

Board of Management Audit Committee

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Primary Contact	Gary Devlin, Scott-Moncrieff
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Action	For Discussion

1. Recommendations

The Committee is asked to consider the attached External Audit Plan 2017-18.



Scott-Moncrieff
business advisers and accountants

City of Glasgow College

External Audit Plan
2017/18

DRAFT

May 2018

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Introduction

Introduction

Overview

1. This document summarises the work plan for our 2017/18 external audit of the City of Glasgow College (“the College”).
2. The core elements of our work include:
 - an audit of the 2017/18 financial statements and related matters;
 - a review of arrangements for governance and transparency, financial management, financial sustainability and value for money; and
 - any other work requested by Audit Scotland.

Audit appointment

3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies in Scotland, as well as reporting on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Scott-Moncrieff as external auditor of the College for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2017/18 and summarises:
 - the respective responsibilities of Scott-Moncrieff and the College;
 - our audit strategy;
 - our planned audit work and approach;
 - our proposed audit outputs, timetable and fee; and
 - background to Scott-Moncrieff and the audit team.

Confirmation of independence

6. International Standards on Auditing (UK) (ISAs) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we will comply with Financial Reporting Council’s (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. In particular there are and have been no relationships between Scott-Moncrieff and the College, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.

Adding value through the audit

9. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the College through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the College promote improved standards of governance, better management and decision making and more effective use of resources.
10. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: www.surveymonkey.co.uk/r/S2SPZBX.
11. While this plan is addressed to the College, it will be published on Audit Scotland’s website www.audit-scotland.gov.uk.

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Respective responsibilities of the auditor and the College

Respective responsibilities of the auditor and the College

Auditor responsibilities

Code of Audit Practice

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

Our responsibilities

13. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK), professional requirements and best practice and cover our responsibilities when auditing financial statements and when discharging our wider scope responsibilities.

14. Our responsibilities under the Code are to:

- undertake statutory duties, and comply with professional engagement and ethical standards, including International Standards on Auditing;
- provide an opinion on audited bodies' 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 public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
 - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;
 - suitability and effectiveness of corporate governance arrangements; and
 - financial position and arrangements for securing financial sustainability.

15. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Wider scope audit work

16. The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the annual accounts, but also on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability projections.
17. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised below in Exhibit 1.
18. Where the application of the full wider scope is judged by us not to be appropriate then our annual audit work on the wider scope is restricted to:
- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
 - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
19. Our assessment takes into account the size, nature and risks of the City of Glasgow College. Taking these factors into consideration, we have concluded that we will apply our full wider scope audit responsibilities.

The Colleges' responsibilities

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

Exhibit 1: Audit dimensions of wider scope public audit

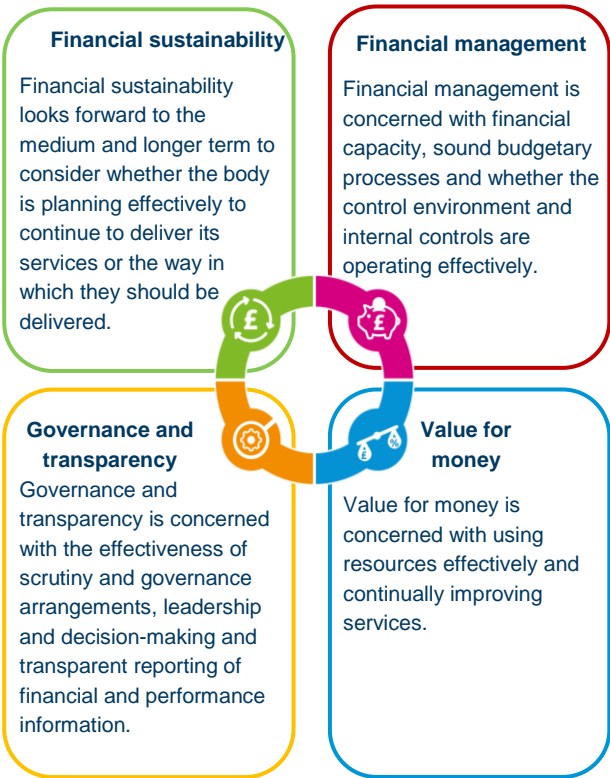


Exhibit 2 – The Colleges’ responsibilities

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

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

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Audit strategy

Audit strategy

Risk-based audit approach

21. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the College.

This ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:



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

Communications with those charged with governance

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

Professional standards and guidance

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

Partnership working

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

Audit Scotland

26. Although we are independent of Audit Scotland and are responsible for forming our own views

and opinions, we do work closely with Audit Scotland throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

27. During the year we may also be required to provide information to Audit Scotland to support national performance audits.

Internal audit

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

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Annual report and accounts

Annual report and accounts

Introduction

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

Approach to audit of financial statements

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

Risk-based audit planning

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

An audit of key systems and internal controls

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

A final audit of the financial statements

37. During our final audit we will test and review the material amounts and disclosures in the financial statements. The extent of testing will be based on the risk assessment.
38. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with:

- the Statement of Recommended Practice: accounting for further and higher education (the SORP)
- the Government Financial Reporting Manual (FReM), where applicable; and
- the Scottish Funding Council Accounts Direction.

39. In order to provide assurance on the regularity of transactions, we also review whether, in all material respects, expenditure has been incurred and income applied in accordance with guidance issued by Scottish Ministers.

Independent auditor's report

40. Our opinion on the truth and fairness of the financial statements and the regularity of transactions will be set out in our independent auditor's report which will be included within the annual report and accounts.
41. We also provide an opinion on the audited part of the remuneration report, annual governance statement and performance report.

Materiality

42. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.
43. Our initial assessment of materiality for the financial statements is £1.587 million (approximately 1.8% of the College's 2016/17 gross expenditure), which is considered one of the principal considerations for users of the financial statements when assessing financial performance. We will continue to review our assessment of materiality throughout our audit.

Performance materiality

44. We set a performance materiality for each area of work which is based on a risk assessment for the area. We will 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 of significant risk of material misstatement.

Area risk assessment	Weighting	Performance materiality
High	50%	£0.793 million
Medium	60%	£0.952 million
Low	75%	£1.190 million

Reporting

45. We will report any misstatements identified through our audit that fall into one of the following categories:
- all material corrected misstatements;
 - uncorrected misstatements with a value in excess £71,400; and
 - other misstatements below the £71,400 threshold that we believe warrant reporting on qualitative grounds.

Key audit risks

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

Exhibit 4 – Key audit risks in the financial statements

1. Management override of control

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 annual accounts. This is treated as a presumed risk area in accordance with ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

47. In response to this risk we will review the College's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation and amortisation rates, pension assumptions, asset valuations, provisions and arrears.

2. Revenue Recognition


Under ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the College could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

48. As part of our planning process we have considered the nature of the revenue streams at the College against the risk factors set out in ISA 240. We have identified that for Scottish Funding Council (SFC) grant funding the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate revenue of this nature. We have concluded, however, the risk of fraud in relation to revenue recognition is present in all other income streams.
49. We will review the controls in place over revenue accounting. We will consider the College's key revenue transactions and streams and carry out testing to confirm that the College's revenue recognition policy is appropriate and has been applied consistently throughout the year.

3. Risk of fraud in expenditure recognition


The FRC has published a revised Practice Note 10 which applies to the audit of financial statements of public sector bodies in the UK, for periods commencing after June 2016. The practice note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

In line with the practice note, our presumption is that the College could adopt accounting policies or recognise expenditure in a way that materially misstates the College's financial performance.

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

4. Voluntary severance scheme

The College has opened a voluntary severance scheme to staff in 2017/18 and anticipate that a number of applications will be approved prior to the year end. Exit packages are sensitive in nature and can lead to a risk of reputational damage to the College. We therefore deem these transactions to be material by nature and a significant risk to the audit of the financial statements.

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51. We will review the voluntary severance packages are accounted for correctly in the financial statements and disclosed in line with the requirements of the FReM. In addition we will ensure the governance processes for the approval of the scheme and individual packages are in line with the Scottish Funding Council guidance.

The performance report, accountability report and other information

52. The HM Treasury Government Financial Reporting Manual 2017-18 sets out the content required within the annual report and accounts. In addition to presenting our opinions over the financial statements our independent auditor's report will also presents our opinion on other aspects of the annual report and accounts:

Other information

53. "Other information" in the annual report and accounts comprises any information other than the financial statements and out independent auditor's report thereon. We do not express any form of assurance conclusion on the "other information" except as specifically stated below.
54. We read all the financial and non-financial information in the 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 us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our independent auditor's report.

The performance report

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

The accountability report

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

5

Wider scope audit

Wider Scope Audit

Introduction

59. The Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. As part of our annual audit we will consider and report against these four dimensions: financial management; financial sustainability; governance and transparency; and value for money.
60. We are committed to using the wider dimensions to target and provide assurance throughout our period of appointment. As with our financial statements audit, our wider scope audit approach is focused on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting audit risks relation to each of the four dimensions of wider scope public sector audit.
61. In 2017/18 we will also consider the following risk areas as they relate to the College:
- EU withdrawal;
 - New financial powers;
 - Ending of public sector pay cap;
 - Response to cyber security risks; and
 - Openness and transparency.
62. At this stage of our audit planning process, we have identified one significant risks to the wider scope dimension of our audit, as detailed below:

Exhibit 4 – Wider Scope Significant Risks

1. Financial sustainability

In line with Scottish Funding Council Guidance the College has prepared a long term financial plan which identified a pattern of recurring deficits from 2018/19 to 2021/22. The long term financial plan was presented to the Board in August 2017 and the assumptions were subject to challenge and scrutiny. The College recognise the significant challenge going forward. Staffing costs are a significant proportion of the overall operating expenditure and are predicted to rise to 60% of expenses. The impact of national bargaining and the removal of the public sector pay cap will have a significant impact on the College's ability to deliver a balanced budget.

In addition to the increase in expenditure the College has recognised that income is likely to reduce over the longer term, particularly as grants to compensate for the increase due to national bargaining are only guaranteed until 2019/20. A key challenge for the College will be generating income out with the SFC grants. The College is considering actions to address the deficit position, as staff costs are the most significant area of expenditure the College is starting with a review of the workforce structure.

There is recognition at the College that there are significant challenges in order to bridge the budget gap and work is underway to identify savings options.

63. During our 2017-18 audit we will continue to review whether the College has adequate arrangements in place to manage its financial position and deliver the scale of savings required. Our work will include analysis of the achievement of savings targets for 2017-18, the development of savings plans for future years, and consideration of the underlying financial position.

64. We have not, at this stage, identified any significant risks in relation to the other dimensions. Audit planning however is a continuous process and we will report any identified significant risks, as they relate to the four dimensions, in our annual audit report. The table below summarises our audit work in respect of each dimension.



Financial sustainability

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

Consideration	Our audit approach
<p>As noted in Exhibit 5:</p> <p>During 2016-17, we were satisfied that the College had identified a significant savings gap for the period to 2021/22 with no clear plan at this stage to deliver the required savings. The College has started identify savings options and are currently looking at their workforce structure to improve curriculum delivery and create savings.</p>	<p>During our 2017-18 audit we will update our assessment of the College's financial standing. This will involve a review of the arrangements in place for short, medium and long term financial planning, budgetary control and financial reporting. Our work will also consider the adequacy of the College's preparations and scenario planning for the impact of EU withdrawal and key financial assumptions such as the impact of further national bargaining.</p> <p>We will also review the governance and programme management arrangements that have recently been developed to deliver further transformation and savings.</p>



Financial management

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

Consideration	Our audit approach
<p>The College's Finance and Physical Resource Committee receives quarterly monitoring reports throughout the financial year. The report provides members with a year to date position against budget, a year to date position against prior year, a forecasted year end position and narrative commentary.</p> <p>The College's revenue budget, as reported to the Finance and Physical Resources Committee in May 2017 and endorsed by the Board in September 2017, forecasted a deficit of £1.258 million for 2017/18. The underlying forecast position was a small surplus of £0.027 million.</p> <p>The College has improved on the projected financial position in year and is now forecasting a surplus of £400k at the year-end. The College has acknowledged</p>	<p>During our 2017/18 audit we will review, conclude and report on the following:</p> <ul style="list-style-type: none"> • Whether the College has arrangements in place to ensure systems of internal control are operating effectively; • Whether the College can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance; and • Whether the College has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Consideration	Our audit approach
this may change due to the costs associated with the voluntary severance scheme; however, the College is confident that it will still achieve a surplus position.	



Governance and transparency

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

The College's responsibilities	Our audit approach
<p>We concluded in 2016/17 that the College operated with satisfactory governance arrangements in place and that the College was transparent in the way it conducts its business.</p> <p>The Glasgow Colleges' Regional Board (the GCRB) was awarded fundable body status on 1 April 2017 and during 2016/17 was working with the SFC to create the structures needed to take on full funding and monitoring functions from 1 August 2018.</p> <p>We understand that the relationship between the College and the GCRB is still developing; the College is involved in the Board of the GCRB, an Audit Committee Chair's forum and provides returns to the GCRB on a monthly basis.</p>	<p>We will continue to consider the effectiveness of the College's governance framework and the extent to which the arrangements and management of the College and committees comply with relevant good practice guidance.</p> <p>We will consider whether the information provided to the College and committees is sufficient for members to assess the impact of decisions on resources and performance.</p> <p>We will consider the ongoing relationship with the GCRB and consider the implications for the College in terms of their governance arrangements.</p>



Value for money

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

The College's responsibilities	Our audit approach
<p>The College published a revised strategic plan covering the period from 2017 to 2025. This plan focuses on the four strategic themes: students; growth and development; processes and performance; and finance. The strategic aims have been refreshed to build on the success of the 2013-17 strategy.</p> <p>The College use a range of targets and key performance indicators (KPIs) to monitor performance. Key targets and performance measures to align to the</p>	<p>We will work with the College to identify and review evidence which demonstrates the achievement of value for money in the use of its resources.</p> <p>We will review the development of the performance management framework for the new strategic plan.</p> <p>We will seek evidence from the College that outcomes are improving and there is sufficient focus on improvement and the pace of it.</p>

The College's responsibilities	Our audit approach
<p>new strategic plan were due to be developed in 2017/18.</p> <p>Performance is monitored by the Board and relevant sub-committees throughout the year.</p>	<p>Audit Scotland carries out a national performance audit programme on behalf of the Auditor General for Scotland and the Accounts Commission. We will work with Audit Scotland during the year to understand the outputs from this work and identify any particular reports that the College may have a direct interest in.</p>

A large orange circle with a white border containing the white number '6'. The background consists of abstract, curved shapes in shades of blue and purple.

Audit outputs, timetable and fees

Audit Outputs, Timetable and Fees

Audit output	Format	Description	Target date
External audit plan	Report	This report sets out the scope of our audit for 2017/18.	May 2018
Independent Auditor's Report	Report	This report will contain our opinions on the true and fair view of the annual accounts and on the regularity of transactions.	November 2018
Annual Report to Board and the Auditor General for Scotland	Report	At the conclusion of each year's audit we will issue an annual report setting out the nature and extent of our audit work for the year and summarising our opinions, conclusions and the significant issues arising from the work. This report will pull together all of our work on the use of resources, annual accounts and governance arrangements.	November 2018

Audit outputs

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

Audit fee

67. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body. The expected fee level for 2017/18 has been set by Audit Scotland following a review of fees across the FE sector.
68. As auditors we negotiate a fee with the College during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.

69. For 2017/18 the expected fee for the College is £38,600. We propose setting the 2017/18 audit fee at the 5% above expected fee level. This takes into consideration the risks identified at planning and the audit issues encountered in previous years

2017/18	
Auditor remuneration	£34,650
Pooled costs	£2,120
Audit support costs	£1,830
Total expected fee	£38,600

70. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

Audit timetable

71. The dates for our interim and final audits have been discussed with the Vice Principal Finance and HR. A summary timetable, including audit outputs, is set out below:



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Appendices

Appendix 1: Your audit team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 17 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network.

We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, further education bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

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

Your audit team

The external audit team at the City of Glasgow College College will be led by Gary Devlin and managed by Claire Gardiner. We will draw upon the expertise of our wider public sector management team during the course of our audit appointment.

Gary Devlin

Partner

gary.devlin@scott-moncrieff.com



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

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

Claire Gardiner

Audit Manager

claire.gardiner@scott-moncrieff.com



Claire has over 12 years' public sector external audit experience. She has delivered external audit services to a range of public sector bodies, including pension funds, local authorities, health bodies and central government bodies.

Claire will manage the onsite team and work alongside David to deliver the audit engagement.

Claire McTaggart

Audit Senior

claire.mctaggart@scott-moncrieff.com



Claire joined the firm in 2015 as a public sector audit trainee. She has experience delivering external audit services to a range of public sector bodies, including further education and charities.

Claire will be responsible for the delivery of the onsite work.

Appendix 2: Statement of Understanding

Introduction

The purpose of this Statement of understanding is to clarify the terms of our appointment and the key responsibilities of the City of Glasgow College (“the College”) and Scott-Moncrieff.

Annual accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant Board staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit.

Scope of audit

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

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

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

Internal audit

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

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

Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise.

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

Ethics

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

Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved.

Service

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

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

Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. We will endeavour to supply a draft report within three weeks of the completion of the fieldwork of each element of work.

Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

Management responses should be prepared and provided to us within two weeks of the receipt of the draft report.

These timescales may need to be truncated, e.g. to meet Audit Committee reporting deadline.

Agreement of terms

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



Scott-Moncrieff
business advisers and accountants

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