



Annual Audit Report

to the Board of Management and the
Auditor General for Scotland
South Lanarkshire College
Year ended 31 July 2019





CONTENTS

1. Executive summary	3
2. Audit of the financial statements	6
3. Internal control recommendations	11
4. Wider scope work	12
▪ Financial sustainability	13
▪ Governance statement	15
5. Our fees	16
Appendix A – Independence	22

This report has been prepared in accordance with our responsibilities as appointed auditors as set out in Audit Scotland's Code of Audit Practice. Reports and letters prepared by the auditor and addressed to South Lanarkshire College are prepared for the sole use of South Lanarkshire College and we take no responsibility to any member or officer in their individual capacity or to any third party.



Mazars LLP
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD

The Audit Committee
South Lanarkshire College
College Way
East Kilbride
Glasgow
G75 0NE

4 November 2019

Dear Audit Committee Members

Annual Audit Report – Year ended 31 July 2019

We are pleased to present our Annual Audit Report for the year ended 31 July 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to you on 13 May 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me.

Yours faithfully

Lucy Nutley
Mazars LLP

Mazars LLP – Apex 2, 97 Haymarket Terrace, Edinburgh, EH12 5HD
Tel: 0131 313 7900 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73



1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

This Annual Audit Report sets out the findings from our audit of South Lanarkshire College ('the College') for the year ended 31 July 2019, and forms the basis for discussion at the Audit Committee meeting on 4 November 2019.

Our responsibilities are defined by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice ('the Code') issued by Audit Scotland. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We have issued an unqualified opinion, without modification, on the financial statements on 2 December 2019.

Opinion on regularity

We have issued an unqualified regularity opinion on 2 December 2019, meaning that in our opinion, in all material respects the expenditure and income recognised in the financial statements have been applied for the purposes intended.

Opinion on other requirements

We have issued an unqualified opinion on the matters prescribed by the Auditor General for Scotland on 2 December 2019. Namely that the remuneration and staff report, performance report and governance statement have been properly prepared in accordance with the relevant legislation.

Wider scope work

We have concluded as follows against the wider scope dimensions for smaller bodies:

- The College has effective arrangements, including budgetary control, that help the Board members scrutinise finances; and
- The College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board and are reflected in their governance statement

Misstatements and internal control recommendations

Section 3 sets out any internal control recommendations that we make, together with an update on any prior year recommendations.

As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have identified no recommendations for the improvement of internal controls at the College during the current year audit.

There have been no misstatements identified during the current year audit.

Executive summary

Audit of the financial statements

Internal control recommendations

Wider scope work

Our fees

Appendices

1. EXECUTIVE SUMMARY (CONTINUED)

Status of our audit work

We have completed our work on the financial statements and wider scope work for the year ended 31 July 2019.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in May 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum to the Audit Committee.

Adding value through the audit

We recognise that all of our clients want us to provide a positive contribution to meeting their ever-changing business needs. Our aim is to add value to South Lanarkshire 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 limited financial resources.

Executive summary

Audit of the financial statements

Internal control recommendations

Wider scope work

Our fees

Appendices

1. EXECUTIVE SUMMARY (CONTINUED)

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set materiality at the planning stage of the audit at £308k using a benchmark of 2% of gross expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £356k, using the same benchmark.

Threshold	Initial threshold £'000	Final threshold £'000
Overall materiality	308	356
Performance materiality	246	285
Trivial threshold for errors to be reported to the Audit Committee	9	11

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors

Performance Materiality

Our audit testing is based on a level of performance materiality, which is a percentage of overall materiality, but also dependent on the level of inherent risk assessed on the area being tested. It is lower than overall materiality as it helps to reduce the risk that the total of the uncorrected or undetected misstatements does not exceed materiality for the financial statements as a whole. It is based on between 50 – 80% of overall materiality depending on the inherent risk level assessed. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. This level was set at 3% of materiality.

2. AUDIT OF THE FINANCIAL STATEMENTS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 10 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the College's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. We have not identified any further significant risks during our audit work.

Management override of controls	Description of the risk
--	--------------------------------

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business;
- The College's interaction with the National Fraud Initiative (NFI) exercise and the outcomes; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Satisfactory assurance has been gained over the presumed risk of management override.

Revenue recognition

Under International Standards of Auditing there is a presumption, albeit rebuttable, that there is a significant risk of fraud and error in the timing of revenue recognition.

We have rebutted this presumed risk in relation to South Lanarkshire College's income. The income received by the College is primarily grant income, which is highly regulated and therefore carries a low inherent risk of fraud and error in revenue recognition. Commercial and other income, which carry a higher level of inherent risk, are not material to the financial statements. We have therefore rebutted the presumed risk of fraud and error in revenue recognition for all revenue at the College.

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

Valuation of pension liabilities	Description of the management judgement
	The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). While both are defined benefit schemes, it is not possible to identify the College's share of the underlying assets and liabilities in the STSS and it is therefore accounted for as a defined contribution scheme.

The College's share of the SPF's underlying assets and liabilities is identifiable and a net liability is recognised in the accounts.

Given the scale of the liability recognised in the accounts, a misstatement in the reported position could be material to the financial statements.

How our audit addressed this area of management judgement

We considered the College's arrangements, including the existence of any relevant controls, for making estimates in relation to pension entries within the financial statements.

We also considered the reasonableness of the actuary's assumptions used in providing the College with information in the financial statements through the use of our internal experts.

Audit conclusion

Nationally, in all Local Government Pension Scheme (LGPS) valuations for accounting purposes, during 2018/19 two matters have been identified:

- The impact of Guaranteed Minimum Pension (GMP) equalisation may not be fully included (GMP concerns the minimum pension which an occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997. The amount is said to be 'broadly equivalent' to the amount the member would have received had they not been contracted out.); and
- The impact of a legal case held during the year (known as the McCloud case), concerning potential age discrimination in relation to transition provisions introduced as part of pension reform measures may not be fully included.

Mazars actuaries have reviewed the accounting assumptions used by SPF's actuaries in 2018/19. They identified that the impact of GMP equalisation was not fully included as an assumption in the fund valuation.

In our view, both GMP and McCloud give rise to at least a constructive obligation, which is required to be recognised under FRS102. Management has obtained an additional actuarial valuation of the potential impact of the cost of GMP equalisation which has been assessed as being a £11,000 increase in liabilities. This has been included in the financial statements.

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Valuation of land and buildings

Description of the management judgement

The College holds a significant level of land and buildings – reporting a net book value of £33.5m as at 31 July 2019.

The College has adopted a formal revaluation policy of an external valuation every three years. A valuation was performed as at 31 July 2018, there was no revaluation performed in the current year.

The College policy meets the requirement of the FE SORP that assets are valued sufficiently regularly so that the carrying value of the asset is not materially different from its fair value.

The college is required to assess on an annual basis whether there are indicators of impairment to assets at the reporting date. Given the significance of the value of fixed assets held, a misstatement in the valuation could be material to the financial statements.

How our audit addressed this area of management judgement

We undertook a range of substantive procedures including:

- Review of management's assessment as to whether the carrying value is not materially different to the fair value;
- Review of the reconciliation between the College's asset register and general ledger; and
- Considered the College's impairment review process for land and buildings.

Audit conclusion

Our audit work has provided satisfactory assurance over the valuation of the land and buildings. We have no matters to report.

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Performance

The College is required to report financial performance under the FE/HE SORP, resulting in the reported deficit of £1,102k in the Statement of Comprehensive Income. However, as a central government body, the College is also required under the Accounts Direction from the Scottish Funding Council (SFC) to report financial performance as an 'adjusted operating position'. We set out these required positions below.

FE/HE SORP Basis

The table below sets out the operating surplus for the year under the FE/HE SORP, before revaluation gains and losses.

	2018/19 £'000	2017/18 £'000
Operating income	17,789	15,869
Staff costs	12,424	11,349
Operating expenditure	5,146	4,484
Operating surplus for the year (FE/HE SORP basis)	219	36

Operating income has increased by £1.9m in the year. Much of the increase is a result of the funding provided for national bargaining, for which the College received £628k from the SFC. There is a further £323k accrued for increased support staff costs as a result of national bargaining which will be paid in 2019/20 - £182k of this will be funded by the SFC.

The College has delivered higher numbers of Core and ESF credits in the current year, with Core and ESF funding increasing accordingly by around £700k. Credits were also transferred from New College Lanarkshire which provided additional funding of £144k.

Staff cost increases have been primarily driven by the outcome of national bargaining. The percentage increase is reflective of the sector as a whole.

Operating expenditure has increased by around £700k, of which £391k relates to premises expenditure. The majority of this was SFC funded, with £131k received as part of the backlog maintenance programme and a further £216k of non-recurrent funding received. Administrative expenses increases include a rise in licence fees as a result of a new HR system being installed.

The above results demonstrate that the College is operating sustainably within its funding allocation, and the following points should be highlighted:

- The College met its student credit target confirming the level of funding in the financial statements;
- The College achieved its financial targets in line with its plan; and
- There were no significant changes to the reported position during the year.

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Adjusted operating position

The table on the previous page sets out the financial position in accordance with the SORP requirements. The table below reflects the 'adjusted operating position' as required by the Accounts Direction set by the SFC. The adjusted operating position removes more volatile accounting entries, such as the valuation of pensions. Full details of the adjustments included are shown on page 14 of the accounts.

	2018/19 £'000	2017/18* £'000
Surplus before other gains and losses	219	36
Add back:		
- Depreciation (net of deferred capital grant release)	233	205
- Non-cash pension adjustment (service cost)	652	407
- Non-cash pension adjustment (interest cost)	47	80
- Non-cash pension adjustment (early retirement provision)	19	-
Deduct:		
- Non-cash pension adjustment (early retirement provision)	-	(3)
- Fixed budget for priorities allocated to Lennartz repayments	-	(86)
Adjusted operating surplus	1,170	639

*Restated in agreement with the SFC

The Accounts Direction issued by the SFC for 2018/19 required Colleges to submit the adjusted operating position calculations with draft accounts to the SFC for review before the accounts are signed off. This has been done by the College.

As can be identified above, the College shows an improved position when taking into account the movements as prescribed by the SFC on a consistent basis in both 2018/19 and 2017/18. The College consistently generates a surplus, and financial reporting indicates that it is in a strong position going forward.

Qualitative aspects of the entity's accounting practices

We have reviewed the College's accounting policies and disclosures and concluded they comply with the requirements of the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education and the Government Financial Reporting Manual (FRM) 2018/19, appropriately tailored to the College's circumstances.

The draft annual report and accounts were received from the Financial Accountant on 26 September 2019 and were of an acceptable quality with some disclosures and notes to be updated for outstanding information. Our fieldwork commenced on 3 October 2019.

Producing quality supporting working papers is a crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. Working papers provided for audit were helpful and were provided in a timely fashion. Staff were very responsive to our requests during the audit.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Executive summary

Audit of the financial
statements

Internal control
recommendations

Wider scope work

Our fees

Appendices

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our 2018/19 audit work has identified no weaknesses in internal control.

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

During the year, a global pension rate increase took place. Audit testing identified a staff member where the increase had not been correctly applied. Audit review determined this was a unique situation, but one that should have been prevented.

Potential effects

The application of incorrect pension contributions rates might result in a material misstatement of staff costs if this affected a high volume of staff members. This may also mean the College are not abiding by the terms of staff contracts, leaving themselves open to legal action and reputational damage.

2018/19 update

As part of the payroll review each month, the contribution rates are being checked prior to final processing and this review is included in the Control Log.

4. WIDER SCOPE

Our approach to wider scope work

The Code requires us to conclude and make a judgement on the four dimensions of wider scope work. These are:

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

In recognition that audit work should be risk based and proportionate to the nature and size of the audited body, the Code allows auditors to determine whether application of the full wider scope work is appropriate in smaller bodies. At the planning stage, we considered that the wider scope work at South Lanarkshire College should be carried out under the small body provisions of the Code. We have reached this conclusion through our assessment of:

- the relative size of the College;
- the relative simplicity of the College's functions; and
- the College's risk profile.

In line with the Code requirements, our work has therefore focused on financial sustainability and the governance statement. This is concluded on in the following pages.

In 2018/19 we have also considered the following risk areas as they relate to the College:

- Exit from the European Union
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency

We do not consider that any of the above constitute a significant risk for the College at this point, but will continue to monitor.

National Fraud Initiative

We have also considered the College's input to the 2018/19 National Fraud Initiative. The College had data concerns around the exercise and did not submit the required information in line with the national timetable. As a result, our returns to Audit Scotland on NFI were not submitted.

Results have recently been released from the matching process, of this the College has a small number and are investigating in line with requirements.

Executive summary

Audit of the financial
statements

Internal control
recommendations

Wider scope work

Our fees

Appendices

4. WIDER SCOPE FINANCIAL SUSTAINABILITY

Dimension

Financial sustainability extends the going concern assumption from the financial statements, looking forward two to five years, reviewing and assessing arrangements for financial planning and affordable and sustainable service delivery in this timescale.

Our conclusion

South Lanarkshire College has adequate financial planning arrangements in place.

Financial Planning

Throughout the year, the College's quarterly monitoring reported a small financial surplus before other gains and losses which was achieved in 2018/19.

The College has an unsecured overdraft facility of £300k with The Royal Bank of Scotland which was not used during the year. The College intends to maintain the overdraft facility in the event that it may be required in the future.

A review of the minutes of the Finance Committee and onwards to the Board demonstrated effective challenge of the financial position by members throughout the year.

The SFC now requires colleges to prepare six-year financial forecasts, with the current forecasts running from 2018-19 to 2023-24. The SFC has been working with sector representatives to develop a set of common assumptions that colleges should use for longer-term financial forecasting. These assumptions are used to produce a financial forecast return (FFR) which is submitted to the SFC annually. The College use the FFR as a basis for their financial strategy planning.

The College has a 6 year plan, in line with the SFC requirements. There are inherent uncertainties around SFC funding for the College and student support funds, coupled with European funding uncertainties (EU funding currently makes up 9% of the College's annual income), which provide difficulties in forecasting accurately.

The assumptions set out by the SFC have been used for SLC's forecast as shown below:

	Actual 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
Total income	17,789	17,168	17,004	17,105	17,212	17,326
Staff costs	12,424	12,665	12,590	12,779	12,971	13,165
Total expenditure	5,146	4,456	4,390	4,325	4,245	4,168
Surplus before other gains & losses	219	47	24	1	(4)	(7)

The plan was based on:

- Income assumptions provided by the SFC;
- A largely flat income level for other/alternative income levels at a predicted annual increase of 1% – however the college is planning for a sustained growth in non-SFC income and is actively trying to improve their offering;
- Increase in operational expenditure from 2019/20 to 2023/24 from £17.1m to £17.3m; and
- Salaries rising from 74% to 76% of total expenditure over the period from 2019/20 to 2023/24.

The College continues to show healthy cash reserves, which are predicted to rise to £900k by the end of 2023. The current cash balance is £1.5m, however this is as a result of backlog maintenance funding received in advance rather than being an operational cashflow.

4. WIDER SCOPE

FINANCIAL SUSTAINABILITY (CONTINUED)

Asset Management and Estates Strategy

An Estates Strategy 2009-2019 is in place. It was introduced to complement the College strategic and operational plans. The Estates Strategy aims to support the current status and condition of the building and wherever possible recognise opportunities for improvement. It is reviewed annually and reported to the Senior Management Team and the Board.

An Estate Report is presented to each Finance and Resources committee to inform members of the current position. This report is then considered at the next Board Meeting. We understand that work is underway to refresh the Estates Strategy which will be finalised in 2020.

National estates survey

Gardiner & Theobald were appointed by the Scottish Funding Council in January 2017 to provide a summary of the conditions of the estates within the Scottish Further Education sector, being the first independent review of the college estate in Scotland for 10 years. Across Scotland the estimated net total backlog of maintenance and renewals cost is £163 million excluding contingencies, any related operational and management costs of the colleges, professional fees, VAT, optimism bias and inflation allowance. When taking these items into account, the resulting total gross estimated backlog is £363 million. 10% of these costs were defined as urgent, requiring action within the next year, with the majority of the costs requiring action within 3-5 years.

The Scottish Funding Council is working with the Scottish Government and Scottish Futures Trust to produce a framework for college sector estate development to manage competing demands for estate development.

The South Lanarkshire College survey showed an estimate of £1.7 million of costs over the 5 year period from 2018-19 to 2022-23, with £680k being identified as urgent, for example roof repairs. Funding was made available from the SFC for this specific expenditure that was incurred in 2018/19. Agreed works at the College include roof repairs, boiler room maintenance, allowances for cyclic floor, lighting and equipment replacements and kitchen refurbishments. During the year, £1.375m of backlog maintenance funding was received by the College, which has been spent in line with agreements made with the SFC on what the funding could be used for. Further backlog maintenance expenditure has been factored into the 6 year plan.

We consider that appropriate attention is given to the estate and assets, and that their maintenance is factored into long term plans and discussions.

Executive summary

Audit of the financial statements

Internal control recommendations

Wider scope work

Our fees

Appendices

4. WIDER SCOPE GOVERNANCE STATEMENT

Dimension

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

Our conclusion

South Lanarkshire College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board, that are reflected in the governance statement

Governance arrangements

Our work in this area has considered the overall governance arrangements in place at the College, the financial and performance reporting to the Board, and reviewed the minutes of committees to inform our assessment of the appropriateness of the governance structure. We have also attended Audit Committees during the year.

During 2018/19, the Board consisted of 19 members, 10 female and 9 male (including the Principal). The Board meets with the objective of the Gender Representation on Public Boards (Scotland) Bill which was introduced by the Scottish Parliament in June 2017 with an implementation date of 2022.

The key committees comprise, and are chaired by, Board members, with each also containing the Principal, with the exception of the Audit Committee and the Remuneration Committee. In addition, the Chair of the Board is also not permitted to be a member of the Audit Committee. The Principal and the Chair of the Board can attend Audit Committee meetings, which they do. Appropriate College officers attend committees and present reports as required. We note that during the year, the Chair of the Board was also the Chair of the Finance Committee on an interim basis, as allowed under the Scheme of Delegation. A Finance Committee Chair is now in post.

The Board and each of the various the committees (including the Audit Committee) meet 4 times a year. Minutes of these meetings are published to the College's website in a timeous fashion following the meetings, showing transparency. Committee papers are detailed and provide a good overview of the content of the meetings. Reflecting regional arrangements, minutes and meeting summaries are provided to the corresponding committee of the Lanarkshire Board.

Governance Statement

As part of our audit we have read the governance statement included in the annual report. The governance statement sets out the corporate governance framework in place throughout the reporting year, the internal controls in operation, the work of internal audit and the overall efficiency and effectiveness of the governance framework.

The governance statement confirms the college's compliance with the 2016 Code of Good Governance for Scotland's Colleges.

We are required to read and provide an opinion on the governance statement. In our opinion, the information contained within is consistent with the financial statements. We also consider that the governance statement has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and further directions made by the Scottish Funding Council.

Internal audit

An effective internal audit service is an important element of any organisation's governance arrangements. Internal audit provide the College with independent assurance on internal control and corporate governance processes. The internal audit function at the College is provided by Scott-Moncrieff. Internal audit have attended Audit Committees throughout the year and have produced a number of reports to support the overall Head of Internal Audit Opinion. The overall opinion was that the College *'has a framework of controls in place that provides reasonable assurance regarding the organisation's' governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.'*

Executive summary

Audit of the financial
statements

Internal control
recommendations.

Wider scope work

Our fees

Appendices

5. OUR FEES

Fees for work as the College's appointed auditor

We reported our proposed fees for the delivery of our work in our Audit Strategy Memorandum, presented to the Audit Committee in May 2019. Having substantially completed our work for the 2018/19 financial year, we can confirm that our final fees are as follows:

Area of work	Proposed fee 2018/19	Final fee 2018/19
Auditor remuneration	£12,880	£12,880
Pooled costs	£740	£740
Contribution to Audit Scotland costs	£780	£780
Total Fee	£14,400	£14,400

We confirm that these fees are in line with the scale fee set by Audit Scotland. We also confirm that we have not undertaken any non-audit services for the College in the year.

APPENDIX A INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Executive summary

Audit of the financial
statements

Internal control
recommendations

Wider scope work

Our fees

Appendices