Board of Management

Audit & Assurance Committee

Date of Meeting	Tuesday 26 May 2026
Paper No.	AAC4-H
Agenda Item	3.3.1
Subject of Paper	Internal Audit Report: Budgetary Control
FOISA Status	Disclosable
Primary Contact	David Archibald, Henderson Loggie
Date of production	14 May 2026
Action	For Decision/Discussion/Noting

1. Recommendations

1.1. The Committee is asked to consider and discuss the report and the management responses to the Internal Audit Recommendations.

2. Consultation

2.1. The Lead Auditor has consulted with the Executive Owner, the College Lead, and the Compliance Auditor.

3. Key Insights

3.1. The Internal Audit for Budgetary Control has identified one Priority 3 recommendation from the fieldwork.

4. Impact and Implications

4.1. Internal Audit provides an objective insight into the efficiency of operations, evaluation of risks, and organisational controls.

Appendix 1: Internal Audit Report – Budgetary Control

LEVEL OF ASSURANCE
Satisfactory

City of Glasgow College

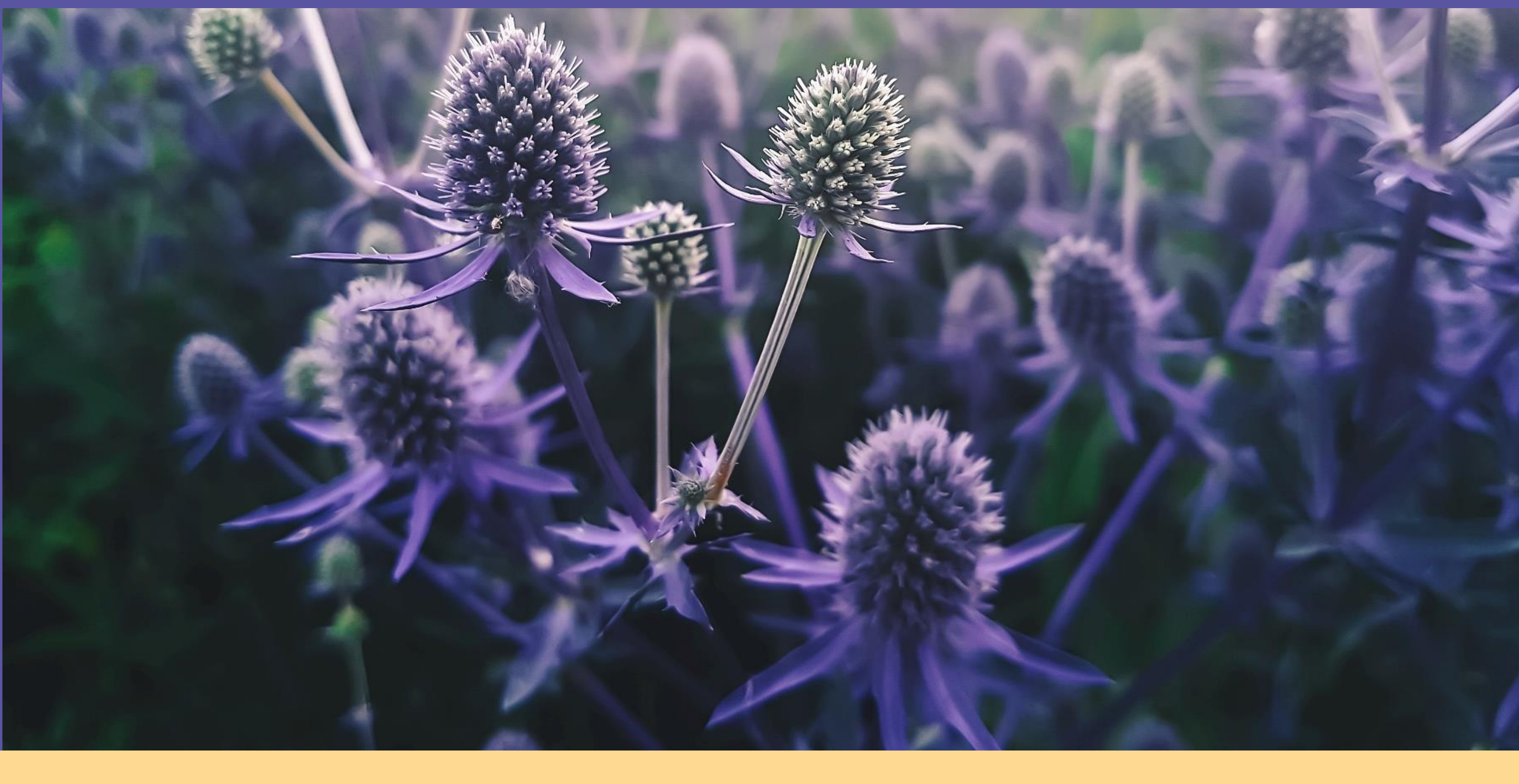
Budgetary Control (incl. Scenario Planning)

Internal Audit report No: 2026/06

Draft issued: 15 April 2026

2nd Draft issued: 12 May 2026

Final issued: 13 May 2026



Henderson Loggie

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Level of Assurance

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

Gradings are defined as follows:

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

Action Grades

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

Management Summary

Overall Level of Assurance

Satisfactory	System meets control objectives with some weaknesses present.

Risk Assessment

This review focused on the controls in place to mitigate the following risks on the City of Glasgow College ('the College') Strategic Risk Register as at February 2026:

- SR19 – Failure to achieve operating surplus (Net risk score 16, High); and
- SR23 – Failure to secure a sustainable model / level of funding (Net risk score 20, High).

Background

As part of the Internal Audit programme at the College for 2025/26, we carried out a review of the systems in place for Budgetary Control (incl. Scenario Planning). Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Audit and Assurance Committee and management that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College has undertaken action over recent years to enhance its Finance function, including the appointment of a new Chief Financial Officer and Financial Controller. This has resulted in a more controlled and transparent Finance department, with greater focus upon the production of financial forecast papers and enhanced processes around the development of College budgets, and the monitoring of expenditure.

As part of the enhanced processes around the budgetary control framework, Finance has implemented controls around the production of the Financial Forecast Return (FFR) which is submitted twice a year to the Scottish Funding Council (SFC). A five-year forecast paper containing different scenarios is produced by Finance and presented to the Finance Committee for review and approval.

The budget setting process within the College has developed greatly over the last two years, with the introduction of a detailed process and controls, including a detailed timetable, with deadline dates and actions owners. Finance work closely with budget-holders across the College, to assist them with the process of setting their budgets, and reviewing and amending the submissions, where required. A 'bottom-up' approach to budget setting has been introduced, resulting in budget-holders having more involvement in the budget setting process.

Finance monitors the expenditure against agreed budgets within the College and has regular meetings and interactions with budget-holders to review expenditure and variances from the budgets. A financial management system called BluQube is utilised within the College, and all budget-holders and Finance have access to this system. BluQube provides budget and expenditure data and enables users to see financial information, including expenditure, variances, and budgets, and to generate reports, for their cost-centres.

Scope, Objectives and Overall Findings

This audit reviewed the College's financial planning and budgetary control practices and protocols, to consider whether these are in line with good practice. This included consideration of budget monitoring procedures in place centrally and within a sample of Curriculum Areas and Support Teams.

The table below notes each separate objective for this review and records the results:

Objective	Findings			
The objectives of the audit were to ensure that:	**Level of Assurance**	**1**	**2**	**3**
		No. of Agreed Actions		
1. The College has developed a long-term financial strategy, which includes long-term financial forecasts and scenario planning	**Satisfactory**	0	0	1
2. Assumptions used in the financial forecasting returns submitted to the SFC are robust, realistic and are applied consistently. Any departure from the SFC guidance on common sector assumptions is justified to the Board and the SFC	**Good**	0	0	0
3. The budget setting process is aligned to financial regulations and procedures and is linked to corporate and operational planning processes, and budgets are revisited and revised when spending plans change or income targets are not achieved	**Good**	0	0	0
4. Information is available to management in Curriculum Areas and Support Teams which is up-to-date and in a format that can be easily understood by budget holders with the necessary skills for managing budgets	**Good**	0	0	0
5. Senior management and the Board regularly review the College's overall financial position (including the cash flow position) and variations from budget are reported and acted upon	**Good**	0	0	0
Overall Level of Assurance	**Satisfactory**	**0**	**0**	**1**
		System meets control objectives with some weaknesses present.		

Audit Approach

The Chief Financial Officer, Financial Controller, Management Accountant, and a sample of budget holders across Curriculum Areas and Support Teams were interviewed, and financial plans, forecasts and reports reviewed, to determine current working practices in financial planning and budget monitoring, and the information and training provided to budget holders.

The processes deployed to prepare financial reports for senior management, the Board, and the SFC were determined through discussion with Finance staff and review of supporting working papers.

We also established and reviewed the budget monitoring information provided to the College's Executive Team and to the Board.

Summary of Main Findings

Strengths

- The College has recently implemented enhanced controls across the budget setting and management process.
- A detailed timetable has been introduced from 2025/26, with key actions planned out and assigned with target dates and owners.
- Enhanced communication exist between Finance and budget-holders, and regular meetings to discuss expenditure to date.
- The draft budget and financial forecast papers are presented to the Finance Committee, Executive Leadership Team, and the Board, and reviewed and are effectively challenged by each group.

Weaknesses

- The five-year forecast paper does not factor in sensitivity analysis into the two scenarios presented which assess the likelihood of delivery of each element of the cash releasing savings in the projected timescales, and setting out the financial impact should some savings measures only be partially achieved in the timescales built into the financial plan.

Acknowledgements

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

Main Findings and Action Plan

Objective 1 - The College has developed a long-term financial strategy, which includes long-term financial forecasts and scenario planning

Finance management prepare a five-year forecast which is presented to the Finance Committee for discussion. This paper sets out five-year Financial Planning projections, including scenarios, and describes the assumptions being made in relation to the receipt of funding and staff / non-staff costs inflation, which will impact upon the College's long-term financial sustainability. It was highlighted that the five year projections are on basis of flat cash core grant settlements.

In November 2025, a paper was presented by the Chief Financial Officer to the Finance Committee for discussion, on the subject of 'Financial Projection – 5-year view'. This paper was based upon the updated Q1 forecast for 2025/26 and the 2025/26 Budget, and incorporated assumptions on income growth and potential efficiencies. The paper highlighted that the College operates within a constrained financial environment and was reflective of the Q1 Forecast reduction in income for the College. The draft minutes from the November 2025 Finance Committee meeting indicated that the five-year forecast was noted by the Committee and that the Committee discussed the nature of the savings of £4m staff costs and £0.275m operating expenses required to achieve the budget forecast for 2026/27. Additionally, the Committee discussed the current position of the Foundation Fund and the release of funds to assist with capital expenditure over the next three years. The Convenor, on behalf of the Committee, highlighted concerns about the College's potential exposure to capital underfunding.

The five-year forecast paper presented in November 2025 showed the financial position when corrective action is taken, and these projections indicate that the College will return to an underlying operating surplus in 2026/27, following a projected deficit in 2025/26. However, achievement of this position will require the implementation of staff efficiency measures, sustained growth in commercial income, and the timely delivery of ongoing operating expenses efficiency initiatives. Assumptions have been made in relation to SFC Grants, Fee Income, Commercial Income and expenditure inflation, and these assumptions are detailed within the paper. Without corrective action, the five-year forecast shows that the deficit for the College would be significant and would continue to increase over the each of the five years.

Objective 1 - The College has developed a long-term financial strategy, which includes long-term financial forecasts and scenario planning (continued)				
Observation	**Risk**	**Recommendation**	**Management Response**	
As noted above, the five-year forecast paper presented to the Finance Committee in November 2025 contained two scenarios. One scenario where corrective action was taken, and one scenario where no corrective action was taken. These are two extreme scenarios. Where full corrective action is taken there is a return to surplus for 2026/27 onwards through the efficiencies being implemented. Where no corrective action is taken there is a significant deficit increasing each year to 2029/30. Sensitivity analysis is not factored into these two scenarios, and there is no scenario where likely or anticipated positions are documented, should some corrective measures only be partially achieved in the projected timescales. So for example a scenario where the savings arising from a round of voluntary severance do not align with expectations or the delivery of a change to a delivery model takes longer than anticipated, thereby impact on the timing of achievement of the cash releasing savings.	There is a risk that the Finance Committee is not aware of the financial impact should certain corrective actions not achieve the full savings or income described in the paper, within the anticipated timescales.	**R1** It is recommended that future five-year forecasts be enhanced to incorporate sensitivity analysis which estimates the likelihood of successful achievement of the projected savings or income, should some corrective measures only be partially achieved in the anticipated timescales .	Future 5 year forecasts completed from Q1 2026/27 will include sensitivity analysis. **To be actioned by:** Chief Financial Officer **No later than:** 30 November 2025	
			Grade	**3**

Budgetary Control (incl. Scenario Planning)

Objective 2 - Assumptions used in the financial forecasting returns submitted to the SFC are robust, realistic and are applied consistently. Any departure from the SFC guidance on common sector assumptions is justified to the Board and the SFC

Following a twice annual 'call for information' from the SFC to colleges, the College produces a detailed Financial Forecast Return (FFR). The FFR is a medium-term financial forecast and this supports the SFC's financial health monitoring and must show that colleges remain financially sustainable and viable. All colleges must submit a FFR to the SFC, and the SFC issues detailed Excel workbooks that include locked formulae and the requirement to provide commentary should set tolerances be exceeded. Should a college forecast a deficit, they must outline actions to return to balance.

A mid-year FFR for City of Glasgow College was submitted on 21 March 2025 (2024/25 period) and this was followed by a full-year FFR which was submitted on 1 July 2025. Both the mid-year FFR and the full-year FFR are detailed forecasts that reflect financial statements of academic and physical plans from 2024/25 to 2027/28, and the workbooks cover forecasts for a range of financial areas, including annual staffing efficiencies, alternative funding scenarios, pension assumptions, income, expenditure, liquidity analysis, cashflow and balance sheet.

Within both the mid-year and full-year FFR, commentary is provided on efficiencies, assumptions made relating to staff reduction, fee income and pensions, and income and expenditure.

It was identified from our review of the minutes for the Finance Committee meeting on 17 September 2025, that the FFR which was submitted to the SFC on 1 July 2025, was discussed for noting. Whilst it was minuted that the FFR submitted to the SFC "reflects the five-year plan that was presented to the Committee in June 2025", the FFR was not presented to the Finance Committee for its review prior to submission to the SFC. We discussed this with the Chief Financial Officer and the Financial Controller who explained the practical challenges in completing the FFR process and presenting to it to the Finance Committee, to allow visibility of the FFR prior to submission to the SFC. We recognise that the timescales for completion of the FFR are often extremely tight, given the timing of issue of the guidance on completion of the FFR by the SFC, and may not align with Committee calendars. Therefore, we have not raised a separate recommendation on this point.

Objective 3 - The budget setting process is aligned to financial regulations and procedures and is linked to corporate and operational planning processes, and budgets are revisited and revised when spending plans change or income targets are not achieved

Detailed financial regulations for the College are published on the College website, under the Policies, Plans and Reports section, and are available for everyone to view. The Financial Regulations Policy includes detailed sections on Budget Objectives, Budget Preparation & Monitoring, Capital Budgets and Budgetary Control.

The budget setting process for the College is a complex one, commencing early in the calendar year and involving extensive communication between Finance and key stakeholders, including faculties, cross-College support areas, management and the Finance Committee. A detailed timetable, with clear actions and milestones, is used to ensure that all key tasks are undertaken as required. We confirmed that key stakeholders are aware of this timetable and the budget-setting requirements ahead of deadlines. Finance issues templates and instructions to budget-holders and these are issued in advance of the required completion date. However, budget-holders can also seek further guidance from Finance if required.

We were advised that this process has evolved over the last two years, with enhanced communication between Finance and stakeholders, including the positioning of the budget-setting process, the introduction of a ‘bottom-up’ approach to complement the existing ‘top-down’ approach, and transparent communications with budget-holders around target expenditure for the year. The introduction of a ‘bottom-up’ approach provides budget-holders with accountability for their own budgets because they are involved in setting their budgets and have a duty to monitor these throughout the financial year. It also makes them feel that they are an integral part of the process, which results in a higher degree of ownership.

Finance works with budget-holders to review budget submissions in order to meet the financial challenges facing the College and the wider sector. Where budget submissions require to be reviewed in order to achieve financial targets, Finance work collaboratively with budget-holders to establish where savings can sensibly be achieved.

Budgetary Control (incl. Scenario Planning)

Objective 4 - Information is available to management in Curriculum Areas and Support Teams which is up-to-date and in a format that can be easily understood by budget holders with the necessary skills for managing budgets

Finance staff at the College work closely with budget-holders, within faculties and cross-College departments, to guide them in setting their annual budgets and throughout the financial year to review their expenditure and income against the agreed budget. Finance staff are assigned a portfolio of budget-holders and monthly meetings take place with these budget-holders to review expenditure and income to date and to address any variance from the year to date budget.

The College utilises a finance management system called BluQube to record budgets and expenditure for each cost centre, and all budget-holders have access to this system and have been trained on how use this to obtain real-time data. Within BluQube, budget-holders can view their annual budgets and their expenditure to date. They can also view invoices paid, undertake document enquiries and generate reports showing management information for their allocated cost-centres.

Finance operates an ‘open-door’ policy where budget-holders can contact any member of the Finance department to seek assistance on the budget monitoring process.

Budgetary Control (incl. Scenario Planning)

Objective 5 - Senior management and the Board regularly review the College's overall financial position (including the cash flow position) and variations from budget are reported and acted upon

Within the College, there are a number of governance groups in place to oversee the financial position of the College. These include the Board of Management, the Finance Committee and the Executive Leadership Team.

A detailed Terms of Reference exists for the Finance Committee, which describes the remit of the Committee, membership composition, meetings and quoracy. The remit includes the requirement to "*Review, approve and monitor the implementation of the College's financial strategies and associated plans, and submit appropriate reports and recommendations to the Board of Management on these strategies and plans*" and "*Receive and approve the annual budget and final accounts for recommendation to the Board of Management.*"

The discussion of College budgets, financial position and cash flow position are regular agenda items for the Finance Committee, which meets quarterly. Through our review of the meeting minutes, and of the papers submitted and topics discussed at the Finance Committees during 2025/26, it was evidenced that papers had been presented to the Finance Committee for approval, decision, discussion or noting, by the Chief Financial Officer or Financial Controller, on the topics of the five-year financial forecast, CapEx draft budget, draft College budget 2025/26, College course fees, quarterly financial positions and funding allocations.

At the Board of Management meeting on 18 June 2025, the Chief Financial Officer attended and presented the draft budget for 2025/26 for approval. Following detailed discussion and review, this draft budget was approved.

At the Executive Leadership Team meetings, the Chief Financial Officer presents the latest financial position to the attendees, detailing the financial position in comparison to the year to date budget, and the projected year end position.

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