



# Glasgow Colleges' Regional Board

2020/21 Annual Audit Report to the Board and  
the Auditor General for Scotland

January 2022



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# Key messages

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This report concludes our audit of Glasgow Colleges' Regional Board ("GCRB") for 2020/21.

This section summarises the key findings and conclusions from our audit.

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## Financial statements audit

<b>Audit opinion</b>	<p>Our independent auditor’s report includes:</p> <ul style="list-style-type: none"><li>• An unqualified opinion on the financial statements;</li><li>• An unqualified opinion on regularity; and</li><li>• An unqualified opinion on other prescribed matters.</li></ul> <p>We are also satisfied that there were no matters which we are required to report by exception.</p>
<b>Key findings on audit risks and other matters</b>	<p>Our key findings are included in the financial statements audit section of this report.</p> <p>COVID-19 continues to bring unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. In response to the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and our audit opinion. We are pleased to report those risks identified did not materialise.</p> <p>GCRB had appropriate administrative processes in place to prepare the annual report and accounts and the required supporting working papers.</p>
<b>Audit adjustments</b>	<p>We are required to communicate all potential adjustments, other than those considered to be clearly trivial. We identified two material adjustments to the financial statements and no unadjusted differences.</p> <p>We identified some disclosure and presentational adjustments during our audit. These were reflected in the final set of financial statements.</p>
<b>Accounting systems and internal controls</b>	<p>We have applied our risk-based methodology to the audit. This approach requires us to document, evaluate and assess GCRB’s processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where we identify any control weaknesses as part of our testing, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

## Wider scope audit

As outlined in our External Audit Plan, our annual audit work in respect of our wider scope audit responsibilities was 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.

Our conclusions and key observations are set out below:



### Governance statement



We are satisfied that the Governance Statement has been prepared in accordance with the SFC Accounts Direction and that the content is consistent with the consolidated financial statements. However, at the time of writing this report, the internal audit annual opinion remains outstanding. We will continue to liaise with GCRB to ensure this is concluded in a timely manner and appropriately reflected in the Governance Statement.

GCRB has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in GCRB's accounting and internal control systems throughout the period or as a result of remote working during the COVID-19 pandemic.

We are satisfied that the Board continued to receive sufficient and appropriate information throughout the period to support the effective and timely scrutiny and challenge.



## Financial sustainability

### Auditor judgement



GCRB has adequate arrangements in place for short- and medium-term financial planning, although the Glasgow region continues to face significant challenges and is operating within tight financial parameters. The Glasgow region continues to work towards achieving a long term sustainable position.

The GCRB FFR, submitted to the SFC in October 2021, forecasted a deficit of £57k in 2021/22 and a break even position in 2022/23 and 2023/24. The Glasgow region forecasts an adjusted operating deficit of £1,638k in 2021/22 (surplus of £1,643k in 2020/21) and a steadily improving, but still challenging position across the remaining planning period.

A focus for GCRB throughout 2020/21 has been developing its response to the SFC's review of GCRB which was published in October 2020. GCRB commenced their Review of Coherent Provision and Sustainability of Glasgow College Region in November 2020, with the aim of providing a coherent, collaborative and considered response to progress the debate around alternative operating models within the Glasgow region. We are satisfied that GCRB has undertaken a practical, transparent and pragmatic approach that has supported open and pro-active communication, constructive challenge, collaboration and joint-working.

GCRB shared the outcome of their review with SFC in October 2021. The SFC are undertaking a detailed options appraisal and expect to make a recommendation on the future structure of GCRB and the Glasgow region early in 2022. Our review of medium-term financial forecasts reiterates the need to explore alternative and more collaborative delivery models as a priority to support the financial sustainability of the further education sector across the Glasgow region.

## Definition

We have used the following grading to provide an overall assessment of the arrangements in place as they relate to financial sustainability.



# Introduction



We carried out our audit in accordance with Audit Scotland's  
Code of Audit Practice and maintained auditor independence



## Scope

1. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit Committee at the outset of our audit. The core elements of our work include:
  - an audit of the 2020/21 annual report and accounts and related matters;
  - consideration of the wider dimensions of public audit work, as set out in Exhibit 1; and
  - any other work requested by Audit Scotland.

### Exhibit 1: Audit dimensions within the Code of Audit Practice



## Responsibilities

2. GCRB is responsible for preparing annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit 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.
3. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
4. We would like to thank all management and staff for their co-operation and assistance during our audit.

## Auditor independence

5. 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.
6. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent and our objectivity has not been compromised in any way.
7. We set out in Appendix 1 our assessment and confirmation of independence.

## Openness and transparency

10. This report will be published on Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Adding value through the audit

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

## 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 any member of your audit team.

# Financial statements audit

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GCRB's annual report and consolidated financial statements are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

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## Overall conclusion

11. The annual report and consolidated financial statements were considered by the Audit Committee on 11 January and by the Board on 24 January 2022. We issued unqualified audit opinions in our independent auditor’s report.
12. We received the unaudited annual report and consolidated financial statements and supporting papers of an adequate standard, in line with our agreed timetable. Our thanks go to staff at GCRB for their assistance with our work.
13. An extension to submission deadline to 31 January 2022 (previously 31 December 2021) has been agreed with Audit Scotland to accommodate the timing of the consolidation process. The annual report and consolidated financial statements will be submitted to the Scottish Government and Auditor General for Scotland by the 31 January 2021 deadline.

### Administrative processes / timescales

## Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing as required by the Code of Audit Practice.</p> <p>Our findings / conclusion to inform our opinion are set out in this section of our annual report.</p>	We issue unqualified audit opinions.
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of the services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise GCRB’s functions.</p>	<p>We reviewed the financial forecasts for 2021/22. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the College will continue to operate for at least 12 months from the signing date.</p> <p>Our audit opinion is unqualified in this respect.</p>

Opinion	Basis for opinion	Conclusions
	<p>Our wider scope audit work considers the financial sustainability of GCRB.</p>	
<p>Regularity</p>	<p>We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts.</p>	<p>We did not identify any instances of irregular activity; in our opinion in all material respects the expenditure in the financial statements was incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Funding Council and Scottish Ministers.</p>
<p>Matters prescribed by the Auditor General for Scotland:</p> <ul style="list-style-type: none"> <li>• Remuneration and Staff Report</li> <li>• Performance Report</li> <li>• Governance Statement</li> </ul>	<p>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.</p> <p>We plan and perform audit procedures to gain assurance that the statutory other information has been prepared in accordance with directions from Scottish Ministers.</p>	<p>The annual report contains no material misstatements or inconsistencies with the financial statements.</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> <li>• the audited part of the remuneration and staff report has been prepared in accordance with directions from the Scottish Funding Council.</li> <li>• the information given in the performance report has been prepared in accordance with directions from the Scottish Funding Council and is consistent with the financial statements.</li> <li>• the information given in the Governance Statement has been prepared in accordance with directions from the Scottish Funding Council and is consistent with the financial statements.</li> </ul>

Opinion	Basis for opinion	Conclusions
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> <li>adequate accounting records have not been kept; or</li> <li>the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or</li> <li>we have not received all the information and explanations we require for our audit.</li> </ul>	We have no matters to report.

## An overview of the scope of our audit

- The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit Committee in June 2021. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to GCRB. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
- At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
- In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw

conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

## Significant risk areas

- Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.
- The significant risk areas described in the table below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual

accounts or disclosures. Our opinion on the annual report and accounts is not modified with respect to any of the risks described below.

## Significant risk areas

### 1. Management override

#### Significant risk description

In any organisation, there exists a risk that management have 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*.

**Audit risk assessment: High**

#### How the scope of our audit responded to the significant risk

#### Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override GCRB’s controls for specific transactions.

#### Audit procedures

- Review of GCRB’s accounting records and audit testing on transactions.
- Adoption of data analytics techniques in carrying out testing.
- Review of judgements and assumptions made in determining accounting estimates as set out in the financial statements to determine whether they are indicative of potential bias. This included a retrospective review of the prior year estimates against the current year estimates.

#### Key observations

We have not identified any indication of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

## 2. Revenue recognition

**Significant risk description** 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 Board could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

**Audit risk assessment: High**

**How the scope of our audit responded to the significant risk** **Key judgements** Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. However, we do not deem this risk to be present for funding received from the Scottish Funding Council (SFC) due to a lack of incentive and opportunity to manipulate transactions.

**Audit procedures**

- As GCRB does not undertake any income generating activity and funding from the SFC is their only source of income, no further audit procedures deemed necessary.

**Key observations** We confirmed that GCRB did not receive income from any sources other than funding from the SFC. We revisited our conclusion to rebut the risk of revenue recognition in relation to SFC funding throughout the audit and our conclusion remained the same.

### 3. Expenditure recognition

**Significant risk description** As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

**Audit risk assessment: High**

**How the scope of our audit responded to the significant risk**

#### Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals around the year end.

#### Audit procedures

- Evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing).
- Consideration of GCRB's key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

**Key observations**

We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

#### 4. Pension assumptions (significant accounting estimate)

##### Significant risk description

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under FRS 102 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.

**Audit risk assessment: High**

##### How the scope of our audit responded to the significant risk

##### Key judgements

A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability.

##### Audit procedures

- Review controls in place to ensure that the data provided from the pension fund is complete and accurate.
- Review the reasonableness of the assumptions used in the calculation against the pension fund actuary and other observable data.
- Agreed the disclosures in the financial statements to information provided by the actuary.
- Consider the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 – *Audit Evidence*.

##### Key observations

As at 31 July 2021, GCRB showed a net pension liability of £493,000 an increase of £212,000 compared to the prior year.

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities (obligations) are calculated on a detailed funding basis for cash contribution setting purposes, using individual member data. The 31 March 2020 formal valuations for Scottish Local Government Pension Scheme Funds were concluded by 31 March 2021.

The accounting balance sheet position as at 31 July 2021 is based on the roll forward from the 2020 formal valuation. This differs to the balance sheet position as at 31 July 2020 which was based on a roll forward from the 2017 formal valuation. This 'step change' can lead to sizeable asset and obligation 'remeasurement experience' items in the reconciliation of the balance sheet from 31 July 2020 to 31 July

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2021. Movements in price/salary increase assumptions and reductions in the discount rate as a result of reducing corporate bond rates also impact on the year end position.

We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. These are within our expected range with the exception of the discount rate which we deem to be on the prudent end.

We reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data. No issues were noted.

We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 *Audit Evidence*. From this review, we did not identify any items which gave us cause for concern over the suitability of the actuary.

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## Other risk factors

### Impact of COVID-19 on the annual accounts

19. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. In response to

the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. Our conclusions are set out in the table below.

Area considered	Description	Conclusion
<p><b>Content of the annual report and accounts</b></p>	<p>In response to the continuing impact of COVID-19, HM Treasury issued an addendum to the Government Financial Reporting Manual 2020-21 which sets out the minimum reporting requirements in respect of the performance report and accountability report:</p> <ul style="list-style-type: none"> <li>• The addendum permits, but does not require, bodies to omit the performance analysis section from the Performance Report. Where relevant performance information has already been published elsewhere, bodies are encouraged to refer to the relevant publication.</li> <li>• Where unaudited information otherwise required to be included in the Accountability Report is already published elsewhere, bodies are permitted to refer to the relevant publication rather than including the information in their Accountability Report.</li> </ul>	<p>GCRB took the decision to include the performance analysis section of the Performance Report and make the full disclosures in the Accountability Report.</p>

Area considered	Description	Conclusion
Access to audit evidence	Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.	<p>We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.</p> <p>We will stay in close contact with GCRB colleagues right up until the point of accounts signing, to ensure all relevant issues are satisfactorily addressed.</p>

## Estimates and judgements

20. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.
21. As part of the planning and fieldwork stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements. Consideration was given to asset valuations, impairment, depreciation and amortisation rates,
22. Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between Prudent, Balanced and Optimistic.
- pension liability, provisions and accruals. Other than the pension liability, we have not determined the other accounting estimates to be significant. We revisited our assessment during the completion stages of our audit and concluded that our assessment remained appropriate.

### Estimates and judgements

#### Pension assumptions

Prudent

Management consider the present value of retirement obligations on an annual basis. The valuation is carried out by the actuarial firm Hymans Robertson. We considered key assumptions against other sources of evidence and did not identify any indication that the valuation was materially misstated as at 31 July 2021.

The assumptions of the actuary, Hymans Robertson, were within our expected range. The assumptions were predominantly in the middle of our expected range with the exception of the discount rate which, while within our expected range, is considered to be on the prudent end of the scale.

## Materiality

23. 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 and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.

24. Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the College any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

25. Our initial assessment of materiality for GCRB’s financial statements was £10,000. On receipt of the unaudited financial statements, we reassessed materiality updated it to £15,000. We consider that our updated assessment has remained appropriate throughout our audit.

### Materiality

<b>GCRB</b>	<b>Group</b>
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**Overall materiality**

£15,000	£2,750,000
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100%

Accounts materially misstated where total errors exceed this value

**Performance materiality**

£11,250	£2,062,000
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75%

Work performed to capture individual errors at this level

**Trivial threshold**

£750	£138,000
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5%

All errors greater than this level are reported

<b>Materiality</b>	<p>Our assessment is made with reference to GCRB’s and the group’s gross expenditure. We consider the level of gross expenditure to be the principal consideration for the users of the financial statements when assessing financial performance of GCRB and the group.</p> <p>Our assessment of materiality equates to approximately 1.5% of gross expenditure as disclosed in the 2020/21 unaudited financial statements.</p> <p>In performing our audit we apply a lower level of materiality to the audit of the Remuneration and Staff Report. Our materiality is set at £5,000.</p>
<b>Performance materiality</b>	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. 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.</p> <p>Performance materiality is set at a value 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 overall materiality.</p>
<b>Trivial misstatements</b>	<p>Clearly trivial are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>

## Group audit

26. GCRB prepares its financial statements on a group basis. The group consists of GCRB and the three colleges within the Glasgow region as outlined below.
27. As group auditors under ISA (UK) 600 we are required to obtain sufficient

appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The following table sets out the components within the group

Component	Significant	Level of response required
Glasgow Colleges Regional Board	Yes	Comprehensive
City of Glasgow College	Yes	Comprehensive
Glasgow Kelvin College	Yes	Comprehensive
Glasgow Clyde College	Yes	Comprehensive

**Comprehensive** The component is of such significance to the group as a whole that an audit of the components financial statements is required for group reporting purposes. Azets is the appointed auditor to all significant components.

## Audit differences

- 28. We identified two material adjustments to the consolidated financial statements in relation to creditors, as detailed at Appendix 2, and no unadjusted audit differences.
- 29. We identified some disclosure and presentational adjustments during our audit which have been detailed in Appendix 2.

audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to GCRB. These matters are limited to those which we have concluded are of sufficient importance to merit being reported. As noted at Appendix 3, we have no such issues to report in 2020/21

## Internal controls

- 30. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our

## Follow up of prior year recommendations

- 31. As concluded in our 2019/20 Annual Audit Report, there are no outstanding audit recommendations from prior years to follow up on.

Area	Assessment	Comment
Control and process environment	<b>Satisfactory</b>	We consider the control environment within the entity to be satisfactory.
Quality of supporting schedules	<b>Satisfactory</b>	The supporting schedules received during the course of the fieldwork were sufficient for our audit purposes.
Responses to audit queries	<b>Satisfactory</b>	Management's responses to our audit queries were appropriate and received on a timely basis.

## Other communications

### Accounting policies, presentation and disclosures

32. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by GCRB.
33. The accounting policies, which are disclosed in the annual accounts, are in line with the Statement of Recommended Practice and are considered appropriate.
34. There are no significant financial statements disclosures that we consider should be brought to the attention of GCRB. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
35. Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

### Fraud and suspected fraud

36. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.
37. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

### Non-compliance with laws and regulations

38. As part of our standard audit testing, we have reviewed the laws and regulations impacting GCRB. There are no indications from this work of any significant incidences of non-compliance or material breaches of

laws and regulations that would necessitate a provision or contingent liability.

### Written representations

39. We requested that the Board sign a letter of representation at the same time as approving the annual report and accounts.

### Related parties

40. We are not aware of any related party transactions which have not been disclosed.

### Confirmations from third parties

41. All requested third party confirmations in respect of bank and legal confirmations have been received.

## Wider scope

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Following consideration of the size, nature and risks of the Board, our annual audit work on the wider scope has been 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.
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## Wider scope conclusions



### Governance statement

We are satisfied that the Governance Statement has been prepared in accordance with the SFC Accounts Direction and that the content is consistent with the consolidated financial statements. However, at the time of writing this report, the internal audit annual opinion remains outstanding. We will continue to liaise with GCRB to ensure this is concluded in a timely manner and appropriately reflected in the Governance Statement.

GCRB has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in GCRB's accounting and internal control systems throughout the period or as a result of remote working during the COVID-19 pandemic.

We are satisfied that the Board continued to receive sufficient and appropriate information throughout the period to support the effective and timely scrutiny and challenge.



### Financial sustainability

#### Auditor judgement

GCRB has adequate arrangements in place for short and medium term financial planning, although the Glasgow region continues to face significant challenges and is operating within tight financial parameters. The Glasgow region continues to work towards achieving a long term sustainable position.

The GCRB FFR, submitted to the SFC in October 2021, forecasted a deficit of £57k in 2021/22 and a break even position in 2022/23 and 2023/24. The Glasgow region forecasts an adjusted operating deficit of £1,638k in 2021/22 (surplus of £1,643k in 2020/21) and a steadily improving, but still challenging position across the remaining planning period.

A focus for GCRB throughout 2020/21 has been developing its response to the SFC's review of GCRB which was published in October 2020. GCRB commenced their Review of Coherent Provision and Sustainability of Glasgow College Region in November 2020, with the aim of providing a coherent, collaborative and considered response to progress the debate around alternative operating models within the Glasgow region. We are satisfied that GCRB has undertaken a practical, transparent and pragmatic approach that has supported

open and pro-active communication, constructive challenge, collaboration and joint-working.

GCRB shared the outcome of their review with SFC in October 2021. The SFC are undertaking a detailed options appraisal and expect to make a recommendation on the future structure of GCRB and the Glasgow region early in 2022. Our review of medium-term financial forecasts reiterates the need to explore alternative and more collaborative delivery models as a priority to support the financial sustainability of the further education sector across the Glasgow region.

## Our approach to the wider scope audit

42. Our approach to the wider scope audit (as set out in our 2020/21 External Audit Plan) builds on our understanding of GCRB which we developed from previous years, along with discussions with GCRB and review of minutes and key strategy documents.
43. During our audit we also considered the following risk areas as they relate to GCRB:
- Impact of COVID-19 on financial sustainability;
  - Changes in governance arrangements in response to the pandemic; and
  - Counter-fraud arrangements, including the risk of fraud and corruption in relation to the procurement function.
44. Overall we concluded that GCRB has appropriate arrangements in place in respect of these areas as noted below.

### Impact of COVID-19 on financial sustainability

Following the UK and Scottish Government escalation of the national response to the COVID-19 pandemic in March 2020, the operation of the Glasgow region was adapted to implement a hybrid of on campus and remote working. Across the region COVID-19 restrictions have had a significant negative impact on non-SFC income sources, making colleges more reliant on their grant funding.

The SFC deem the period to 2022 to be the “Emergency Years” where the focus will be on sustaining the quality and responsiveness of the learning provision, whilst building a system that is adaptable and resilient. GCRB and the SFC continue to closely monitor the impact of the pandemic on service delivery and act accordingly.

<p><b>Changes in governance arrangements in response to the pandemic</b></p>	<p>Governance arrangements have continued as normal with Board and Committee meetings being held through virtual means. We are satisfied that the Board continued to receive sufficient and timely information throughout the period to support effective scrutiny, challenge and decision making.</p>
<p><b>Counter-fraud arrangements, included the risk of fraud and corruption in the procurement function</b></p>	<p>Since the start of the pandemic, there has been potential for the risk of fraud and error to increase as the control environment and internal controls have changed.</p> <p>We found GCRB's arrangements for the prevention and detection of fraud and other irregularities to be adequate. Within the constituent colleges we reviewed Audit Scotland's report on COVID-19 Emerging Fraud Risks and satisfied ourselves that where there have been changes in the control environment, appropriate mitigating controls have been implemented.</p> <p>We reflected on the risk of fraud and corruption in respect of the procurement function as part of our 2019/20 Annual Audit Report and deemed the level of risk to be low. We have revisited this assessment during our audit fieldwork and have not identified any changes to this.</p>



## Governance statement

**Our audit opinion considers whether the Governance Statement has been prepared in accordance with the Government Financial Reporting Manual and the SFC Accounts Direction, and is consistent with the financial statements.**

45. We are satisfied that the Governance Statement for the year to 31 July 2021 is consistent with the financial statements and information gathered during the course of our audit work. We have confirmed that the disclosures made are in line with the Government Financial Reporting Manual and the SFC Accounts Direction.
46. From our audit work we have concluded that GCRB has appropriate systems in place to record, process,

summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in GCRB's accounting and internal control systems.

47. The Board has confirmed that GCRB has complied with all the principles of the 2016 Code of Good Governance for Scottish Colleges throughout the year ended 31 July 2021.
48. An effective internal audit service is an important element of an entity's overall governance arrangement. GCRB's internal audit service is provided by Henderson Logie. Internal audit's 2020/21 programme of work remains ongoing at the time of writing and they are yet to provide their annual opinion. We will continue to liaise with GCRB to ensure this is provided in a timely manner and that any weaknesses or

issues identified are appropriately reflected in the Governance Statement.

The agreed recommendations are summarised in Exhibit 2. We will continue to monitor delivery of these as part of our 2021/22 audit to support continuous improvement of governance arrangements.

### Governance arrangements during COVID-19

- 49. With national lockdown announced on 23 March 2020, all activity across the Glasgow region moved to being delivered remotely, with a hybrid of on and off campus working introduced in line with Government restrictions.
- 50. Governance arrangements have continued as normal with Board and Committee meetings held virtually.
- 51. The Board continued to receive and consider all standing agenda items during 2020/21 including risk register updates, finance reports and committee updates. We are satisfied that the Board received sufficient and timely information throughout the period to support the effective scrutiny, challenge and decision making.

### Effectiveness review

- 52. The Code of Good Governance for Scotland's Colleges requires college Boards to keep its effectiveness under annual review, with an externally facilitated review completed at least every three years.
- 53. The College Development Network (CDN) completed their external effectiveness review in 2020/21, publishing their report in April 2021.
- 54. Overall CDN concluded that the governing of GCRB is effective, led by an engaged and committed Board undertaking debate and challenge of key issues of strategic importance.
- 55. CDN highlighted several areas where improvement would support more effective decision making and allow the Board to operate more proactively.

### Exhibit 2 – Recommendations from improvement: governance arrangements

1. Development and use of a strategic business report which addresses implementation of the board's strategic objectives, presented to every board meeting
2. Development of more board creative time to support formal governing board decision making
3. Ensure the standard governance reporting format includes 'learner and learning implications'
4. Consider development of a stakeholder policy
5. Consider arrangements for a student voice
6. Review the board's role in relation to human resource strategy and development
7. The codification of systems and controls supporting the implementation of GCRB strategy
8. Review the nature and content of reporting to the GCRB, seeking to ensure that reports are accessible and understandable to all members of the board

Source – GCRB: Externally Facilitated Effectiveness Review (Spring 2021)

56. The Board was receptive to the report. The annual Board Development Plan for 2021/22, approved in June 2021, sought to incorporate and interpret these recommendations. Whilst the Nominations & Remuneration Committee will continue to receive monitoring reports throughout the year, it was deemed appropriate that the Board maintain responsibility for monitoring progress against certain actions.
57. In line with best practice, we have encouraged GCRB to provide further detail on their key development actions for the next year within their Governance Statement.



## Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether GCRB is planning effectively to continue to deliver its services or the way in which they should be delivered.

## Significant audit risk

58. Our audit plan identified two significant risks in relation to financial sustainability under our wider scope responsibilities.

### Financial sustainability

The Scottish Funding Council (SFC) has provided an additional £15 million in financial support to the college sector (March 2021), with the Glasgow region expecting to receive a share of £3.5 million. This additional funding will mitigate forecasted losses, however the region is currently forecasting a deficit of £0.78 million for 2020/21. Robust financial management is important in ensuring this position is appropriately managed in the short term.

The Glasgow college region continues to face uncertainty and financial challenges over the next two years. Work is ongoing to prepare the 2021/22 budget and update medium term financial plans for the region, reflecting on the continued impact the COVID-19 pandemic has on service delivery and financial forecasts. Effort and activity continues to reach a long term sustainable financial position across the Glasgow region.

*Noted in the 2020/21 External Audit Plan*

59. GCRB has adequate arrangements in place for short and medium term financial planning, although it continues to face significant financial challenges and is operating within tight financial parameters. Effort and activity continues to reach a long term sustainable financial position across the Glasgow region.

### 2021/22 financial planning

60. The SFC published indicative funding allocations in March 2021 and final allocations in May 2021. The GCRB subsequently provided a

breakdown of allocations across the assigned colleges, including a top slice for the GCRB running costs and collaborative projects.

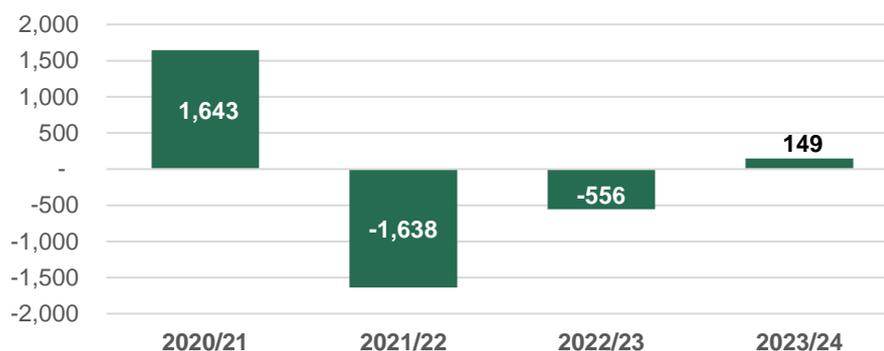
61. The Board approved the 2021/22 GCRB budget in June 2021. The budget forecasts a breakeven position against the budget which consists of the following two elements;
  - Allocation of £470k to cover GCRB running costs, an increase of £14k against 2020/21 expenditure
  - Regional Programme of Action budget of £547k to fund initiatives intended to improve collaboration and regional efficiencies, an increase of £75k against 2020/21 expenditure
62. The regional FFR, inclusive of the Board and the three assigned colleges, was submitted to the SFC in October 2021. This forecasts a deficit of £1,727k in 2021/22 (2020/21: deficit of £10,411k) and an adjusted operating deficit of £1,638k (2020/21: surplus of £1,643k)

### Medium term financial planning

63. GCRB has prepared a three-year financial forecast as part of the SFC's Financial Forecasting Return (FFR) process. The SFC published guidance in August 2021 and the regional FFR, presented to the SFC in October 2021, is due to be considered by the Board in January 2022.
64. The FFR is an established part of the SFC's financial health monitoring framework. The FFR allows the SFC to monitor and assess the medium-term financial planning and health of the sector. The latest FFR required colleges and regional boards to report the forecasted year-end position for 2020/21, the budget for 2021/22 and forward forecasts for 2022/23 and 2023/24.
65. The SFC's Call for Information outlined a set of common, indicative assumptions for Colleges to use in the aim of achieving consistency and comparability across the sector. There is no Scottish Government budget beyond the year 2021/22 so the assumptions are indicative. Assumptions include:
  - Flexible Workforce Development Funding will continue at 2020-21 levels.
  - Student Support Funding requirements will be fully met.
  - Capital Maintenance Funding should be based on the final 2021-22 funding allocations.
  - Institutions should include estimated income from the Coronavirus Job Retention Scheme.

- Staff costs will reflect: agreed cost of living increases, public sector pay policy, no assumed increase in social security costs, known or expected increases in employer pension contribution rates.
  - Funding will not be provided for voluntary severance schemes.
66. Using the above assumptions, GCRB has prepared their FFR and one consolidated return for the region. The use of these assumptions helps support consistency and comparability across the region.
67. For GCRB, a deficit of £57k has been forecast 2021/22 and a break-even position afterwards. GCRB deem the risk level associated with this forecast to be low, given the predictable cost structure of the Board and we are satisfied that key assumptions have been applied appropriately.
68. The FFR outlines the following three risk to GCRB’s financial forecast:
- Loss of strategic funding from SFC used to fund the regional Programme of Action
  - Short-term increase in costs e.g. recruitment of temporary staff to cover sickness absence.
  - Additional costs to address a priority that emerges during the year.
69. The Glasgow region forecasts an adjusted operating deficit in 2021/22 and 2022/23, with an improving position over the remaining year, as set out in Exhibit 3 below.

**Exhibit 3: Glasgow region forecasted adjusted operating position (£'000)**



Source: 2020/21 Consolidated Financial Statements & 2021 Glasgow region FFR

70. The FFR articulates the following key risk to income and expenditure as identified in the risk register;

- Failure to achieve a sustainable model and level of grant funding within the Glasgow region
  - Failure to maximise income via diversification
  - Negative impact of Brexit
  - Failure to achieve operating surplus via control of costs and achievement of income targets
  - Failure to obtain funds from College Foundation
71. Arms' Length Foundations (ALFs) can provide financial support to colleges through funding allocations. The estimated balance held by ALF as at 1 August 2021 is £10,950k. Over the three years outlined in the FFR, the region relies on one-off funding of £7,829k from the ALF to support the financial position outlined above. Reliance on this funding is not sustainable, making colleges less resilient to future challenges.
72. Savings across the region have predominately been achieved through reduction in staff costs. These perennial cuts can present a risk to the delivery of education across the region and is not sustainable. To support a more collaborative approach to service delivery and opportunities to achieve shared efficiencies, GCRB have undertaken a Review of Coherent Provision and Sustainability of the Glasgow Region. We have considered the outcome of this below.
-

## Regional governance and sustainability

The SFC initiated a review of Regional Strategic Bodies (RSBs) in 2019, focusing on their effectiveness in meeting their core strategic duties and wider aims of regionalisation. The SFC published their review of GCRB in October 2020. This recognised the significant progress made by GCRB and highlighted three key recommendations, including the need to explore alternative delivery models within the region to improve collaboration. Strategic decision making needs to be more effective at the regional level to support the financial viability and sustainability of the three assigned colleges and the region over the medium to long term. So far GCRB has taken a pragmatic and practical approach in response to this review that supports open and pro-active communication with stakeholders and we will continue to monitor the steps taken in 2020/21.

*Noted in the 2020/21 External Audit Plan*

73. In direct response to the SFC's review of RSBs, GCRB commenced their *Review of Coherent Provision and Sustainability of Glasgow College Region*. This review consisted of three phases with updates presented to the SFC and Scottish Government throughout.

### Phase One - Insights

74. Following the publication of SFC's Review of RSBs in October 2020, GCRB launched their review in November 2020 with a published Call for Evidence.
75. With the aim of building a greater understanding of the key issues highlighted in the SFC report, GCRB's Call for Evidence was based on a number of key questions directly linked to the SFC recommendations, covering topics such as governance, partnership working, funding and structures. Respondents included Glasgow's constituent colleges, Glasgow's three universities, councils, elected representatives, regional partnership bodies, and various national agencies and organisations such as SDS and SQA.
76. A Phase One report, summarising the insights obtained from the Call for Evidence, was presented to the Board in January 2021. It recognised support and a shared appetite for change, although acknowledge that there is no strong consensus on a single best solution.
77. From this initial Call for Evidence, GCRB recognised ten key themes from phase one for further development as outlined in Exhibit 4.

#### Exhibit 4: Phase One Key Themes



Source: Review of Coherent Provision & Sustainability of Glasgow College Region, Phase One Report (January 2021)

#### Phase Two – Internal Stakeholders

78. In the second phase, GCRB sought further engagement with key ‘internal’ stakeholders of the Glasgow college region. This included chairs, principals, non-executive directors and staff representatives from constituent colleges, representative trade unions and student representatives.
79. The themes identified in phase one were considered in greater depth, with discussion facilitated through workshops. Initial consideration was given to articulating a shared vision and on establishing common measures of success against which future structures could be considered.
80. An interim report on discussions to date was presented to the Board in April 2021, highlighting three potential future models for further consideration in phase three.
81. Throughout both phase one and two, GCRB recognised the challenging backdrop against which these discussions are being held. The region is continuing to respond to the COVID-19 pandemic and whilst the SFC deem the ‘emergency’ period to relate to delivery through to 2022, it is expected that some of the restrictions and pressures currently faced will continue for a considerable period beyond this date.

### Phase Three – Options Overview

82. The Board considered a report in August 2021 which articulated the broad options discussed during earlier phases and an initial consideration of the potential implication of these. Options and delivery models were considered, along with a review of existing literature and language. However no consensus or recommendation was included at this stage.
83. The report reiterates that its intention is not to present an exhaustive list of options, but to summarise those which had been discussed in the earlier phases.

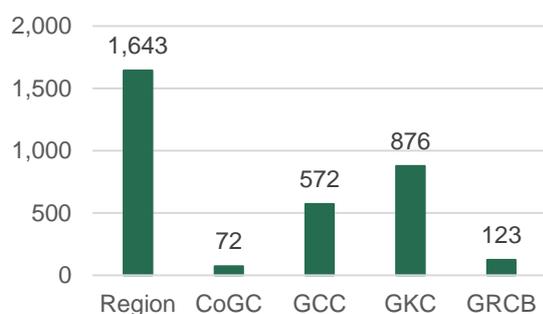
### Next steps

84. GCRB sought to procure external consultancy to support the Executive in undertaking a thorough options appraisal exercise. To support this exercise, the Board developed and endorsed a set of strategic priorities against which change could be measured.
85. However, the SFC requested that it undertakes the options appraisal exercise internally instead and work remains ongoing. On 4 November 2021, the Minister for Higher/Further Education provided a statement to the Scottish Parliament indicating that a recommendation from the SFC on the future structure of GCRB and the Glasgow region would be provided shortly. This is now expected in the first quarter of 2022.
86. Throughout their review, GCRB have remained mindful of the three recommendations raised by the SFC in their review of the Glasgow RSB. We have considered progress against these recommendations at paragraph 92 below.
87. GCRB's response to SFC's review has followed a practical, transparent and pragmatic approach that has supported open and pro-active communication, constructive challenge, collaboration and joint-working.
88. Our review of medium-term financial forecasts reiterates the need for the Glasgow region to explore alternative and more collaborative delivery models as a priority to support the financial sustainability of the further education sector across the Glasgow region. Whilst there has been consensus on the need to establish a more regional approach to strategic decision making and financial planning, there has been disagreement on the best way to take this forward. We will continue to monitor the position, including the outcome of SFC's options appraisal, as part of our 2021/22 audit.

## 2020/21 financial performance

89. The principal financial objective for the Glasgow region is to work within its annual budget, which includes an annual allocation from the SFC.
90. The GCRB reports a surplus of £33k for 2020/21 (2019/20: surplus of £7k) and an adjusted operating surplus of £123k (2019/20: surplus of £57k).
91. The Glasgow region reports a deficit of £10,411k (2019/20: deficit of £9,618k). Adjusting for technical accounting factors that are outwith the region's controls, such as pension costs and net depreciation, the region reports an adjusted operating surplus of £1,643k (2019/20: surplus of £202k). The adjusted operating position at the single entity level is detailed below at Exhibit 5.

### Exhibit 5: Adjusted operating position 2020/21 (£'000)



Source: 2020/21 Financial Statements

## SFC Review of GCRB

92. The SFC's review of GCRB, published October 2020, highlighted three key recommendations. We have considered GCRB's response to review in detail from paragraph 73, and consider specific progress against the three recommendations below.

### Maintaining effective relationships

93. Already recognised as a development area by GCRB, the SFC highlighted the need for GCRB and constituent boards to seek opportunities for open and pro-active communication, collaboration and joint working.
94. GCRB designed their response to the SFC's review (detailed from paragraph 73) to provide a formal opportunity for all interested parties to provide an in-depth response to the review. Phase Two was designed to then provided continued engagement with key individuals within the constituent colleges.
95. This is in addition to the standard cross-college engagement that GCRB facilitates such as Glasgow Colleges Group Executive, Learning and Teaching and Sustainability forums.

### Further develop and ensure that the region's running/operating costs are appropriate and efficient

96. The cost of GCRB's operation was deemed by SFC to be broadly appropriate, however not insignificant. SFC highlighted the importance of ensuring running costs remain appropriate and efficient whilst continuing to bring added value to the region.
97. GCRB's expenditure in 2020/21 represents around 0.5% of the core SFC grant provided to the Glasgow region. Commentary on GCRB's 2020/21 financial performance is included at paragraph 90.
98. GCRB has continued to operate within budget, utilising the regional Programme of Action to deliver additional projects which have a focus on building partnership and collaborative practices. This approach

has allowed GCRB to continue monitoring its running costs whilst creating a flexible and agile approach to leveraging regional input.

99. GCRB do recognise however that there are further opportunities for improvement in this area, as reflected through their Review of Coherent Provision and Sustainability of Glasgow College Region.

#### **Explore other organisational options**

100. GCRB's Review of Coherent Provision and Sustainability of Glasgow College Region has met the requirements of this recommendation to begin the conversation about alternative organisation options, drive the discussion forward, and articulate potential options.

# Appendices



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## Appendix 1: Respective responsibilities of the Board and the Auditor

The Code of Audit Practice (2016) sets out the responsibilities of both the Board and the auditor and are detailed below.

### The Board's responsibilities

The Board has primary responsibility for ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver its objectives.

Area	Board's responsibilities
<b>Corporate governance</b>	<p>The Board is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements.</p>
<b>Financial statements</b>	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"><li>• preparing financial statements which give a true and fair view of its 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 its 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 the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also address the longer term financial sustainability of the body and the region.</li></ul> <p>The Board is responsible for communicating relevant information to users about the entity and its financial performance, including providing adequate</p>

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disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

The Board 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 its objectives and safeguard and secure value for money from the public funds at its disposal. The Board is also responsible for establishing effective and appropriate internal audit and risk-management functions.

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**Standards of conduct for prevention and detection of fraud and error**

The Board 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.

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**Financial position**

The Board is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:

- Such financial monitoring and reporting arrangements as may be specified;
- Compliance with statutory financial requirements and achievement of financial targets;
- Balances and reserves, including strategies about levels and their future use;
- Plans to deal with uncertainty in the medium and long term; and
- The impact of planned future policies and foreseeable developments on the financial position.

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**Best value**

Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value.

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## Auditor responsibilities

Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on the financial statements and 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; and
- demonstrate compliance with the wider scope of public audit.

### Wider scope of audit

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.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

We have concluded that the full application is not appropriate due to the size of the organisation. As part of our annual audit we consider and report against:

- appropriateness of the disclosures in the governance statement; and
- financial sustainability of the body and the services that it delivers over the medium to longer term.

## Independence

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

### Audit and non-audit services

The total fees charged to GCRB for the provision of services in 2020/21 (with prior year comparators) is as follows:

	Current year	Prior year
	£	£
Audit of GCRB (Auditor remuneration)	24,410	20,380
<b>Total audit</b>	<b>24,410</b>	<b>20,380</b>
Non-audit services	-	-
<b>Total fees</b>	<b>24,410</b>	<b>20,380</b>

FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. We did not undertake any non-audit services in 2020/21

### Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report which covers our work at the College since appointment can be found at <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-202021>

## Appendix 2: Adjusted and unadjusted errors identified during the audit

### Adjusted differences

We identified the following adjustments to the consolidated financial statements during our audit. We have discussed these with management and agreed that they will be reflected in the consolidated financial statements on the basis of materiality.

No	Detail	Assets	Liabilities	Reserves	SOCI
Details of adjusted audit differences		Dr / (Cr)	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)
		£000s	£000s	£000s	£000s
1.	Removal of historical creditor		28		(28)
2.	Reclassification of FWDF from accruals and deferred income to amounts owed to SFC		Deferred Income: 634 Amounts due to SFC: (634)		
Net impact on (income) / expenditure					(28)

### Unadjusted differences

We did not identify any unadjusted differences during our audit of the consolidated financial statements.

## Disclosure amendments

No	Detail
1	Performance Report – inclusion of cash budget for priorities table in line with the SFC Accounts Direction
2	Governance Statement – commentary on the impact of COVID-19 and further detail on the Board’s development plan
3	Statement of Accounting Policies – updated to reflect the 2019 SORP and ensure consistency across the group
4	Note 21 Pensions and Similar Obligations – additional commentary on the Scottish Teachers Superannuation Scheme in line with SPPA guidance
5	Note 28 Related Party Transactions – disclosure of amounts due to and from related parties in line with the SORP

## Appendix 3: Action Plan

We did not identify any actions during our 2020/21 audit. In addition, there are no actions outstanding from the prior year.



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