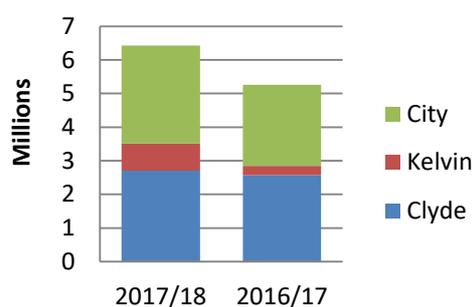
primarily relates to a voluntary severance scheme which was a result of a reorganisation of the leadership team at the City of Glasgow College.

### Glasgow Region – College Foundations

63. The regional colleges received a total of £6.426million from the Glasgow Clyde Education Foundation, Glasgow Kelvin Learning Foundation and City of Glasgow College Foundation in 2017/18.

64. Total grant funding from the regional college foundations increased by 22% from 2016/17. The college foundations are completely independent from the regional colleges, and grant requests from the colleges are subjected to a formal vetting process.

Exhibit 4: Glasgow Region College Foundation Income



65. Financial Forecast returns indicate that the colleges assume grants from the college foundations will be received every year until 2022/23. The College Foundations have finite levels of funding; therefore the region must

consider the longer term financial sustainability implications of this assumption.

## Budget monitoring

66. We reviewed the GCRB and regional budgetary processes and budget monitoring arrangements in 2017/18.
67. The GCRB's Performance and Resources committee receives updates on the GCRB's running costs as a standing agenda item. The report provides members with a forecast year position against budget and narrative commentary. Due to the nature of the GCRB and the limited levels of income and expenditure, the detail presented to the Performance and Resources committee is deemed appropriate.
68. Upon receiving fundable body status, GCRB has a responsibility to monitor and review the financial health of its regional colleges. GCRB presented a Finance Strategy to its Board in March 2018, which reflects this requirement.
69. The GCRB performs the following tasks in order to effectively monitor the financial position of the regional colleges:
- Resource Returns: Resource returns of each college are submitted to the GCRB and the SFC on five occasions throughout the year. The GCRB Finance and Resources Director and a SFC Senior Financial Analyst review the returns. Both the GCRB and the SFC monitor spend against the college's resources budget and the colleges' sustainability. The SFC provides financial information to the Scottish Government and HM Treasury.
  - Annual Budget/Financial Forecast Returns: The colleges and the GCRB are required to submit an annual budget return which is populated with budgeted income and expenditure for the following financial year. In addition Financial Forecast returns are also prepared to provide a forecast outturn for the year, budget for the following year and forecast for the following five years. The principal assumptions that underpin the financial forecast returns are determined by the SFC, and developed further as a region to ensure accuracy and consistency.
  - Cash Flow Returns: It is the GCRB and SFC's responsibility to allocate both cash and resource budgets to colleges in order to support delivery of the Regional Outcome Agreement (ROA), and to distribute cash on the basis of need. The colleges submit cash flow returns to the GCRB and the SFC. The cash flow forecasts identify the future funding requirements and inform monthly cash payments to each college. GCRB authorises each cash payment, before SFC transfers the funds to the colleges.
  - Capital Planning and Monitoring: The GCRB developed a regional approach to capital investment in 2017/18 to ensure capital spend is supporting regional ambitions. The needs-based capital funding process replaced national formula-based approaches. The regional colleges have engaged with the new process to ensure regional capital expenditure is strategically aligned to areas of greatest regional need and collaborative procurement. Progress is collated by the GCRB throughout the year and reported to the Performance and Resources Committee as standard agenda item.
  - Flexible Workforce Development Fund: The colleges supply returns to the GCRB in order for the GCRB to produce a consolidated return and submit to the SFC. The GCRB presents progress reports on the Fund to the Performance and Resources Committee as a standard agenda item.
  - Student Support Fund: The colleges provide updates on student support expenditure to the GCRB. The GCRB reviews the returns in order to ensure regional needs are being met.
70. From our review of the GCRB financial monitoring tasks, we noted that the review of the college's resource returns, annual budget/financial forecast returns and cash flow returns are carried out by the GCRB and the SFC. The returns are sent to both the SFC and the GCRB at the same time. The GCRB and the SFC should continue to work in partnership to ensure that the work undertaken by each party is complementary. There continues to be dialogue between both parties to ensure that

the arrangements utilise the resources and expertise of both the GCRB and the SFC. We will continue to monitor progress as part of our 2018/19 audit, in order to ensure optimal efficiency over the financial monitoring of the regional colleges.

71. In March 2018 it was agreed that the Performance and Resources committee would receive a report as a standard agenda item on regional financial monitoring progress. These reports present an overview of the various monitoring tasks that have taken place in the period as described at paragraph 65. The September and December papers included updated financial forecast figures. Although the forecast outturn position for the year is transparent for the committee, there is no year to date position presented. Management should consider strengthening regional resource reporting by including a regional year to date analysis within the financial monitoring reports.

See appendix 2, action point 2

## Funding Models

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

regional outcome focused funding model. We will continue to monitor progress as part of our 2018/19 audit.

## Regional Financial Collaboration

76. The three regional colleges and the GCRB are collaborating on a range of financial matters. These arrangements are intended to ensure the free flow of information and identification of risk at a regional level. The following examples demonstrate the extent of the mechanisms which took place in 2017/18:
- Finance Meetings: Every quarter the Heads of Finance of the colleges meeting with the GCRB Finance and Resources Director to discuss and ensure consistency on operational finance matters.
  - Sustainable Institutions Group: Every two months the Vice-Principals responsible for Finance within each college meet with the GCRB Finance and Resources Director. The meetings are intended to provide the opportunity to discuss regional financial issues. This group is accountable to the Glasgow Colleges Group which is led by the college principals.
  - Glasgow Region Procurement Team: Representatives of the colleges meet with colleagues from APUC and the GCRB Finance and Resources Director on a quarterly basis in order to monitor progress on collaborative procurement activities in the Glasgow Region.
  - Liaison with the SFC Finance Team and Strategic Dialogue with SFC: The GCRB Finance and Resources Director meet with senior representatives of the SFC on a regular basis. These meetings enable the discussion of strategic matters and the sharing of information in relation to regional work. The GCRB Finance and Resources Director has built a strong relationship with the SFC finance team.

## Prevention and detection of fraud and irregularity

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

78. We liaised with subsidiary auditors and were not made aware of any issues in relation to the prevention and detection of fraud and irregularity at the regional colleges.
79. Overall, we found the GCRB's arrangements for the prevention and detection of fraud and other irregularities to be adequate.

## Standards of conduct

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

## Internal audit

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

## Systems of internal control

83. We have evaluated the GCRB's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatements in the annual accounts. Our approach has included documenting the key internal financial controls and performing walkthroughs to confirm that they are operating as intended. Our audit has identified no significant weaknesses in the GCRB's systems of internal control.

# 4

## Financial sustainability

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

# Financial sustainability



The GCRB has produced a regional financial forecast which presents an anticipated financial position of the Glasgow region until 2022/23.

The forecast shows that the region is forecasting an underlying surplus position in 2018/19 followed by underlying deficit positions each year to 2022/23. The underlying deficit position fluctuates from £0.394million in 2019/20 to £3.713million in 2022/23.

There is recognition at the GCRB that there are significant challenges ahead to bridge the gap and work is underway to identify savings option.

## Financial planning

### Financial projections 2018/19

84. The GCRB's resource budget, as reported to the performance and resources committee in June 2018, forecasts a breakeven position in 2018/19. The SFC has confirmed funding for 2018/19 that will be allocated on a regional basis through the outcome agreements. The GCRB is responsible for allocating funding to the Glasgow regional colleges.

### Medium and long term financial planning

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

86. As part of this guidance the SFC worked with sector representatives to provide guidance on key assumptions to be applied in the FFR as follows:

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

- capital maintenance will be held at 2017/18 levels
- non- SFC income and non-staff expenditure should be informed by local circumstance.
- staff costs should take account of national bargaining harmonisation/job evaluations costs for all staff. Cost of living pay award increases for lecturing staff and for support staff should also be included. An annual increase of 2% for each remaining year should also be included.

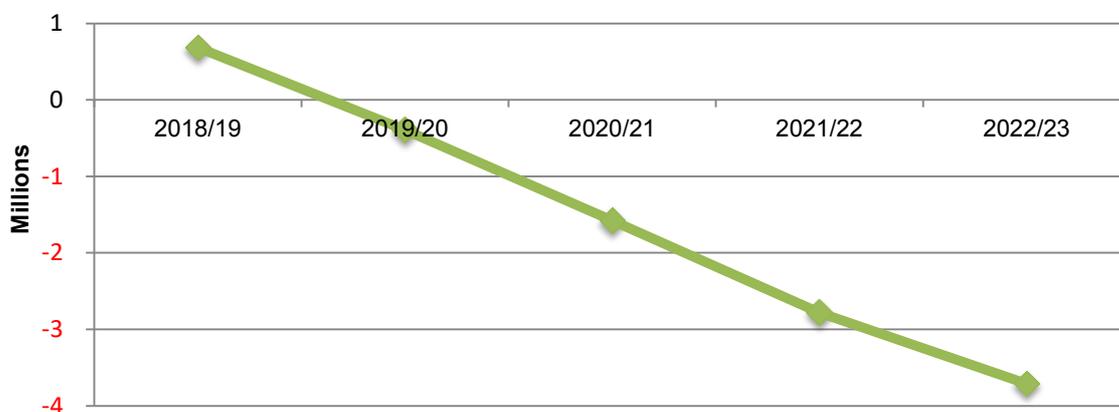
87. As part of the consolidation of the regional financial forecast, the following assumptions were noted:

- Funding Council Grants: the SFC core grant is expected to increase by £7.6 million for the region. The main reason for the increase is to meet costs arising from national bargaining.
- Tuition Fees and Education Contracts: Income is expected to increase by 10% over the period to 2022/23. The majority of this increase is based on growth assumptions by the City of Glasgow College.
- Staff Costs: Salaries are expected to increase by 14% over the period to 2022/23. The principal reason for this is impact of national bargaining.
- Balance Sheet Cash Position: the group balance sheet shows a worsening position to 2022/23. The level of cash is forecast to decrease from £11.1 million in 2017/18 to £0.5 million in 2022/23.

88. The assumptions were subject to appropriate challenge by the Performance and Resource committee and the GCRB Board.

89. The regional financial forecast position has been presented to the GCRB Board and recognises the significant challenge faced by the Glasgow region moving forward.

**Exhibit 5: Glasgow Region Forecast underlying operating surplus/(deficit)**



90. The GCRB executive continues to work with the regional colleges to consider the forecast position in further detail and identify potential approaches which will mitigate the risk of financial sustainability faced by the region.

95. The impact of EU withdrawal is included as a risk in the GCRB risk register. The GCRB does not perceive EU withdrawal to be high risk at present, due to the significant uncertainty surrounding the matter.

91. Using national and regional collaborative networks, the GCRB should continue to lead and explore regional efficiency options in address the regional forecast projections. We will continue to monitor progress as part of our 2018/19 audit.

96. The Audit Committee were presented with a paper in October 2018 which discussed the potential risks of Brexit based on a SFC/Colleges Scotland workshop held in June 2018. The SFC has recently embarked upon a recruitment programme to appoint a team of six people to lead the development and implementation of exiting the EU. We will continue to monitor progress as part of our 2018/19 audit.

## EU withdrawal

92. Audit Scotland has identified EU withdrawal as an emerging significant risk facing public bodies across Scotland. Three streams of potential impact were identified:

- Workforce
- Funding
- Regulation.

93. The GCRB considered the implications of EU withdrawal to the region in August 2016. It has been noted that in the past significant funding has come from European Structural Funds (ESF) to the regional colleges. The implication of a reduction in ESF grants has been incorporated into the medium and longer term regional financial forecasts.

94. The regional colleges also utilise other European sources of funding such as Erasmus and Maritime Education.

5

# Governance and transparency

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

# Governance and transparency



The GCRB operated with satisfactory governance arrangements in place. GCRB and the SFC should continue to work in partnership to ensure that the work undertaken by each party is complementary.

The GCRB has taken action to improve collaborative working across the Glasgow region in 2017/18. Further opportunities for regional collaboration should continue to be explored by the GCRB moving forward.

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

## Significant audit risk

97. As outlined in our group audit plan, we considered there to be a significant risk to the wider scope of our audit in relation to governance:

### Governance arrangements following fundable body status

In April 2017 the SFC awarded GCRB fundable body status under the Further and Higher Education (Scotland) Act 2005. This gives GCRB responsibility for allocating and distributing funding to the three colleges in the Glasgow region (City of Glasgow College, Glasgow Kelvin College and Glasgow Clyde College). During 2016/17 the GCRB worked with the SFC to create the structures needed to take on full funding and monitoring functions from 2017/18.

2017/18 will be the first year of the Board having responsibility for monitoring outcomes and supplying funding to the Board. This is a significant increase in the responsibilities of GCRB will require robust governance arrangements and a strong system of internal control to be in place. A Memorandum of Understanding was presented to the Regional Board in September 2017.

The Memorandum of Understanding was designed to outline the commitment of the Board and three colleges within the region to work together as an effective and efficient regional system.

At the time of planning governance arrangements are still developing and the GCRB is working to ensure all colleges within the region adhere to the principles in the Memorandum of Understanding in order to deliver the regional objectives.

#### *Excerpt from the 2017/18 External Audit Plan*

98. We will review the processes and procedures in place to cover the new responsibilities of the GCRB and assess for appropriateness the compliance with the Memorandum of Understanding.
99. We will review the arrangements in place for the GCRB's new monitoring role and whether they are meeting the requirements of the SFC.

## Governance Arrangements

100. In 2017/18 we have reviewed the governance structures in place at the GCRB following fundable body status being awarded in April 2017.

101. Governance arrangements for the Glasgow region are determined by legislative and regulatory frameworks that include:
- The structures, powers and duties set out in the Education Acts

- The financial memorandum between the SFC and GCRB and between GCRB and the Assigned Colleges
  - The requirements of the Code of Good Governance for Scotland's Colleges and the SPFM; and
  - The Scottish Governments ministerial guidance on college sector Board appointments.
- 102.** There were no significant changes to the committee structures of the GCRB in 2017/18. The Board continues to operate with support from three committees, the Audit Committee, Nominations Committee and Performance and Resources Committee. The GCRB Board consists of the GCRB chair, representation from the regional college chairs, student and staff members, and non-executive members.
- 103.** The GCRB appointed a new Chair from January 2018 and a further four new members in 2017/18. The GCRB developed a new Board Member induction process in 2017/18 which involves three development sessions for new members, with an input and opportunity to discuss relevant matters with the Board Secretary, the GCRB Chair and GCRB Executive. The member induction process represents a positive improvement in overall member development arrangements.
- 104.** The GCRB also now offer an opportunity for student members to meet prior to Board or Committee meetings with the Board Secretary and Executive member to discuss the papers in advance of the meeting. This provides an opportunity for questions to be asked, in order to strengthen student member involvement.
- 105.** The GCRB conducted a Board evaluation in 2017/18 and subsequently developed a GCRB development plan in order to continue to strengthen governance arrangements. The development plan is monitored and reported to the Nominations Committee. We have not identified any significant matters and will continue to monitor progress as part of the 2018/19 audit.
- Memorandum of Understanding**
- 106.** In September 2017, the GCRB Board approved a Memorandum of Understanding between the GCRB and the regional colleges. The memorandum was developed jointly across the region to strengthen effective regional partnership working. The memorandum commits the four organisations to jointly promote and seek opportunities to develop:
- **Open and Proactive Communication:** the four region boards will facilitate effective communication between board members and the work of the boards to promote awareness of each other priorities and concerns, and of developments that may impact on the region as a whole.
  - **Collaboration and Joint Working:** the four region boards will promote opportunities for collaborative working through short-life groups and longer term arrangements between boards and chairs of boards; board committees and committee chairs, other member as appropriate and college and GCRB executives.
  - **Joint Development and Networking:** the four region boards will actively seek opportunities for joint training, development and networking activities to promote common understanding and build stronger and more effective relationships across the region. This includes joint board development and training events. The GCRB will co-ordinate collective activity.
- 107.** The GCRB Board approved the Glasgow Region Strategic Plan for College Education in May 2017. In October 2017, the GCRB Board approved ambitions that align to the regional strategic objectives. The ambitions also align to the commitments made within the Memorandum of Understanding. Progress against the ambitions discussed at paragraphs 148-151 and has been regarded as sufficient.
- 108.** From our review of the regional ambitions, we have not identified any issues in relation to open and proactive communication between the GCRB and the colleges. We have identified progress in relation to collaboration, joint working and development across the Glasgow region in 2017/18. Key developments include:
- **Regional Conversation Events:** College and regional Board members are now collaborating on key governance issues, including risk management, GDPR, cyber-security and increasing diversity on boards. The response of Board members to these

'regional conversation' events has been positive.

- Collaborative Management Structure: Significant progress has been made by the new Regional Leads in relation to collaborative approaches to CPD, to more systematic and in-depth curriculum review, to delivering more consistent student support services, and to improved data provision and analysis.
- Cross College Groups: New cross college groups were formed to share skills and knowledge, support the development of consistent regional approaches and develop more effective and efficient joint delivery structures. This includes a new regional Organisational Development group which planned and deliver joint CPD activity across the three Glasgow colleges.
- Needs based Capital funding process: This was developed by the GCRB to replace the national funding model based on priorities of the region.

## Regional planning and monitoring role of the GCRB

- 109.** A significant element of the GCRB's role is to monitor the progress and performance of the Glasgow region strategically and financially.
- 110.** We have reviewed the performance management framework of the GCRB in relation to strategic monitoring at paragraphs 152-155 and regard the framework to be robust. We have not obtained any evidence to suggest the GCRB is not meeting SFC requirements and expectations; therefore we regard the strategic performance management framework as robust.
- 111.** We have documented our conclusions of the financial planning and monitoring framework of the GCRB within the financial management section of this report at paragraphs 65-75.
- 112.** The GCRB has recognised the importance that moving forward the SFC places more reliance on the governance, monitoring procedures and controls of the GCRB. Discussions between the SFC and the GCRB in relation to this are currently ongoing. We will continue to monitor progress as part of our 2018/19 audit.

- 113.** Prior to the creation of GCRB, the colleges in Glasgow established the Glasgow Colleges Group in response to the regionalisation agenda. The GCRB have worked with the colleges to further develop this collaborative structure which provides opportunities for the three colleges and the GCRB to take forward operational issues on a city-wide basis. It is not within these groups' remits to make regional decisions on behalf of the GCRB Board, and we have not identified any evidence to suggest that this has occurred. GCRB employees are members of and contribute to the work of these groups. GCRB staff membership also provides a link back to the regional board. However, the groups do not report formally to the GCRB and the GCRB.

## Scotland's Colleges 2018 Report

- 114.** Audit Scotland's 2018 review stated that the GCRB is making progress in coordinating collaborative regional activity, but needs to do more work with its assigned colleges to deliver all of the intended benefits of regionalisation.
- 115.** Audit Scotland recommended that the GCRB and the assigned colleges address concerns among senior staff and board members about its role to further improve collaborative working. The report was discussed at a meeting of the Regional Chairs, Principals and Executive Director Group, the GCRB Audit Committee and Board.
- 116.** GCRB has since undertaken a range of actions to address the recommendation including:
- In August 2018, the GCRB Board undertook a workshop session which considered how the respective roles of the Board and the assigned colleges could best support effective regional working and the achievement of regional goals. Following suggestions from this workshop, the GCRB Executive developed a regional newsletter to be sent to all regional staff members in order for regional activity to be widely communicated.
  - In September 2018 the GCRB organised development sessions for Board members across the regional colleges, at which the GCRB led discussions to how the four Boards could collaborate and support each other more effectively.

117. The GCRB has made progress in addressing the recommendation raised by the overview report. Moving forward the GCRB and regional colleges should continue to explore opportunities to further improve collaborative working. We will continue to monitor progress as part of our 2018/19 audit.

## Openness and transparency

118. One of the sector risks identified by Audit Scotland for 2017/18 relates to public sector organisations keeping pace with public expectations relating to openness and transparency.
119. Audit Scotland's Role of Boards report, published in September 2010, found that there was wide variation in the openness and transparency of boards of public bodies. Further education organisations were below average in 2010, with 33% holding board meetings in public, against an average of 41% across the public sector. From our review of the GCRB the Board meetings are not open to the public.
120. Transparency can also be achieved through giving the public access to information about how the GCRB is making decisions. We performed a review of the GCRB website and found that the Board and Committee minutes, agendas and supporting papers were readily accessible to the public.

## Risk Management

121. Public sector bodies face increasing demand for quality service at a time of significant financial pressure. Well-developed risk management arrangements help bodies to make effective decisions and secure better use of resources.
122. The GCRB has further developed its risk management procedures in 2017/18 following an internal audit review in 2016/17 which concluded the '*system meets control objectives with some weaknesses present*'.
123. Key recommendations included a requirement for management to undertake a review of the system of internal control and to put in place a mechanism for reviewing the assigned colleges' risk registers. A revised risk management policy was drafted to include the recommendations which include presenting a review of the college risk registers to the Audit Committee on a quarterly basis.

124. Risk management reports are presented as a standing item to the Audit Committee. We concluded that in 2017/18 the GCRB has adequate risk management arrangements in place.

## Standards of conduct and arrangements for the prevention and detection of bribery and corruption

125. In our opinion the GCRB's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are in line with our expectations. Our conclusion has been informed by a review of the arrangements for adopting and reviewing board regulations and schemes of delegation and complying with national and local Codes of Conduct.
126. Board members are responsible for maintaining the register of interests and this should be kept up to date with accurate information. As part of our work on related parties we identified one individual who had interests in organisations which were undisclosed on their register of interests for the year. The identified individual was a member of the Board until May 2018. The Board should ensure all Board members are aware of the process for updating their register of interests.  
[See appendix 2, action point 3](#)

## Audit Committee Guidance

127. In May 2018 the Scottish Government updated its guidance for audit committees in the public sector through an update to its Audit Committee Handbook.
128. The revised handbook sets out the fundamental principles relating to the role, membership and work of the Audit and Assurance Committees.
129. The GCRB Audit Committee reviewed compliance against the revised handbook in May 2018 and did not identify any significant areas of non-compliance. The changes may require action from the Audit Committee to ensure it continues to remain compliant moving forward.

## Information Governance

### Cyber Security

130. In May 2017, a number of health boards across NHS Scotland were affected by the Wannacry

global ransomware attack. In response to this the Scottish Government launched 'A Cyber Resilience Strategy for Scotland: Public Sector Action Plan, 2017/18'.

identified any significant risks to compliance with the regulations at this stage.

- 131. The action plan outlines a number of requirements that public bodies should be taking forward. This includes an action for public bodies to achieve a Cyber Essentials Plus certification by the end of October 2018.
- 132. A paper was presented to the Audit Committee in May 2018, providing a summary for members on the actions in response to cyber security risk. The paper provided an assessment of specific GCRB actions, and states reliance is placed on the City of Glasgow College security systems as the provider of IT systems and service to the GCRB.
- 133. We are aware that the City of Glasgow College is currently working towards accreditation and has engaged an external provider to complete a pre-assessment test. The College has therefore not met the 31 October deadline for accreditation. The GCRB should closely monitor progress to ensure compliance is achieved as soon as possible.

**See appendix 2, action point 4**

#### **General Data Protection Regulations**

- 134. The General Data Protection Regulations came into force in the UK on 25 May 2018. The regulations replace the Data Protection Act 1998 and, as well as strengthening existing regulations, the Act has brought in new legislative duties for the GCRB. The regulations bring significant potential penalties for non-compliance.
- 135. A paper was presented to the Audit Committee in October 2018, which outlined the GCRB's regional collaborative approach to GDPR compliance. The review and report was undertaken by the Glasgow regions shared Data Protection Officer (DPO). The paper presented the current arrangements in place across the region and recommended areas of improvement.
- 136. Compliance with the Regulations is an ongoing process, which we will continue to monitor as part of our annual audit procedures in the future. A follow up report reviewing the progress against the recommendations identified by the DPO is scheduled to be reported to the Audit Committee in March 2019. We have not

# 6

## Value for money

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

# Value for money



The GCRB has continued to develop a robust performance management framework in 2017/18. Sufficient progress has been made in relation to the 2017/18 ROA with areas of improvement highlighted to drive forward in 2018/19. The GCRB is making sufficient progress against its strategic ambitions in accordance with the Glasgow Region Strategic Plan 2017-22.

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

## Strategic Regional Planning

137. The GCRB Board approved the Glasgow Region Strategic Plan for College Education 2017-22 in May 2017, with an overarching mission to, *'deliver life-changing learning through an efficient and effective regional college system which widens access, meets the needs of employers and improves regional and national prosperity.'*

138. The key components of the strategic plan are summarised below:



139. We have conducted a review of Strategic Regional Planning and Performance Management arrangements of the GCRB.

140. The key elements of the framework are the annual regional outcome agreement (ROA) and the annual operating plans, which are directly linked to the seven learning priorities and four added value drivers specified by the plan.

### Seven Learning Priorities:

1. Engage with all our communities and provide the highest quality facilities and resources for learning.
2. Offer engaging learning experiences to develop skills for learning, work and life.

3. Promote high quality and innovative learning, teaching and assessment.
4. Deliver an inclusive and supportive student experience for all learners. This will include excellent guidance and learner support.
5. Encourage all students to enhance their learning as individuals, as representatives, and as officers in strong and effective student associations.
6. Provide more opportunities for learners to develop their skills in real work environments.
7. Offer clear pathways into work and further study; supporting every learner into a positive post course destination.

### Four Added Value Drivers:

1. Sharing Skills and Knowledge.
2. Offering a coherent and consistent student experience.
3. Developing a regionally responsive curriculum.
4. Building efficient Regional Structures.

### Regional Outcome Agreement (ROA)

141. The 2017/18 ROA was approved by the GCRB Board in March 2017. The purpose of the ROA which is required by the SFC is to set out how the Glasgow region will undertake action to deliver learning opportunities which meet the key imperatives in the year.

142. The 2017/18 ROA is centred around four key outcomes:
- Delivering the right learning in the right place;

- Widening access;
  - Delivering high quality and efficient learning; and
  - Developing the workforce.
- 143.** A range of target measures were developed for the region, and subsequently split between the three regional colleges. An evaluation of the 2017-18 ROA performance was presented to the Performance Resources Committee in September 2018, and subsequently submitted to the SFC by the 31 October.
- 144.** The evaluation is performed in accordance with SFC guidance. The quantitative analysis is based on finalised data provided by the colleges following internal audit.
- 145. Key achievements include:**
- Overall Credits Delivered: All three colleges met their overall credit targets and the region collectively delivered just over 3,600 additional credits.
  - Widening Access: The region exceeded its targets for both indicators of widening access, with over half of all learning hours delivered at SCQF levels 1-6 and 29% accessed by learners from Scotland's most deprived postcodes.
  - Developing the Young Workforce: The colleges collectively increased the number of Senior Phase pupils by over 40% and exceeded the regional target for 2017/18.
  - Level 7-9 Childcare Credits: The colleges collectively increased level 7-9 childcare Credit volumes by 55% compared to the previous year and exceeded the regional growth target by 14%.
  - Successful Progression to work and Study: The region collectively increased (by 0.6pp) the proportion of fulltime qualifiers successfully progressing to work or study, although this fell slightly short of the targeted increase. In addition, levels of known destinations were increased by 3.6pp to over 89% of all qualifiers.
- Key areas of focus:**
- Attainment Levels: 2017/18 attainment levels are improved from 2016/17 levels across three of the four mode and level categories. However, all four 2017-18 improvement targets were not achieved.
  - Skills Alignment: Overall, Credit delivery by economic sectors was broadly in line with targeted volumes however there were variances for specific sectors. This was mainly due to displacement of credit funded activity. Work is currently underway with SFC, SDS and the colleges to review economic development trends and labour market information to support the development of refreshed regional curriculum plans for 2019-20 onwards.
- 146.** We have reviewed the evaluation of the 2017/18 ROA and can conclude that sufficient progress has been made in year with areas of key focus highlighted to take forward to 2018/19.
- 147.** Due to the strategic plan being finalised in May 2017 after the publication of the 2017/18 ROA, there is a minor lack of synergy to the strategic plan learning priorities and added value drivers.
- 148.** The 2018/19 ROA was approved by the Board in December 2017. We have reviewed the 2018/19 ROA and deem it to be appropriately and robustly aligned to the Strategic Plan.
- Annual Operational Ambitions**
- 149.** Members requested the GCRB Executive Director to work with college managers to develop an operations plan for its consideration, which sets out activities and outcomes to support the ambitions of the strategic plan.
- 150.** Regional leads were assigned by the GCRB executive in order to drive each ambition forward. We have reviewed the ambitions set within the 2017/18 annual operating plan and can conclude they robustly link to the commitments of the strategic plan.
- 151.** We have reviewed the progress of each key objective as presented at exhibit 6, and can conclude sufficient progress has been made towards the strategic ambitions in 2017/18. Key actions to drive the ambitions forward in 2018/19 have been summarised and presented to the Board in November 2018.
- 152.** We will continue to review and monitor progress of against the strategic ambitions as part of our 2018/19 audit.

## Exhibit 6: 2017/18 Annual Operational Ambitions Overview

Added Value Driver	Strategic Ambition	Key Objective	Regional Lead	Progress
	A.1) Nurturing our professional learning community, sharing good practice and developing learning resources.	<b>We will create a regional learning community, which promotes self-directed development and provides for all staff access to a comprehensive regional CPD offer.</b> This offer will pool, extend and complement individual college CPD activity, supported by online access and include accredited professional qualifications and regionally consistent support for staff industry placement opportunities.	CPD Lead	Proceeding as planned. Regional CPD offered circulated to the three colleges with programmes agreed.
<b>A) Sharing Skills and Knowledge</b>	A.2) Promoting and embedding Fair Work values and behaviours to develop the relationships between learners and staff and to improve our services for learners.	<b>We will ensure that the Fair Work Framework is at the heart of working relationships and that all Glasgow colleges and GCRB are living wage accredited employers.</b> The Fair Work values of effective voice, opportunity, security, fulfilment, and respect will be fully embedded in college and GCRB working arrangements.	GCRB Executive Director and Principals	Proceeding as planned.
	A.3) Adding value by unlocking our joint potential and opening up the full regional curriculum and resources to all our learners.	<b>We will develop a regional approach to student data management to support the quality and impact of this information on services provided to learners and stakeholders, supporting improved learner outcomes.</b> This work will support the development of a regional admissions system, which provides learners with access to, and progression within, the full regional curriculum.	Student Data and Student Experience Leads	Proceeding as planned.
	B.1) Building clear and flexible vocational learning pathways to widen access, support inter-college progression and break the link between deprivation and attainment.	<b>We will reduce barriers to access and increase inter-college progression.</b> We will improve the ease and equity with which learners can progress through their learning, with all learners supported to access to the full range of courses within the regional college system, increasing the proportion of students moving from college to college.	Student Experience Lead	Proceeding as planned.
<b>B) Offering a coherent and consistent student experience</b>	B.2) Offering students inclusive support services, learning facilities and resources consistently across the region. These will develop our learners' confidence, support their well-being, and build lasting skills for their work and life.	<b>We will create common student support policies which ensure that all students have equal access to support, whilst still allowing local flexibility to need.</b> We will strive to simplify information and access to student support by providing clear and regionally consistent student support services.	Student Experience Lead	Proceeding as planned.
		<b>We will take a strategic approach to regional estates and ICT development to ensure that our estates and resources fully support successful learner outcomes.</b> We will develop strategies for estates and ICT which ensure equity of access to the highest quality facilities and resources.	GCRB Finance and Resources Director	Proceeding as planned.
	C.1) Offering a curriculum that responds to economic and social needs. It will develop skills, meet the needs of employers and key industries, and support the growth of our regional economy.	<b>We will establish Regional Skills Hubs to lead employer and stakeholder engagement and ensure we respond effectively to regional and national skills needs.</b> Corresponding to key economic sectors, each of the Regional Skills Hubs will bring together curriculum leads from across the region and act as a focal point for regional engagement and ensure that our collective curriculum aligns to current and future employment needs.	GCRB Executive Director & Curriculum and Quality Lead	Proceeding as planned.
<b>C) Developing a regionally responsive curriculum</b>	C.2) Advancing an integrated regional curriculum, with each college offering a breadth and depth of inter-linked learning opportunities to support barrier-free progression.	<b>We will deliver a coherent and high quality regional curriculum which supports more efficient, effective and successful learner journeys.</b> Through continual review and refinement we will strengthen vocational learning pathways across the regional curriculum, reducing duplication and harmonising delivery across educational partners and improving the regional alignment and coherence of the 15-24 learner journeys.	GCRB Executive Director & Curriculum and Quality Lead	Proceeding as planned.
	C.3) Building closer partnerships with industries across the region to create more opportunities for learners to develop skills in real work environments.	<b>We will deliver a significant increase in work-based learning activity across our entire curriculum.</b> We will work to ensure that all courses increase opportunities for learners to extend their personal experience of the world of work and that Senior Phase work experience aligns to college vocational pathways.	GCRB Executive Director & Curriculum and Quality Lead	Proceeding as planned.

D) Building efficient Regional Structures	D.1) Strengthening regional partnerships with schools, universities and employers to enhance flexible vocational pathways and successful learner journeys.	<b>We will deliver more coherent Senior Phase pathways and extend early intervention approaches so that all regional school pupils can experience college before they make their Senior Phase subject choices.</b> An extensive regional Foundation Apprenticeship programme delivered in partnership with regional employers will form a significant element of our regional school/college offer.	Developing the Young Workforce and Foundation Apprenticeship Leads	Proceeding as planned.
		<b>We will strengthen articulation arrangements with universities, increasing opportunities for college learners to progress seamlessly and successfully to degree level study.</b> We will further develop regional strategic partnership agreements to provide a simplified interface for Glasgow college liaison.	GCRB Executive Director and Curriculum and Quality Lead	Proceeding as planned.
	D.2) Developing needs-based regional funding arrangements to support regional strategic goals and make efficient use of resources. The value we add regionally will improve experiences and outcomes for learners, staff and stakeholders.	<b>We will ensure that regional funding fully supports delivery of our regional mission, maximising opportunities for collaboration and efficient use of public funding.</b> Through continual refinement of funding approaches and resource use, we will deliver a stronger alignment of funding to achievement of regional strategic goals and enhanced institutional sustainability.	GCRB Finance and Resources Director	Proceeding as planned

## Performance Management Framework

153. The GCRB monitor and report on progress of the ROA and annual operating plans.
154. Progress on the regional ROA is reported to the Performance and Resources Committee and GCRB Board as a standard agenda item.
155. Progress against the annual operational ambitions and strategic plan is reported to the GCRB Board as a standard agenda item. The reports provide a summarised overview of the progress against each key objective.
156. We can conclude from review of the GCRB performance management framework that robust procedures and controls are in place to ensure performance is transparent to those charged with governance.

## Value for Money Strategy

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

# 7

## Appendices

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

## Responsibility for the preparation of the annual accounts

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

**In preparing the annual report and accounts, the GCRB and the Executive Director, as Accountable Officer are required to:**

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

**Board members are also responsible for;**

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

## Auditor responsibilities

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

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

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

Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and

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

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

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

## Wider scope of audit

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

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

## Independence

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

## Appendix 2: Action plan

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

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

### Action plan grading structure

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

The rating structure is summarised as follows:

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

Action plan point	Issue, Risk & Recommendation	Management Comments
1. Financial Ledger and Journals	<p><b>Issue</b></p> <p>From our review of journals we identified that the City of Glasgow College maintain a separate cost centre within the colleges ledger system, which is the basis of the financial statements. In 2016/17 and 2017/18, only income and expenditure transactions were posted to the GCRB's cost centre. Balance sheet transactions were manually populated.</p> <p><b>Risk</b></p> <p>There is an increased risk over the completeness of the GCRB financial statements due to ledger posting omissions. Manual population increases the risk of misstatements. As the GCRB transactions are posted within the City of Glasgow Colleges module of the ledger, although in a separate account code, there is a significant amount of recharges from City of Glasgow cost centres. There is therefore an increased risk over the completeness and transparency of GCRB transactions.</p> <p><b>Recommendation</b></p> <p>We recommend that the GCRB explores the option of creating a separate organisational module within the City of Glasgow College ledger system, and that all journals relating to the GCRB are posted to the appropriate cost centre.</p>	<p>Agreed. Discussions have taken place with City of Glasgow College and work is taking place to implement this recommendation.</p> <p><b>Responsible officer: Finance and Resources Director</b></p> <p><b>Implementation date: 31 March 2019</b></p>
Rating		
Grade 3		
Paragraph ref		
41		

Action plan point	Issue, Risk & Recommendation	Management Comments
<b>2. Regional Financial Reporting</b>	<p><b>Issue</b></p> <p>The Performance and Resource committee receive a report on regional financial monitoring progress as a standard agenda item. The papers include updated financial forecast figures until 2022/23. Although the forecast outturn position for the year is transparent for the committee, there is no year to date position presented.</p> <p><b>Risk</b></p> <p>There is a risk of insufficient oversight by the Performance and Resource committee of the year to date regional financial position throughout the year.</p> <p><b>Recommendation</b></p> <p>Management should consider strengthening regional resource reporting by including a regional year to date analysis within the financial monitoring reports.</p>	<p>Agreed. A revised process for reporting in-year financial forecasts will be introduced for the financial year 2018-19.</p> <p><b>Responsible officer: Finance and Resources Director</b></p> <p><b>Implementation date:</b> 30 April 2019</p>
<b>Rating</b>		
<b>Grade 2</b>		
<b>Paragraph ref</b>		
71		

Action plan point	Issue, Risk & Recommendation	Management Comments
<b>3. Register of Interests</b>	<p><b>Issue:</b> Board members are responsible for maintaining their register of interest and this should be kept up to date with accurate information. As part of our work on related parties we identified one individual who had interests in organisations which were undisclosed on their register of interests during the financial year. The Board should ensure all Board members are aware of the process for updating their register of interests.</p> <p><b>Recommendation:</b> The GCRB should ensure all Board members are aware of the process for updating their register of interests.</p>	<p>Agreed. Board members will be reminded of this requirement.</p> <p><b>Responsible officer: Board Secretary</b></p> <p><b>Implementation date:</b> 31 May 2019</p>
<b>Rating</b>		
<b>Grade 1</b>		
<b>Paragraph ref</b>		
<b>126</b>		

Action plan point	Issue, Risk & Recommendation	Management Comments
<b>4. Cyber Security</b>	<p><b>Issue</b></p> <p>The GCRB has stated that reliance is placed on the City of Glasgow College cyber security systems as the provider of IT systems and service to the GCRB. We are aware the City of Glasgow College is currently working towards accreditation and has engaged an external provider to complete a pre-assessment test. The College has therefore not met the 31 October deadline for accreditation. The GCRB should closely monitor progress to ensure compliance is achieved as soon as possible</p> <p><b>Risk:</b> There is a risk that cyber security arrangements may not be fully compliant.</p> <p><b>Recommendation:</b> The GCRB should closely monitor progress with the City of Glasgow College to ensure compliance is achieved as soon as possible.</p>	<p>Agreed. GCRB will liaise with the College to ensure accreditation is achieved.</p> <p><b>Responsible officer: Finance and Resources Director</b></p> <p><b>Implementation date:</b> 31 March 2019</p>
<b>Rating</b>		
<b>Grade 2</b>		
<b>Paragraph ref</b>		
<b>133</b>		

## Appendix 3: Follow up on 2016/17 actions

Action plan point	Issue & Recommendation	Previous Management Comments	2017/18 year –end update
<p><b>Processing of journals</b></p> <p><b>Grade 3</b></p>	<p><b>Issue identified</b></p> <p>From our review of the journals environment we identified two issues:</p> <ul style="list-style-type: none"> <li>City of Glasgow College finance team are responsible for processing journals on behalf of the Board. There is currently no review of the journals posted by the Board to ensure completeness and accuracy.</li> <li>City of Glasgow College maintain a separate cost centre for the Board and this is the basis for the financial statements. In 2016/17 only income and expenditure transactions were posted to the Board cost centre. Balance sheet transactions relating to debtors and creditors were populated manually.</li> </ul> <p><b>Recommendation</b></p> <p>We recommend the Board review all journals posted on their behalf and that all journals relating to the Board are posted to the appropriate cost centre.</p>	<p>Recommendation agreed. The change has been implemented with City of Glasgow College for all journals from this point forward.</p> <p><b>Responsible officer:</b> Interim Director of Finance &amp; Resources</p> <p><b>Due date:</b> 18 December 2017</p>	<p><b>External audit update</b></p> <p>During our 2017/18 audit we obtained evidence that there is an effective review process in place for all GCRB journals posted to the ledger. However, we identified that in 2017/18 only income and expenditure transactions were posted to the GCRB cost centre. Balance sheet transactions were populated manually.</p> <p><b>Part of action outstanding, see appendix 1 action point 1.</b></p>

Action plan point	Issue & Recommendation	Previous Management Comments	2017/18 year –end update
<p><b>Payments made without approval from the Board</b></p>	<p><b>Issue identified</b></p> <p>From our review of invoices paid in year we identified an instance where payment had been made to a supplier on behalf of the Board without approval from the appropriate officer at the Board.</p>	<p>Recommendation agreed. Arrangements have been put in place with City of Glasgow College to ensure that all invoices are approved in advance by GCRB.</p>	<p><b>External audit update</b></p> <p>Our review in 2017/18 found that sufficient arrangements have been put in place with the City of Glasgow College to ensure all invoices are approved in advance by GCRB.</p>
<p><b>Grade 3</b></p>	<p><b>Recommendation</b></p> <p>It is recommended the Board puts in place procedures to ensure all invoices are subject to approval by an appropriate officer prior to payments being made to suppliers.</p>	<p><b>Responsible officer:</b></p> <p>Interim Director of Finance &amp; Resources</p> <p><b>Due date: 18 December 2017</b></p>	<p><b>Action complete</b></p>

Action plan point	Issue & Recommendation	Previous Management Comments	2017/18 year –end update
<p><b>Late payment of suppliers</b></p>	<p><b>Issue identified</b></p> <p>The Board procurement policy states that all suppliers should be paid within 30 days; however, from those invoices sampled in year we found that the average payment period was 48.5 days.</p>	<p>Recommendation agreed. This has been raised previously with City of Glasgow College and changes implemented. The situation is being monitored to ensure that the changes are effective.</p>	<p><b>External audit update</b></p> <p>Our review in 2017/18 found that on average suppliers were paid within 30 days.</p>
<p><b>Grade 2</b></p>	<p><b>Recommendation</b></p> <p>The Board should ensure that payments are being made in line with its procurement policy.</p>	<p><b>Responsible officer:</b></p> <p>Interim Director of Finance and Resources</p>	<p><b>Action complete</b></p>
		<p><b>Due date: 18 December 2017</b></p>	

Action plan point	Issue & Recommendation	Previous Management Comments	2017/18 year-end update
<p><b>Development of regional monitoring arrangements</b></p>	<p><b>Issue identified</b></p> <p>The financial monitoring reports to date have focused solely on the performance of the Board running costs against budget. As a result of achieving fundable body status the Board has a responsibility to monitor the financial health of the regional colleges. The Board has made arrangements for obtaining key financial information from the regional colleges.</p> <p>This will be increasingly important in light of the financial projections to 2021/22. There will be significant challenges in delivering balanced budget while maintaining the quality of service.</p> <p><b>Recommendation:</b></p> <p>The Board should consider how the information from the regional colleges is monitored and reported. The Board should establish how it supports the region in creating plans to bridge the budget gap.</p>	<p>Recommendation agreed. This will be considered as part of the GCRB Finance Strategy to be considered by the Performance &amp; Resources Committee at its next meeting</p> <p><b>Responsible officer:</b></p> <p>Interim Director of Finance and Resources</p> <p><b>Due date: 31 March 2018</b></p>	<p><b>External audit update:</b></p> <p>The GCRB has developed sufficient regional monitoring and reporting framework in 2017/18.</p> <p>Activity is underway to support the region in bridging the forecast budget gap.</p> <p><b>Action complete</b></p>
<p><b>Grade 3</b></p>			

Action plan point	Issue & Recommendation	Previous Management Comments	2017/18 year-end update
<p><b>Review of governance documents</b></p>	<p><b>Issue identified</b></p> <p>The Board maintain key governance documents through the Board Regulations, Scheme of Delegation and Code of Conduct. From our review the Scheme of Delegation and Code of Conduct were last updated in 2015 and 2014 respectively.</p> <p><b>Recommendation:</b></p> <p>The Board should review key governance documents on an annual basis to ensure they remain up to date and appropriate.</p>	<p>Recommendation agreed. All committee terms of reference have been reviewed during November and December 2017. Changes to both Audit Committee and Nominations and Remuneration Committee have been approved by the Board in the course of the year. The Board will be reviewing its Scheme of Delegation and implications for the Board Regulations in the new year.</p> <p><b>Responsible officer:</b></p> <p>Board Secretary</p> <p><b>Due date: 31 March 2018</b></p>	<p><b>External audit update:</b></p> <p>The GCRB conducted reviews and updated the Scheme of Delegation and Code of Conduct in 2017/18. All key governance documents were reviewed in year.</p> <p><b>Action complete</b></p>
<p><b>Grade 2</b></p>			

## Appendix 4: Unadjusted Differences

No	Narrative	Consolidated Statement of Comprehensive Income		Consolidated Balance Sheet	
		£ DR	£ CR	£ DR	£ CR
1	Income	651,946			
	Accruals				651,964
<i>Being the expected clawback of 2017/18 ESF Youth Employment initiative funding.</i>					



**Scott-Moncrieff**  
business advisers and accountants