

Board of Management Audit Committee

Date of Meeting	Wednesday 14 September 2016
Paper No.	AC1-J
Agenda Item	11.3
Subject of Paper	Internal Audit Report – International & Commercial Activity
FOISA Status	Disclosable
Primary Contact	BDO
Date of production	June 2016
Action	For Discussion and Decision

Recommendations

The Committee is asked to consider and discuss the report and the management responses to the internal audit recommendations.

1. Purpose of report

The purpose of this review is to provide management and the Audit Committee with assurance that the College has a clear plan in place to develop capability and capacity to expand upon existing commercial and international activities.

2. Context and Discussion

As part of the 2015-16 Internal Audit Plan, it was agreed that internal audit would undertake a review to assess the arrangements in place within the college to expand upon existing commercial and international activities.

3. Impact and implications

Refer to internal audit report.

City of Glasgow College

INTERNAL AUDIT REPORT

International and Commercial Activity

June 2016

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



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REPORT STATUS	
Auditors:	Stephen Pringle
Dates work performed:	16 May 2016 - 20 June 2016
Draft report issued:	24 June 2016
Final report issued:	3 August 2016

DISTRIBUTION LIST	
Alex Craig	Depute Principal
Roy Gardner	Corporate Development Director
Audit Committee	

Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)		SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)	
Design	 There is a sound system of internal control designed to achieve system objectives.	High	
Effectiveness	 The controls that are in place are being consistently applied.	Medium	
		Low	  1
		Total number of recommendations: 1	

OVERVIEW
<p>Background</p> <p>As part of the 2015-16 Internal Audit Plan it was agreed with management and the Audit Committee that internal audit would undertake a review to assess the control arrangements in place within the College to support the expansion of existing commercial and international activities. The purpose of our review is to provide assurance that the College has a clear plan in place to deliver targeted commercial and international activities, a clear process in place to assess opportunities, and has established effective monitoring arrangements to support the achievement of the College’s ambitions.</p> <p>The College’s Business and International Strategy 2016-2021 details the College’s mission to deliver world class learning for individuals and enterprises, for Glasgow, Scotland, and the international community. The strategy is aligned to the strategic priorities detailed within the Strategic Plan 2013-17, which include:</p> <ul style="list-style-type: none"> • engage and inspire all our students with world-class learning and teaching; • maximise student attainment and employability by enabling individuals to achieve their potential; • developing our staff, embed our values, promote further culture, and extend our reputation; • position the College as a prominent partner in support of Glasgow City Region and the national economy; • with a high performance focus, be the best we can be in the way we operate and work together; • achieve maximum effectiveness and efficiency through innovative practices and continuous improvement, and remain vigilant of our corporate risks; and • maintain long-term financial stability.

EXECUTIVE SUMMARY

OVERVIEW

The Business and International Strategy 2016-2021 builds on the previous Growth & Development Strategy, and details the five year vision for development across corporate innovation and development, and business and international developments. The purpose of the strategy is to: provide clear direction for business and international developments; provide clear organisational goals promoting accountability and responsibility; identify stakeholders and set working partnership goals; deliver the needs of employers and businesses at regional, national and international level; and promote consistency and shared vision of good practice across the college.

The Business & International Strategy 2016-2021 identifies six areas for development which include: City of Glasgow College Private Training Company; city campus retail operations; conference and events; a hotel; business and conference centre; business development and diversification; and international development.

The business development team have produced an operational plan containing detailed objectives to support delivery of the strategy. The operational plan is aligned with the objectives raised within individual staff members self evaluations. As well as the College Strategic Plan and the Business & International Strategy 2016-2021, these objectives are also aligned to the learning and teaching strategy, the corporate development strategy and the regional outcome agreement, where applicable. Each objective is assigned to an individual, and has clear actions in place to achieve the objective. KPIs are in place to measure the achievement of the objectives. The Operational Plan incorporates a traffic light system to monitor the progress against each objective.

The business development department has flowcharts in place which detail the process to be followed when assessing each commercial or international opportunity which becomes available to the College. These cover business development opportunities, commercial opportunities, public course enquiries, and projects. The process for assessing a business development opportunity will start with an initial assessment, the preparation of a business case including a risk assessment, a review and approval of the proposal based on delegated limits, a submission process, and recording of whether the activity is successful or not. The process for assessing a commercial activity will involve an initial assessment, the completion of a business case template, and the completion of a costing template to determine whether the course is viable. Normally a 30% surplus is expected from each opportunity. The process for public courses and projects will require an initial evaluation, a costing review and risk assessment, and consideration of whether each opportunity is viable.

Progress against commercial and international targets are reviewed at each Development Committee meeting. The Development Committee meet three times each year. A report was produced for the February 2016 meeting which stated that projected commercial and international income for the year to July 2016 was £3.8m compared with a target of £3.5m.

EXECUTIVE SUMMARY

OVERVIEW

Scope and Approach

The scope of our review was to assess whether the College has a clear strategy and plan in place to deliver targeted commercial and international activities and whether sufficient resources have been assigned to deliver the plan for commercial and international activities. We also assessed whether the College has a process in place to assess business cases consistently and effectively cost, price and risk assess opportunities and whether appropriate monitoring and reporting arrangements are in place.

Our approach was to conduct interviews to establish the controls in operation and review documentary evidence to gain assurance that the controls are well designed. We then reviewed documentary evidence to confirm the effectiveness of these controls.

Good Practice

We are pleased to report that the College has a clear strategy and plan in place to deliver targeted commercial and international activities, with sufficient resources assigned with the operational plan. The College has a process in place for assessing business opportunities consistently which considers the cost, price and risk attached to each opportunity. The College effectively monitors progress against commercial and international targets and regular reporting is produced and discussed at each Development Committee meeting.

Key Findings

Notwithstanding the elements of good practice noted above we have identified one area for further improvement which is detailed below:

- **Monitoring of strategic objectives** - Whilst we recognise that progress is being made against objectives within the Business & International Development Strategy 2016-2021, reporting on progress could be improved. Reporting against the operational plan is in place at management level but there is no regular reporting against the strategic objectives.

Conclusion

We are able to provide a substantial level of assurance over the design and operational effectiveness of the controls in place surrounding international and commercial activities with a clear strategy and plan in place and effective monitoring and reporting of activities undertaken.

EXECUTIVE SUMMARY

RISKS REVIEWED GIVING RISE TO NO FINDINGS OF A HIGH OR MEDIUM SIGNIFICANCE

- ✓ The College may not have a clear strategy and plan in place to deliver targeted commercial and international activities
- ✓ The College may not have assigned resources to deliver the plan for commercial and international activities
- ✓ The College may not have a process in place to assess business cases consistently and to effectively cost, price and risk assess commercial activities
- ✓ The College may not be monitoring and reporting on progress against its plans for commercial and international activities

DETAILED FINDINGS AND RECOMMENDATIONS





RISK: The College may not be monitoring and reporting on progress against its plans for commercial and international activities			
Ref.	Finding	Sig.	Recommendation
1	<p>Strategic objectives are identified within the Business and International Strategy 2016-2021.</p> <p>There is an operational plan in place for the business development team which is linked to the Business and International Strategy 2016-2021, the Learning and Teaching Strategy, and the Regional Outcome Agreement. This is monitored and reported to the Development Committee on a regular basis. However, there is no reporting in place which summarises the progress against the five recommendations included within the Business and International Strategy 2016-2021.</p> <p>There is the risk that objectives are not achieved within the timescales agreed, or that management and where relevant, the Board, are not kept appraised of progress.</p>	●	<p>We recommend that progress against the strategic aims within the Business and International Strategy 2016-2021 is regularly evaluated and reported to the Development Committee and action taken where objectives are not being achieved.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Agreed. Further plans are under development and will be presented to the October Development Committee.</p>		<p><i>Responsible Officer: Roy Gardiner</i></p> <p><i>Implementation Date: 31st October 2016</i></p>	




APPENDIX I - STAFF INTERVIEWED

NAME	JOB TITLE
Alex Craig	Depute Principal
Roy Gardner	Corporate Development Director
Carla Gethin	Head of Business Development and Industry Academies

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

APPENDIX II - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX III - TERMS OF REFERENCE

BACKGROUND

As part of the 2015-16 Internal Audit Plan, it was agreed that internal audit would undertake a review to assess the arrangements in place within the college to expand upon existing commercial and international activities.


PURPOSE OF REVIEW

The purpose of this review is to provide management and the Audit Committee with assurance that the College has a clear plan in place to develop capability and capacity to expand upon existing commercial and international activities.

KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan and through discussions with management, the key risks that relate to the processes under review can be categorised as follows:

- The College may not have a clear strategy and plan in place to deliver targeted commercial and international activities;
- The College may not have assigned resources to deliver the plan for commercial and international activities;
- The College may not have a process in place to assess business cases consistently and to effectively cost, price and risk assess commercial activities;
- The College may not be monitoring and reporting on progress against its plans for commercial and international activities.



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