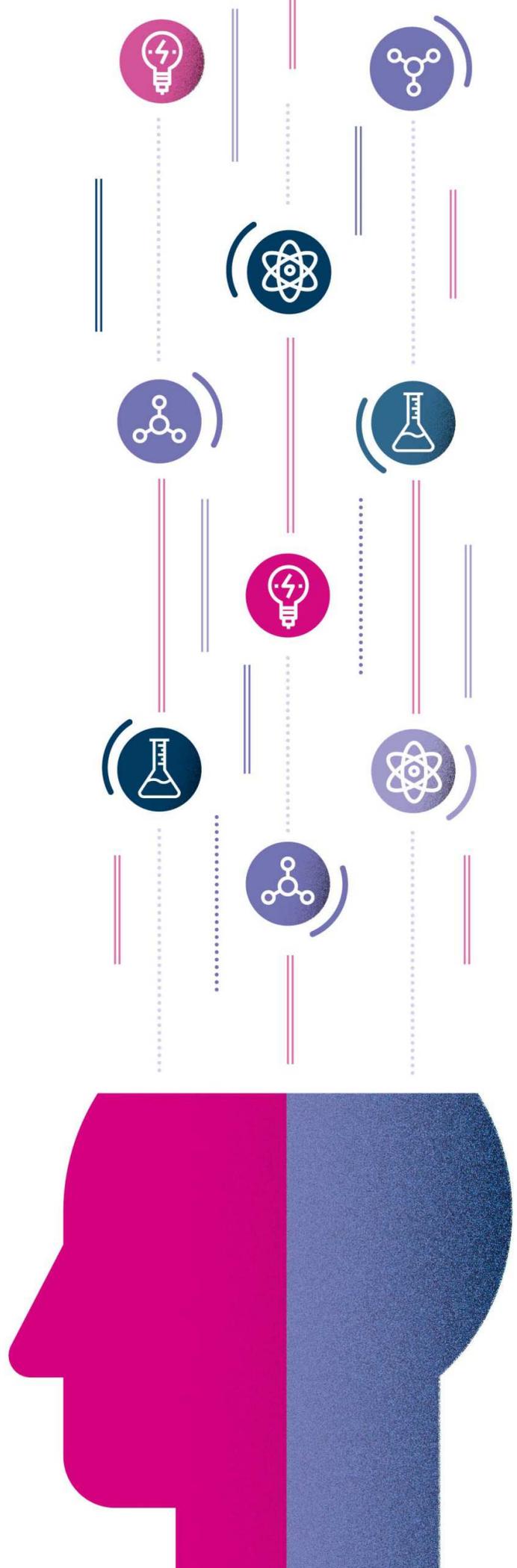


# Glasgow Clyde College

## External Audit Plan

May 2019





# Table of contents

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1. Introduction	<b>1</b>
2. Respective responsibilities of the auditor and the Board of Management	<b>3</b>
3. Audit strategy	<b>7</b>
4. Report and financial statements	<b>10</b>
5. Wider scope audit	<b>15</b>
6. Audit outputs, timetables and fees	<b>20</b>
7. Appendices	<b>23</b>



# 1. Introduction

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## Introduction

1. This document summarises the work plan for our 2018/19 external audit of Glasgow Clyde College (“the College”).
2. The core elements of our work include:
  - an audit of the 2018/19 report and financial statements;
  - 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.

(June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.

## Adding value through the audit

8. 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.

## 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.

## Feedback

9. 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).
10. 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

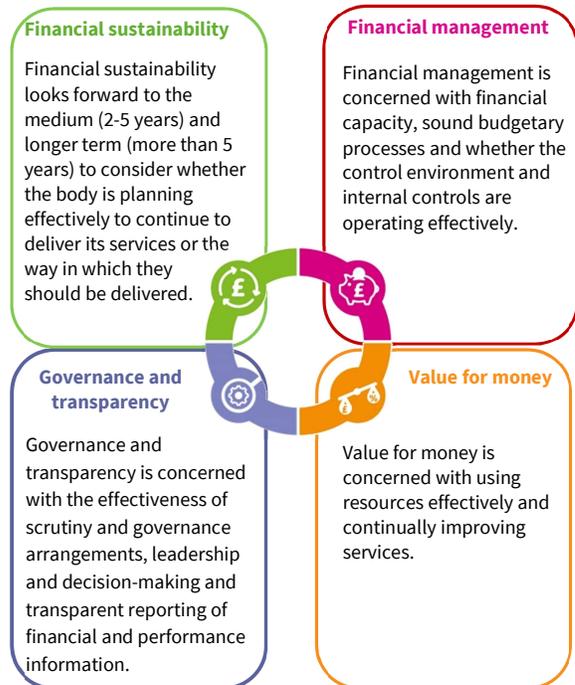
### Code of Audit Practice

11. 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

12. 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.
13. 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

14. 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.
15. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
16. 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.
17. Our assessment takes into account the size, nature and risks of the organisation. 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

18. 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

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

19. 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

20. 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

21. 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

22. 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

23. 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

24. 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.
25. 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.
26. 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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27. 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. Report and financial statements

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## Report and financial statements

### Introduction

28. Audited bodies' annual report and financial statements 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 financial statements.
29. The annual report and financial statements of the College comprise the financial statements, the performance report and the accountability report.

### Approach to audit of the financial statements

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

#### Risk-based audit planning

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31. 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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32. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements
33. 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.
34. We will take cognisance of any relevant internal audit reviews of systems and controls.
35. 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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36. 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.

37. 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 (FRM), the Accounts Direction and Glasgow College's Regional (GCRB) Board Financial Memorandum.
38. 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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39. 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 financial statements.
40. We also provide an opinion on the audited part of the remuneration report, annual governance statement and performance report.

#### Materiality

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41. 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.
42. Our initial assessment of materiality for the financial statements is £0.845 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.
43. 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.



44. 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.

	Area risk assessment £million		
	High	Medium	Low
Performance materiality	0.338	0.465	0.634

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

- All material corrected misstatements;
- Uncorrected misstatements over £34,000; and

- Other misstatements below £34,000 that we believe warrant reporting on qualitative grounds.

### Key audit risks in the financial statements

46. 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.

## 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*.

47. 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.

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48. 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.
  49. We will review and 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.

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50. 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. Estate valuation

The College's Cardonald campus requires significant investment in the forthcoming years to ensure the College remains fit for purpose. This is due to the age and condition of the tower block building. The College has commissioned an estates review of its three campuses by Gardiner and Theobald BDP, which will provide a range of options with supporting costings. This will be reported to the Board in June 2019.

This may provide an indication that the College's campus, in particular Cardonald may be impaired. The College should undertake an impairment review of its estate. This review should consider internal and external impairment indicators in accordance with Financial Reporting Standard (FRS) 102.

51. Our audit procedure will include a review of the estates review of the College's three campuses and the impairment review undertaken by the College. We will also consider the completeness of the impairment review. We will ensure any impairments identified have been accounted for correctly in the financial statements, in accordance with the College's accounting policies and the SORP.

## The performance report, accountability report and other information

52. The HM Treasury Government Financial Reporting Manual 2018/19 sets out the content required within the annual report and financial statements. 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 report and financial statements:

- 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.

56. 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.

### Other information

53. "Other information" in the report and financial statements 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.
54. We read all the financial and non-financial information in the report and financial statements 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 accountability report

57. 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.

### The performance report

55. The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. It contains:

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

58. 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.

59. 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.

60. At this stage of our audit planning process, we have identified two significant risks to the wider scope of our audit in relation to financial sustainability (Exhibit 4).

## Exhibit 4 – Wider Scope Significant Risks

### 1. Financial sustainability

The Scottish Funding Council (SFC) requires Colleges to prepare five year Financial Forecast Returns (FFRs). We reported in our 2017/18 Annual Audit Report that the College prepared a FFR, in line with SFC guidance, which forecast recurring underlying deficits rising from £0.052million in 2019/20 and £2.110million in 2022/23.

We reported in our 2017/18 Annual Audit Report that the College did not have formal cost reduction plans and income generation options in place, which addressed the forecast deficit position in the short and medium term. The College's financial position is not sustainable in the medium to long term and corrective action is required to bring forward appropriate measures which address this position.

The College's Board of Management tasked management with producing a more formal plan for addressing the College's medium term financial position. The College has now developed a Commercial Income and Contribution Five year Growth Plan. This plan details how the College aims to grow annual commercial income over the next five years (over 150% growth), with an annual target growth of 20% year on year and a margin expectation throughout the period of the plan. The scale of projected commercial income growth is ambitious and potentially represents a high risk strategy for the College.

Since the submission of the FFR in 2018, the College has updated the FFR to incorporate the Commercial Income and Contribution Five year Growth Plan as referred to above and other key changes (including updated national bargaining costs and short term funding). The revised forecast anticipates reduced underlying deficit position over the next five years. 2022/23 forecast position within the projected underlying deficit reducing from £2.110million to £1.262million.

The College has informed Scott-Moncrieff that it is working on formal cost saving plans to address the remaining forecast underlying deficit position, in the context of an ambitious commercial income strategy. At present the College does not have contingency plans in place if the commercial income targets are not realised.

61. During our 2018/19 audit we will continue to review whether the College has adequate arrangements in place to enable it to achieve a financially sustainable position and deliver the scale of savings required. Our work will include analysis of the achievement of savings and income generation plans for 2018/19, the development of savings plans for future years, and consideration of the underlying financial position.



## 2. Governance - Voluntary severance scheme

The College has established a voluntary severance scheme for specific staff in 2018/19. Exit packages are sensitive in nature and can lead to a risk of reputational damage to the College. There is a risk that the scheme is not subject to appropriate scrutiny and approval both internally and externally (from GCRB and the Scottish Funding Council).

62. We will review the voluntary severance scheme offered by the College in 2018/19 to ensure that any individual agreements made were subject to proper scrutiny and approval procedures and the wider scheme was carried out in line with best practice and Scottish Funding Council guidance. We will also gain assurance that the scheme has been correctly reflected in the financial statements and appropriate disclosures have been made.

63. We have not, at this stage, identified any significant risks in relation to the other dimensions. Audit planning however is a continuous process and we will report any identified significant risks, as they relate to the four dimensions, in our

annual audit report. 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

##### As noted in Exhibit 4:

The College has identified a significant forecast deficit position for the period to 2022/23 with no clear plan at this stage to deliver the fully balanced budget.

The College has developed a commercial growth strategy. However does not yet have formal cost saving plans in place to fully address and remaining cost savings gap. We will review College's progress in developing a financial strategy and plans to address their medium to longer term financial sustainability.

#### 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.

Our work will also consider the adequacy of the College's preparations and scenario planning for the impact of EU withdrawal and key financial assumptions such as the impact of further national bargaining costs.



## 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 found that the College had satisfactory arrangements in place for financial planning over the short term and budget monitoring across the financial year. The College is faced with identifying efficiency savings to set a balanced budget for 2019/20.

During 2018/19 there are anticipated changes within the College's finance team, who are key persons in the accounts preparation process and audit process. We understand there are handover arrangements in place.

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 College's participation in NFI.

### Our audit approach

During our 2018/19 audit we will review, conclude and report on the following:

- Whether the College has arrangements in place to ensure systems of internal control are operating effectively;
- Whether the College can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;
- How the College has assured itself that its financial capacity and skills are appropriate;
- 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 are deemed to be appropriate, however we noted that the governance role of GCRB across the region is still developing and more work is needed to formalise its governance relationship with the assigned Colleges.

In 2017/18 we recommended that Annual declarations of interests made by key management and members, which included consideration of close family interest should be extended beyond close family members to meet the following requirement of FRS 102 (paragraph 33.2). We will follow-up whether this recommendation has been actioned.

Openness and transparency support understanding and scrutiny. There is an ongoing sector risks regarding the openness and transparency of

### Our audit approach

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

- whether the College can demonstrate that the governance arrangements in place are appropriate and operating effectively;
- whether induction arrangements for new Board members support effective scrutiny and challenge;
- whether the College is compliant with the revised Scottish Government's Audit



## Consideration

decision making, which is highlighted by Audit Scotland. Public sector bodies are expected to review their approach to openness and transparency to ensure they are meeting good practice.

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

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

## Our audit approach

Committee Handbook;

- the transparency of decision-making, and on financial and performance reporting;
- the College's preparations for the potential impact of EU Withdrawal; and
- the ongoing relationship with the GCRB and consider the implications for the College in terms of their governance arrangements.



### Value for money

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

## Consideration

In 2017/18 we reported that the College demonstrated commitment to achieving value for money through its annual performance and its goal of ensuring operational effectiveness and efficiency. We found that the College has an established four year development plan which its performance management framework supports.

The College use a range of targets and key performance indicators (KPIs) to monitor performance against key targets and performance measures.

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

## Our audit approach

We will work with the College to identify and review evidence which demonstrates the achievement of value for money in the use of resources.

We will seek evidence from the College that outcomes are improving and there is sufficient focus on continuous improvement and the pace and sustainability of that improvement.

Audit Scotland carries out a national performance audit programme on behalf of the Auditor General for Scotland and the Accounts Commission. We will work with Audit Scotland during the year to understand the outputs from this work and identify any particular reports that the College may have a direct interest in.



# 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

64. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
65. 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.

work we consider required in response to the key audit risks raised within this audit plan.

	2018/19	2017/18
Auditor remuneration	£32,300	£31,560
Pooled costs	£1,860	£2,020
Audit support costs	£1,960	£1,750
<b>Total fee</b>	<b>£36,120</b>	<b>£35,330</b>

### Audit fee

66. 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.
67. 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.
68. For 2018/19 the expected fee for the College is £36,120. We propose setting the 2018/19 audit fee at the expected fee level. The 2018/19 expected fee for the College is £790 higher than the fee agreed in the previous year, representing a 2.2% increase. Overall fees within the Further Education sector have increased by 2.2%. The audit fee reflects the level of

69. 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

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

- APR 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 to be submitted to the Auditor General for Scotland in December 2019.



# 7. Appendices

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## Appendix 1: Your audit management team

Scott-Moncrieff is one of the largest accountancy firms in Scotland. We have recently joined the Cogital Group and merged with Campbell Dallas in Scotland to create a new accountancy firm in Scotland with over 400 staff operating from a wide range of locations across Scotland. We have been external auditors within the public sector for over fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and Colleges. We also provide services to charities, schools, as well as private and public limited companies.

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

##### Engagement Lead

[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



#### Georgina Philp

##### Audit Manager

[georgina.philp@scott-moncrieff.com](mailto:georgina.philp@scott-moncrieff.com)

Georgina has over seven years' public sector external audit experience. She has delivered external audit services to a range of public sector bodies, including local authorities, health bodies and central government bodies.

Georgina will manage the onsite team and work alongside Gary to deliver the audit engagement.



## 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.

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 and the College's Board of Management, or its 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 financial statements

We will require the annual report and financial statements 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.

