

Scottish Government Consultation on Good College Governance, May 2017

Joint response from the Auditor General for Scotland and Audit Scotland

Introduction

1. This joint response is being provided on behalf of the Auditor General for Scotland and Audit Scotland. We have not sought to answer all of the consultation questions individually, as many appear to be policy matters for Ministers. We have offered some guiding principles and broad areas on which Ministers may wish to reflect as part of their consideration of the matters within the consultation. However, there are four questions where a more direct connection can be made to our work; specifically, questions 3, 5, 6 and 16. We have also provided a response to question 14, given it proposes an extension of the Auditor General's powers.

Context

2. The Auditor General for Scotland published [The role of boards](#) in September 2010. The report acknowledged that the system of accountability for public bodies in Scotland is complex. It emphasised the need to make it clear who is responsible for key decisions, at a time when the public sector is making hard choices about the future of public services. Both the context in which the report was prepared and its recommendations remain relevant. As the Auditor General's recent statutory reports on Edinburgh College, Lews Castle College and Moray College highlight, college boards have an important role to play in responding to particular financial challenges.¹
3. Since publication of *The role of boards*, the college sector has undergone significant changes, including regionalisation and reclassification. These changes have led to different and, in some cases, more complex arrangements for accountability and governance of the sector. Both the Auditor General and Audit Scotland were supportive of the work of the Good Governance Task Group. Many of the Group's findings were similar to those of our own work in the sector, particularly those covered in the Auditor General's statutory reports on Glasgow Clyde College, Coatbridge College and North Glasgow College.

Areas for consideration

Reports by the Auditor General

4. Ministers might want to have regard to recent statutory reports prepared by the Auditor General, which have commented on issues relating to governance severance, performance and financial sustainability. A list of these reports, with hyperlinks to the reports, is included at Appendix A.

¹ These reports are prepared under Section 22 of the Public Finance and Accountability (Scotland) Act 2000.

Board membership

5. We suggest that Ministers consider consultation responses in the context of the general principles established in *The role of boards*. In terms of board membership, we highlighted in that report that the critical factors in determining the strength and success of any board are:
 - the calibre and personalities of individual board members
 - the blend of skills and expertise of the board
 - how they work together as a group.
6. We also noted that the number of board members must provide a balance between having sufficient skills and expertise to fulfil the board's functions, and not having so many members that decision-making and collective responsibility become difficult. These principles would apply most directly to **questions 3 and 5** of the consultation document.
7. **Question 6** asks about advertising all college board vacancies centrally. In *The role of boards*, we noted that, in the years prior to the report, the number of people applying to become non-executives had been decreasing (para 67 et seq). If that pattern has continued, then it would seem sensible to consider any process which could lead to increased numbers of applications from potentially suitable candidates. Related to this (and with a direct link to **question 16** of the consultation), we also noted in *The role of boards* that progress to improve the diversity of applicants had been mixed. In that regard, efforts should be made to emphasise and encourage a diverse range of applicants. We agree that it is important to provide adequate time for people to apply.
8. Finally, on board membership, it is important that, irrespective of how non-executives come to be on the board, what is best for the organisation must override any other interests. Discussion and debate are essential within boards and it is important that stakeholder representatives are able to put across the views and concerns of the people they represent. However, once a decision is made – even by a vote – all board members must take collective responsibility for the decision and support it.

General

9. Given reclassification has led to colleges being more clearly a part of the public sector, Ministers may want to have regard to the processes in place for boards in other public bodies. Specifically, how each of the consultation areas work in other bodies, and whether there are good reasons for doing something different in the college sector. This may be particularly relevant in relation to consultation questions on Ministers' powers to appoint, suspend and remove members, and to direct colleges. It may also be relevant in the context of any consideration of remuneration, whether that be in relation to the chairs of boards or to ordinary members.
10. Ministers may also wish to consider applying a similar approach to questions that relate to the differences between regional colleges and assigned colleges. Related to this, in some

consultation areas, it is not clear whether the issues being considered are to apply to regional strategic bodies, as well as to regional and/or assigned colleges. Ministers may wish to consider this when making decisions on each of the issues.

Extension of Auditor General's powers

11. **Question 14** asks whether the powers of the Auditor General for Scotland to conduct economy, efficiency and effectiveness examinations be extended to include all relevant non-incorporated colleges.
12. The Auditor General's existing powers allow a degree of access and scope to audit the activities of the non-incorporated colleges listed in the consultation document. This would require examination through the Scottish Funding Council, in terms of 'following the public pound', and would allow a reasonable degree of flexibility for detailed review of the individual colleges' activities. However, as we noted earlier, regionalisation has changed governance and accountability arrangements. In the case of the two of the three non-incorporated colleges to which the consultation refers (Sabhal Mòr Ostaig and West Highland College UHI), these colleges are now funded by UHI, rather than the SFC. As a university, UHI is responsible for appointing its own external auditor and, as a charity, is also accountable to OSCR. The Auditor General has powers to perform value-for-money audits in bodies funded by the 'higher education funding body for Scotland' (SFC). Because the Auditor General does not conduct the annual audit of UHI, the new, regional arrangements could make access to colleges in the UHI region more difficult. Therefore, there appears to be a case for the statutory powers to be formally extended. We note that Argyll College is not mentioned in the consultation. It is not clear if this is because it receives its funding from North Highland College, but we would invite Ministers to consider whether Argyll College should be included, specifically, in any extension of the Auditor General's powers.

Audit of non-incorporated colleges

13. While not specifically included within the consultation, Ministers might also wish to reflect on whether the differing annual audit arrangements for incorporated and non-incorporated colleges might warrant consideration, including whether it would be appropriate for the Auditor General to be responsible for the annual audit of the non-incorporated colleges described above. In doing so, Ministers may want to form a view based on the criteria used to determine the audit arrangements for all other colleges currently audited by the Auditor General. It would be important to note that, if the Auditor General was to be responsible for the audit of these colleges, there could be resource and cost implications of doing so, both for Audit Scotland and for the colleges (in terms of audit fees).

Appendix A – list of relevant Auditor General/Audit Scotland reports

The role of boards

[The role of boards](#)

[Role of boards: a summary for non-executive board members](#)

Statutory reports

[The 2012-2013 audit of North Glasgow College](#)

[The 2013/14 audit of Coatbridge College](#)

[The 2014/15 audit of Glasgow Clyde College](#)

[The 2014-15 audit of Edinburgh College](#)

[The 2015-16 audit of Edinburgh College](#)

[The 2015-16 audit of Lews Castle College](#)

[The 2015-16 audit of Moray College](#)