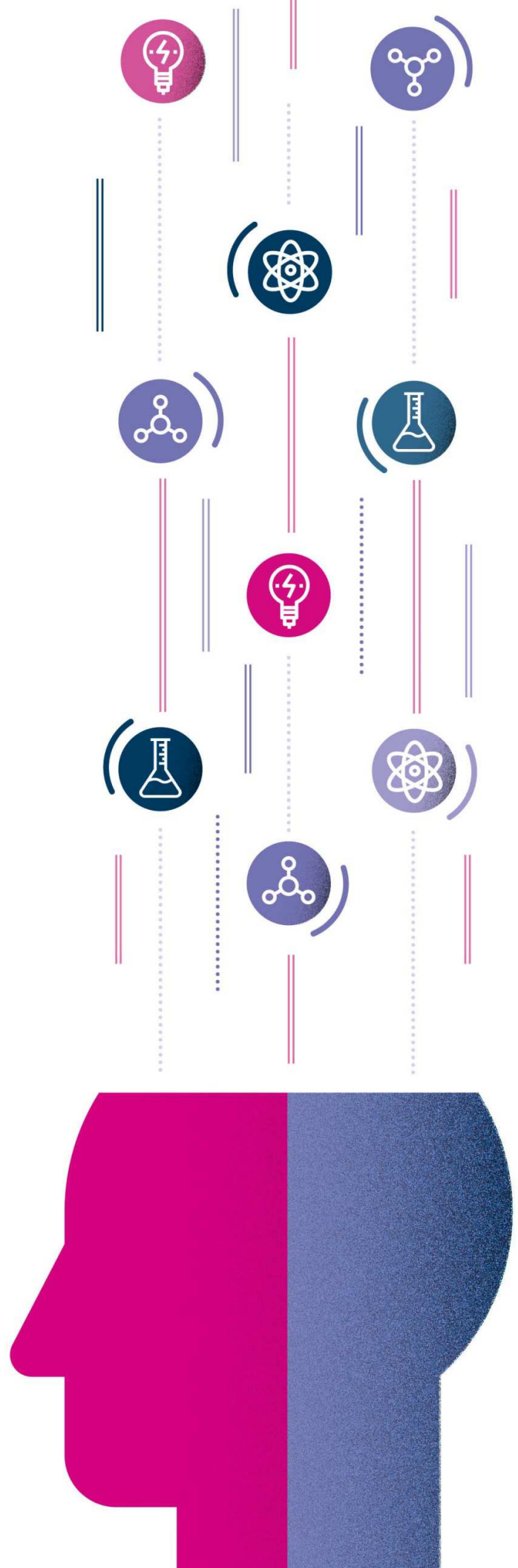


# City of Glasgow College

External Audit Plan 2018-19

May 2019





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# 1. Introduction

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## Introduction

1. This document summarises the work plan for our 2018/19 external audit of the City of Glasgow College (“the College”).
2. The core elements of our work include:
  - an audit of the 2018/19 annual report and accounts;
  - a review of the College’s arrangements for governance and transparency, financial management, financial sustainability and value for money;
  - monitoring the College’s participation in the National Fraud Initiative (NFI); and
  - any other work requested by Audit Scotland.
3. (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
4. Scott-Moncrieff provides taxation services to the College. The expected non-audit fee for this work in 2018/19 is £2,500.
5. We set out in Appendix 2 our assessment and confirmation of independence.

## Audit appointment

3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, including further education bodies in Scotland, and reporting on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Scott-Moncrieff as external auditor of the College for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2018/19 and summarises:
  - the responsibilities of Scott-Moncrieff as the external auditor;
  - our audit strategy;
  - our planned audit work and how we will approach it;
  - our proposed audit outputs and timetable; and
  - background to Scott-Moncrieff and the audit team.
6. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the College 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 the College promote improved standards of governance, better management and decision making and more effective use of resources.

## Adding value through the audit

10. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the College 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 the College promote improved standards of governance, better management and decision making and more effective use of resources.

## Feedback

11. 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).
12. While this plan is addressed to the College, it will be published on Audit Scotland’s website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## 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. We confirm that we will comply with Financial Reporting Council’s (FRC) Revised Ethical Standard



# 2. Respective responsibilities of the auditor and the Board of Management

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## Respective responsibilities of the auditor and the Board of Management

### Auditor responsibilities

#### Code of Audit Practice

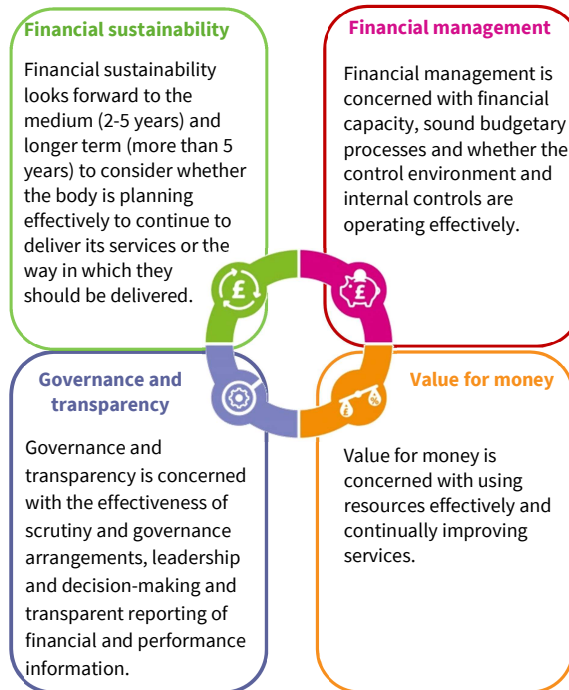
13. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

#### Our responsibilities

14. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards
  - provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions
  - review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
  - notify the Auditor General when circumstances indicate that a statutory report may be required
  - demonstrate compliance with the wider public audit scope (proportionate to the audited body) by reviewing and providing judgements and conclusions on the audited bodies':
    - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;
    - suitability and effectiveness of corporate governance arrangements; and
    - financial position and arrangements for securing financial sustainability.
15. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements 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.

### Exhibit 1: Audit dimensions of wider scope public audit



### Wider scope audit work

16. 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.
17. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
18. Where the application of the full wider scope is judged by us not to be appropriate then our annual audit work on the wider scope is restricted to:
- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
  - Consideration of the financial sustainability of the



- organisation and the services that it delivers over the medium and longer term.
19. Our assessment takes into account the size, nature and risks of the College. Taking these factors into consideration, we have concluded that application of the full wider scope is appropriate at the College.

## The Board of Management's responsibilities

20. The Board of Management has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The Board of Management's responsibilities are summarised in Exhibit 2. Exhibit 2 – Board of Management responsibilities

## Exhibit 2 – Board of Management responsibilities

Area	The Board of Management's responsibilities
<p><b>Financial statements:</b> Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Board of Management has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures;</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority;</li> <li>• maintaining proper accounting records; and</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.</li> </ul>
<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>The Board of Management is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with any statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• How the organisation plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>



Area	The Board of Management's responsibilities
<p><b>Financial management:</b> Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>The Board of Management is responsible for ensuring that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>The Board of Management is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>The Board of Management is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p><b>Governance and transparency:</b> Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>The Board of Management is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>The Board of Management is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Board of Management has a specific responsibility to ensure that arrangements have been made to secure best value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>





# 3. Audit strategy

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# Audit strategy

## Risk-based audit approach

21. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the College. This ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers and non-executive Board members	Our understanding of the further education sector and its key priorities and risks	Attendance at the Audit Committee
Guidance from Audit Scotland	Discussions with Audit Scotland and other sector auditors	Discussions with internal audit and reviews of their plans and reports
Review of the College's corporate strategies and plans	Review of the College's corporate risk register	The outcomes of prior year audits

22. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

### Communications with those charged with governance

23. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with the College that these communications will be through the Audit Committee.

### Professional standards and guidance

24. We perform our audit of the financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

### Partnership working

25. We will coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

### Audit Scotland

26. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with them throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.
27. Audit Scotland undertakes national performance audits on issues affecting the public sector. We will review the College arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We plan to assess the extent to which the College uses the national performance reports as a means to help improve performance at the local level.
28. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.



## Internal audit

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29. The College's internal audit service is provided by Henderson Loggie. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the College's total audit resource. We will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource available to the College is used efficiently and effectively.



# 4. Annual report and accounts

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## Annual report and accounts

### Introduction

30. Audited bodies' annual report and accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of the College's annual report and accounts.
31. The annual report and accounts of the College comprise the financial statements, the performance report and the accountability report.

### Approach to audit of the financial statements

32. Our opinion on the financial statements will be based on:

#### Risk-based audit planning

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33. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the financial statements will be based.

#### An audit of key systems and internal controls

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34. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements
35. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and the College's own policies and procedures.
36. We will take cognisance of any relevant internal audit reviews of systems and controls.
37. We will update the risk assessment following our evaluation of systems and controls and this will ensure that we continue to focus attention on the areas of highest risk.

#### A final audit of the financial statements

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38. During our final audit we will test and review the material amounts and disclosures in the financial statements. The extent of testing will be based on our risk assessment.

39. Our final audit will seek to provide reasonable assurance that the financial statements are free from material misstatement and comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP), HM Treasury Financial Reporting Manual 2018/19 (FRoM) and the Accounts Direction.
40. In order to provide assurance on the regularity of transactions, we also review whether, in all material respects, expenditure has been incurred and income applied in accordance with guidance issued by Scottish Ministers.

#### Independent auditor's report

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41. Our opinion on whether the financial statements give a true and fair view and of the regularity of transactions will be set out in our independent auditor's report which will be included in the annual report and accounts.
42. We also provide an opinion on the audited part of the remuneration report, annual governance statement and performance report.

#### Materiality

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43. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We will review our assessment of materiality throughout our audit.
44. Our initial assessment of materiality for the financial statements is £1.662 million (approximately 1.8% of the 2017/18 expenditure), which is considered one of the principal considerations for users of the financial statements when assessing performance. We will continue to review our assessment of materiality throughout our audit.
45. Performance materiality is the amount set by the auditor at less than overall materiality for the financial statements 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 financial statements as a whole.
46. We set a performance (testing) materiality for each area of work which is based on a risk assessment for



the area. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

- All material corrected misstatements;
- Uncorrected misstatements over £83,100; and
- Other misstatements below £83,100 that we believe warrant reporting on qualitative grounds.

**Key audit risks in the financial statements**

	Area risk assessment £million		
	High	Medium	Low
Performance materiality	0.831	0.997	1.246

48. Auditing standards require that we inform the Audit Committee of our assessment of the risk of material misstatement in the financial statements. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Audit Committee if our assessment changes significantly during the audit.

47. We will report any misstatements identified through our audit that fall into one of the following categories:

## Exhibit 3 – Key audit risks in the financial statements

### 1. Management override

In any organisation, there exists a risk that management has 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 financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor’s responsibilities relating to fraud in an audit of financial statements*.



49. In response to this risk we will review the College’s accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this significant risk. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation and amortisation rates, asset valuations, provisions and bad debt analysis.



## 2. 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 College could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

50. As part of our planning process we have considered the nature of the revenue streams at the College against the risk factors set out in ISA (UK) 240. We have identified that for Scottish Funding Council (SFC) grant funding the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate revenue of this nature. We have concluded, however, the risk of fraud in relation to revenue recognition is present in all other income streams.
51. We will review evaluate each material revenue stream, including the controls over revenue accounting. We will conduct substantive testing on all material revenue streams to confirm revenue has been recognised appropriately and in line with accounting policies.

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

In 2016, the Public Audit Forum issued Practice Note 10 "*The Audit of Public Sector Financial Statements*" which applies to the audit of public sector financial statements for periods commencing after June 2016. This 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.

52. In response to this risk we will evaluate the significant expenditure streams at the College (excluding payroll which is not deemed to be a significant risk area) and review the controls in place over accounting for expenditure. We will consider the College's key areas of expenditure and obtain evidence that the expenditure was recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.



#### 4. Risk of material misstatement of assets

The College identified an incident of fraud during the 2018/19 financial year. The incident was detected via an internal control mechanism, through the PECOS monthly purchase order reconciliation process. The alleged fraud involves the purchase of IT equipment, such as MacBook Pro laptops and iPhones, which appear to have been subsequently removed from the College by a member of the IT department involved in the purchase and good received process. The alleged fraud is currently estimated to have resulted in a loss of c£500k to the College. Henderson Loggie, internal auditors, are engaged to conduct a forensic review of the incident.

The College has also commissioned an independent review of its asset register for IT equipment to confirm completeness. There is therefore a further risk that this process may identify variances between assets recorded in the ledger and in the fixed asset register.

53. In response to this risk we will review the report issued by Henderson Loggie and the independent review of the completeness of the fixed asset register being conducted by Gardiner Theobald to establish the scale of any potential fraud or error in the completeness of the asset register. We will use the report in planning any additional expenditure and fixed asset testing, again seeking to minimise duplication of effort. We will ensure that the above expenditure testing of controls is robust, that assets contained on the fixed asset register are genuine and in existence and we will consider the controls in place to eliminate, minimise and mitigate fraudulent incidents. Additionally, we will seek to understand and review what improvements to processes the College has implemented as a result of the potential fraud. We will also review the adequacy of the disclosures in the annual report and accounts, including the performance and accountability report and losses statement.

#### 5. Estate valuation

The College has invested significantly in its estate in recent years through PPP contracts for the City and Riverside campus developments. Funding for these developments is partly reliant on future asset sales and a one college site has recently been sold with a number of other sites currently held for sale. The carrying value of assets in the College's accounts are based on a range of estimates and small changes in estimate have the potential to result in a material change in asset valuation. In addition, we understand that the College will be directed by the SFC to transfer the proceeds from the sale of assets during the year to other Colleges within the sector. The accounting for this transaction has not yet been finalised.

54. Our audit procedures will include an assessment of the accounting impact of the College's estate valuation review of assets, including assets held for sale. We will also consider the completeness of the College's own impairment review as part of that assessment. We will assess the appropriateness of accounting arrangements for asset sales and compliance with SFC guidance, in accordance with the College's accounting policies and the SORP.

### The performance report, accountability report and other information

55. The HM Treasury Government Financial Reporting Manual 2018/19 sets out the content required within the annual report and accounts. In addition to presenting our opinions over the financial statements our independent auditor's report will also present our opinion on other aspects of the annual report and accounts:

#### Other information

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





57. We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our independent auditor's report.

### The performance report

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58. The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. It contains:
- an overview of the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year; and
  - a detailed summary of how the entity measures its performance.
59. Our independent auditor's report will confirm whether in our opinion the performance report has been properly prepared and is consistent with the financial statements.

### The accountability report

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60. The accountability report is required in order to meet key parliamentary accountability requirements. It has three sections:
- A corporate governance report (including a governance statement) explaining the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives.
  - A remuneration and staff report setting out staff numbers and costs as well as the entity's remuneration policy for directors and the remuneration awarded to directors.
  - A parliamentary accountability report disclosing the regularity of expenditure and other parliamentary accountability requirements.
61. Our independent auditor's report will confirm whether in our opinion the governance statement and the audited part of the remuneration and staff report have been properly prepared and are consistent with the financial statements.



# 5. Wider scope audit

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## Wider scope audit

### Introduction

62. As described in section 2, the Code frames a significant part of our audit responsibilities in terms of four wider scope audit dimensions. As part of our annual audit we consider and report against these four dimensions:

- financial sustainability
- financial management
- governance and transparency; and
- value for money.

63. Our planned audit work against the four dimensions is risk based and proportionate. Our initial assessment builds upon our work in prior years to develop an understanding of the College's key priorities and risks. In 2018/19, Audit Scotland has also identified the

following wider scope risks, which we will consider during our audit as they relate to the College:

- EU withdrawal
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency.

64. At this stage of our audit planning process, we have not identified any significant risks to the wider scope of our audit. The table below summarises our audit work in respect of each dimension.



#### Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the organisation's planning processes support the future delivery of services.

#### Consideration

During 2017/18, the College undertook an organisational re-structure, aligned to the College Strategy 2017-25. The key aim of the re-organisation was to create a more effective structure, supporting the overall delivery strategy and enhancing day-to-day operations. There is an underpinning finance strategy in place which we considered appropriately focused on the key areas of risk to delivering services within budget and highlighted the pressures on the College to maintain service delivery.

In line with the Scottish Funding Council's (SFC) guidance on the submission of Financial Forecast Returns (FFRs) for the period to 2022/23, the College is currently finalising its five year forecast. Current expectation is that a break-even position will be achieved every year to 2022/23.

Due in part to the steps taken above, the College is projecting a surplus position for each of the coming 5 years. As a result, financial sustainability is thus, not considered a significant risk at this time.

Ongoing pressures within the further education sector mean that it is vital the College continues to plan sufficiently to ensure it is financially sustainable in the longer term.

#### Our audit approach

During our 2018/19 audit we will update our assessment of the College's financial standing. This will involve a review of the arrangements in place for short, medium and long term financial planning, budgetary control and financial reporting.



## Financial management

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

### Consideration

In 2017/18, we concluded that the College had adequate arrangements in place for financial management, reporting an underlying surplus of £0.644million.

In April 2018, the College is forecasting an underlying surplus of £0.75million compared with an original budget surplus of £0.6million.

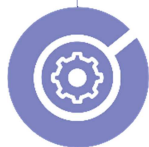
The National Fraud Initiative (NFI) is a counter fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and overseen by the Cabinet Office for the UK as a whole to identify fraud and error.

The most recent NFI exercise commenced in 2018 and as part of our 2018/19 audit we will monitor the College's participation in NFI.

### Our audit approach

In addition to the specific audit procedures identified with regard to the identification of the fraud in year, as set out within Section 4 of this report, during our 2018/19 audit we will review, conclude and report on the following:

- The achievement of financial targets and the effectiveness of financial performance reporting during 2019/19;
- Whether the College continues to have arrangements in place to ensure systems of internal control are operating effectively;
- Whether the College can continue to demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;
- Whether the College has established appropriate and effective arrangements for the prevention and detection of fraud and corruption; and
- The College's participation and progress in the National Fraud Initiative.



## Governance and transparency

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

### Consideration

In 2017/18 we concluded that governance arrangements at the College were appropriate, however we noted that there was further work required to firmly establish the nature of the relationship with Glasgow Colleges' Regional Board.

Openness and transparency support understanding and scrutiny. Public sector bodies are expected to regularly review their approach to openness and transparency to ensure they are continuing to meet good practice.

In May 2018 the Scottish Government updated its guidance for audit committees in the public sector through an update to its Audit Committee Handbook. The

### Our audit approach

As part of our work on governance and transparency in 2018/19, we will:

- Continue to consider whether the College can demonstrate that the governance arrangements in place are appropriate and are operating effectively;
- Consider the transparency of decision making and on financial and performance



## Consideration

revised handbook sets out the fundamental principles relating to the role, membership and work of the Audit and Assurance Committees.

## Our audit approach

reporting.

- Consider the ongoing relationship with the GCRB and consider the implications for the College in terms of their governance arrangements.
- Assess whether the College is compliant with the revised Audit Committee Handbook.
- Review the College's preparations for the potential impact of EU withdrawal.



### Value for money

Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.

## Consideration

During the 2017/18 financial year the College demonstrated commitment to achieving value for money through its annual review of the sustainability strategy.

During 2017/18, the College had an established and appropriate performance management framework in place. A revised set of key performance indicators were developed to align to the Strategic Plan 2017-25.

Performance is monitored by the Board and relevant sub-committees throughout the year.

## Our audit approach

During 2018/19 we will review, conclude and report on:

- The College's ability to demonstrate the achievement of value for money in the use of its resources.
- Evidence which confirms that College outcomes are improving and there is sufficient focus on improvement and the pace of it.



# 6. Audit outputs, timetables and fees

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## Audit outputs, timetable and fees

This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of the College.

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2018/19.	May 2019
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the regularity of transactions and the audited part of the remuneration report, annual governance statement and performance report.	November 2019
Annual Report to the College and the Auditor General for Scotland	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	November 2019

### Audit outputs

65. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
66. The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

	2018/19	2017/18
Auditor remuneration	£37,536	£33,770
Pooled costs	£1,950	£1,950
Audit support costs	£2,050	£2,050
<b>Total fee</b>	<b>£41,500</b>	<b>£37,760</b>

### Audit fee

67. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
68. As auditors we negotiate a fee with the audited body during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
69. For 2018/19 the expected fee for the College is £41,500. We propose setting the 2018/19 audit fee at the 10% above expected fee level. This takes into consideration the risks identified at planning and the additional work anticipated as a result of the incident of fraud in the year.
70. We will take account of the risk exposure of the College and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.



## Audit timetable

71. A summary timetable, including audit outputs, is set out as follows:

- MAY 19** ● Planning meeting to inform the 2018/19 audit
- MAY 19** ● Presentation of External Audit Plan to the Audit Committee
- OCT 19** ● Accounts presented for audit and final audit visit begins
- NOV 19** ● Annual audit report presented to the Audit Committee and submitted to the Auditor General for Scotland





# 7. Appendices

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## Appendix 1: Scott-Moncrieff

Edinburgh	Glasgow	Inverness
Exchange Place 3 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

### Your audit management team



#### Gary Devlin

##### Partner

[gary.devlin@scott-moncrieff.com](mailto:gary.devlin@scott-moncrieff.com)

Gary is responsible for Scott-Moncrieff's work in the public sector and further and higher education sectors. He has over 20 years' experience in providing audit, assurance and advisory services to a wide range of clients and is an expert on governance and risk reviews in the public, charity and education sectors.

Gary experience spans internal audit, external audit and risk management services and he is the partner in charge of a range of our HE and FE internal and external audit appointments. Gary is the appointed auditor to Glasgow Clyde College, Glasgow Kelvin College, the City of Glasgow College and the Glasgow Colleges' Regional Board



#### Sally Castledine

##### Audit Manager

[sally.castledine@scott-moncrieff.com](mailto:sally.castledine@scott-moncrieff.com)

Sally has over 12 years' public sector external audit experience. She has delivered external audit services to a range of public sector bodies, including health bodies, central government bodies and further education bodies.

Sally will coordinate the wider scope elements of the audit, working alongside Lynsey to deliver the overall audit engagement.



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## Lynsey Hamilton

**Assistant Manager**

[lynsey.hamilton@scott-moncrieff.com](mailto:lynsey.hamilton@scott-moncrieff.com)

Lynsey will lead the onsite team in the delivery of the financial statements annual audit. Lynsey has a breadth of experience providing external audit and accounting services to a range of not-for-profit, charity and limited company clients.

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## Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

### Non-audit services

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Scott-Moncrieff provides taxation services to the College. All taxation services are provided by independent partners and staff who have no involvement in the audit of the annual report and accounts. The total value of the taxation services provided in 2018/19 is anticipated to be approximately £2,500 (excluding VAT).

### Confirmation of independence

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We confirm that we will comply with FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff, the College, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.



## Appendix 3: Statement of understanding

### Introduction

The purpose of this statement of understanding is to clarify the terms of our appointment and the key responsibilities of the College's Board of Management ("the Board") and Scott-Moncrieff.

### Annual report and accounts

We will require the annual report and accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant College staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy which sets out roles, responsibilities and expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

### Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for the Board's responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the College during the course of the audit on matters having a material effect on the financial statements. This will take place by means of a letter of representation, which will require to be signed by the Principal.

### Internal audit

It is the responsibility of the College to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

### Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

### Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants of Scotland.

### Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

### Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Gary Devlin. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants of Scotland.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

### Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

### Agreement of terms

We shall be grateful if the Audit Committee would consider and note this statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.

