



**Scott-Moncrieff**  
business advisers and accountants

# **Glasgow Clyde College**

External Audit Plan  
2017/18

**May 2018**

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# Introduction

# Introduction

## Overview

1. Public audit helps create a strong and effective system of financial accountability and transparency which supports the best use of public money in the public interest.
2. This document summarises the work plan for our 2017/18 external audit of Glasgow Clyde College ('the College').
3. The core elements of our work include:
  - an audit of the College's 2017/18 annual report and accounts;
  - 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

4. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of most public bodies in Scotland outside the local government sector, including further education bodies, and reporting on their financial health and performance.
5. 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.
6. 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 responsibilities of Scott-Moncrieff (as external auditor) and the college;
  - our audit strategy;
  - our planned audit work and how we will approach it;

- our proposed audit outputs, timetable and fee; and
- background to the audit team.

## Confirmation of independence

7. International Standards on Auditing (UK) (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
8. 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.
9. In early 2018, Scott-Moncrieff submitted a tender via Public Contracts Scotland for the provision of General Data Protection Regulation and related services 'the College'. The tender submission was successful and, at the request of the College, Scott-Moncrieff will provide the tendered services during the 2017/18 financial year.
10. In line with Audit Scotland planning guidance, approval was obtained from the Scott-Moncrieff ethics partner and Audit Scotland before submission of the tender for potential non-audit work. Prior approval for the submission was also received from the College.
11. The work is expected to attract a fee of £21,048 and will be undertaken by the firm's Business Technology and Consulting team under the responsibility of staff and a partner who have no involvement with the external audit. There will be no involvement in the management decisions made in relation to the findings and recommendations raised through the non-audit work.

## Adding value through the audit

12. 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.
  13. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX)
  14. While this plan is addressed to Glasgow Clyde College, it will be published on Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)
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# Respective responsibilities

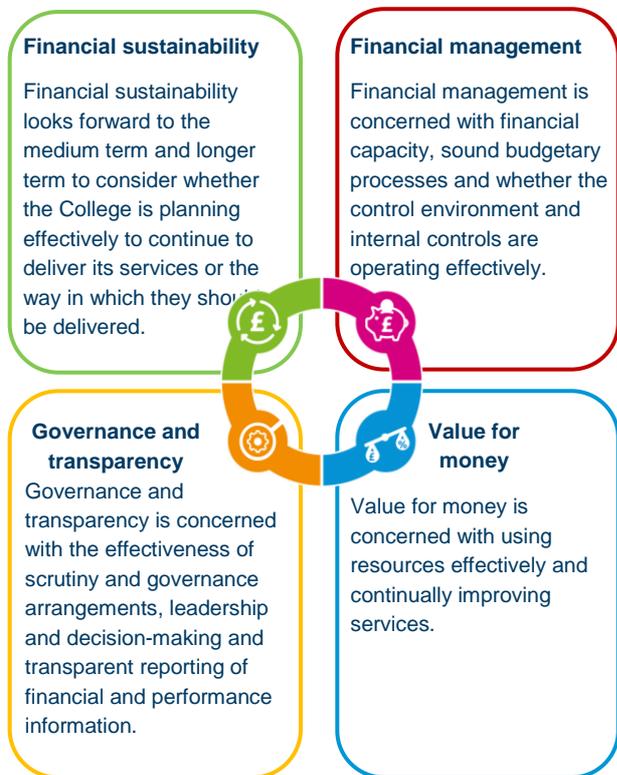
# Respective responsibilities

## Auditor responsibilities

### Code of Audit Practice

15. The Code of Audit Practice (the Code) sets the framework for public audit in Scotland and outlines the responsibilities of auditors appointed by the Auditor General.
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 and financial sustainability.
17. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable areas, as summarised in Exhibit 1. We will apply the wider scope in full at the College.

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



## Our responsibilities

18. The Code requires auditors to meet the highest professional standards and it is a condition of our appointment that we comply with it.
19. 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.
20. Weaknesses or risks we identify 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 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.

## College Responsibilities

21. The Code also outlines the responsibilities 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 it to successfully deliver organisational objectives. The College’s responsibilities, as identified within the Code, are summarised in Exhibit 2.

Exhibit 2 – College responsibilities	
Area	GCC responsibilities
<p><b>Annual accounts:</b> The College must prepare annual accounts containing financial statements and other related reports.</p>	<p>The College has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of the state of affairs of the College as at 31 July 2018 and of the net expenditure for the year, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures;</li> <li>• maintaining proper accounting records; and</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.</li> </ul>
<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the 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"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with any statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• How the organisation plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>

**Exhibit 2 – College responsibilities**

Area	GCC responsibilities
<p><b>Financial management:</b> Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>It is the College’s responsibility to ensure that its financial affairs are conducted in a proper manner. Management is 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><b>Governance and transparency:</b> Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>The College is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>The College is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure best value. <b>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.</b></p>

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# **Audit strategy**

# Audit strategy

## Risk-based audit approach

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

Discussions with senior officers at the College	Discussions with non-executive members	Attendance at the Audit & Risk Committee	Our understanding of the further education sector and its key priorities and risks	Guidance from Audit Scotland
Discussions with Audit Scotland and other auditors	Discussions with internal audit and reviews of their plans and reports	Review of the College's corporate strategies and plans	Review of the College's corporate risk register	Consideration of the work of other inspection bodies where appropriate

23. 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

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

### Professional standards and guidance

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

### Partnership working

26. 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

27. 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 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.

28. Audit Scotland undertakes national performance audits on issues affecting the College. We will review the College's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We will assess the extent to which the College uses the national performance reports as a means to help improve performance at the local level.

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

### Internal audit

- 30.** 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

### Other inspection bodies

- 31.** We will contribute to the 'whole organisation' approach to inspection through co-ordination amongst auditors, inspectors and other scrutiny bodies. Through enquiry of management as part of our initial planning discussions, we have not identified any other inspection work planned for 2017/18 which is directly relevant to our audit, other than the work of internal audit and Audit Scotland. We will monitor this situation over the course of 2017/18 and update our plans as necessary.
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# Annual report and accounts

# Annual report and accounts

## Introduction

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

## Approach to audit of the financial statements

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

### Risk-based audit planning

35. 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

36. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements.
37. The systems we review and the nature of the work we perform is based on an initial risk assessment. We examine and test compliance with best practice and the College's own policies and procedures.
38. Wherever possible we will take cognisance of internal audit's reviews of systems and controls.
39. 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

40. 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.

41. 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 Accounts Direction.
42. 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

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

## Materiality

45. 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.
46. Our initial assessment of materiality for the financial statements of the College is £800,000, approximately 1.7% of the College's 2016/17 expenditure. Achieving a breakeven position through the application of income and funding is a key target for the College and one of the principal considerations for the users of the accounts when assessing financial performance. We will review our assessment of materiality throughout our audit.

**Performance materiality**

47. 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.

- Uncorrected misstatements over £30,000; and
- Other misstatements below £30,000 that we believe warrant reporting on qualitative grounds

**Reporting**

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

- All material corrected misstatements;

Area risk assessment	Weighting	Performance materiality
High	40%	£320,000
Medium	55%	£440,000
Low	75%	£600,000

**Exhibit 3 – Key audit risks for the annual accounts**

49. Auditing standards require that we inform the Audit and Risk Committee of our assessment of the risk of material misstatement in the financial statements. Five significant risks are outlined below, with two further significant risks to the wider scope of our audit outlined in Section 5 of this report. We will provide an update to the Audit and Risk Committee if our assessment changes significantly during the audit.

**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*.

50. 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. We will also adopt data analytics techniques to review and test aspects of this significant risk.

**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.

51. 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.

52. 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.



53. 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. Asset valuation and capital additions

The College holds a significant level of fixed assets (net book value of £157.721million in 2016/17) and expects to make material capital additions during 2017/18 (contracted capital commitments of £3.756million were disclosed in 2016/17) in part funded by applications to the Glasgow Clyde Education Foundation, an arms-length charity.

In line with the wider Scottish FE sector the College adopts a policy of revaluation, whereby land and buildings are measured at fair value. Under the SORP, revaluations must be sufficiently regular so that the carrying value of an asset at the reporting date is not materially different from its fair value. Additionally, the College must assess whether there are indications of impairment of assets at each reporting date.

The College's last formal, external valuation exercise took place in 2017. Given the level of fixed assets held, a misstatement in the reported valuation could be material to the College's annual accounts.



54. We will review the valuation of land and buildings, including any building additions in the year, and ensure that the College has completed a recent assessment for impairment. We will ensure fixed assets are recognised and measured in accordance with the SORP and the College's own accounting policies.
55. We will review expenditure in year to ensure that capitalisation policies have been applied appropriately and consistently. We will ensure any capital funding received from the Glasgow Clyde Education Foundation has been accounted for in line with the requirements of the SORP.

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

56. The FRoM sets out the content required within the annual report. In addition to presenting our opinions over the financial statements, our independent auditor's report will also include our opinion on other aspects of the annual report and accounts:

#### Other information

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

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

#### The performance report

- 59.** 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.
- 60.** 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

- 61.** 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.
- 62.** 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.

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# Wider scope audit

# Wider scope audit

## Introduction

- 63. As described in section 2, 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.
- 64. Our planned audit work against the four dimensions is risk based and proportionate. Our initial assessment builds upon the understanding of the College which we developed in 2016/17, along with discussions with management and review of College and committee minutes and key strategy documents.
- 65. In 2017/18 we have also considered the following risk areas as they relate to the College:
  - EU withdrawal;
  - The Scottish Parliament’s new financial powers;
  - Ending of public sector pay cap;
  - Cyber security; and
  - Openness and transparency.
- 66. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit in relation to financial sustainability.
- 67. We have not, at this stage, identified any significant and separate risks in relation to financial management, governance and transparency or value for money. However, audit planning is a continuous process and we will report any additional identified significant risks, as they relate to the four dimensions, in our annual audit report.
- 68. The tables below summarise our audit work in respect of each dimension, along with significant audit risk mentioned above.



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

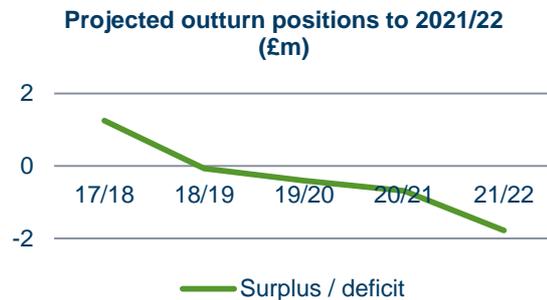
Consideration	Our audit approach
<p>In 2016/17 we found that the College had sound arrangements in place for budget setting and had developed a medium term financial strategy. The College’s 2017/18 revenue budget, as reported to the Board of Management in August 2017 forecasts a balanced underlying operating position</p> <p>The medium term financial forecast projected a deficit position of £1.782 million and an underlying operating deficit of £0.939million by 2021/22. The College is investigating cost reduction and income generation options to maintain financial sustainability over the medium term.</p> <p>The College has a four-year estates strategy and action plan which aims to ensure facilities support the delivery of the College’s services. The strategy highlights life cycle maintenance for the Cardonald campus to be the most significant and immediate cost pressure. The strategy also identifies the need for further capital refurbishments and maintenance over the next four years.</p> <p><b>The College plans to develop its workforce planning activity to ensure it can demonstrate financial sustainability.</b></p>	<p>During our 2017/18 audit we will consider 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.</p> <p>It is important that such arrangements are adequate in order to properly control the College’s operations and use of resources.</p>

## Significant audit risk 6: Financial sustainability

The College produces a Financial Forecast Return (FFR) for the SFC each year. As requested by the SFC, the 2017/18 FFR forecast income and expenditure for the five year period to 2021/22, supported by a sensitivity analysis. The projections incorporated planned capital expenditure and expected funding from the GCEF.

The chart across shows that by 2021/22 the College was forecasting a deficit position of £1.782million. At that time the underlying operating deficit was forecast to be £0.939million.

The medium term financial forecast currently projects a deficit position of £1.782 million and an underlying operating deficit of £0.939million by 2021/22. The College is investigating cost reduction and income generation options to maintain financial sustainability over the medium term. There is a risk that the cost reduction and income generation options available to the College will not be sufficient to maintain financial balance in the long term.



69. During our audit we will consider whether Glasgow Clyde College has adequate arrangements in place for managing its financial position in the medium and long term. Our conclusion will be based on a review of the College's financial plans in the context of the work being carried out nationally on long term financial sustainability. Our work will also consider the adequacy of the College's preparations and scenario planning for the impact of Brexit and key financial assumptions such as the impact of the ending of the public sector pay cap and changes to European funding streams.



### 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>In 2016/17 we found that the College had appropriate arrangements in place for financial management and the use of resources.</p> <p>Financial reporting to the end of January 2018 outlines a total budgeted expenditure for 2017/18 of £48.795million. The College currently forecasts a small surplus position at year end of £0.22million.</p> <p>The College's budgetary control and financial management arrangements are appropriate and in 2016/17 we found the College's arrangements for the prevention and detection of fraud and irregularities to be sufficient and appropriate</p> <p>Henderson Loggie provides the College's internal audit service. To avoid duplication of effort we will take cognisance of all of the work of internal audit.</p>	<p>During our 2017/18 audit we will review, conclude and report on the following:</p> <ul style="list-style-type: none"> <li>• Whether the College has arrangements in place to ensure systems of internal control are operating effectively;</li> <li>• Whether the College can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;</li> <li>• How the College has assured itself that its financial capacity and skills are appropriate; and</li> <li>• Whether the College has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.</li> <li>• The College's participation in the NFI.</li> </ul>



## Governance and transparency

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

Consideration	Our audit approach
<p>The College has appropriate overarching governance arrangements in place.</p> <p>The overarching arrangements for scrutiny and decision-making at the College are appropriate. Five standing committees support the Board of Management: the Remuneration Committee, the Audit Committee, the Finance and Resources Committee, the Learning and Teaching Committee, and the Organisational Development Committee. In addition, the College has constituted a Nominations Committee with a remit over succession planning and board member recruitment.</p> <p><b>The College has adequate arrangements in place for risk management. There is a defined risk management policy in place and the Senior Management Team (SMT) supports, advises on, and implements the policy.</b></p>	<p>We will review the effectiveness of the College's governance framework and the extent to which board and committee roles, membership and terms of reference comply with current guidance.</p> <p>We will consider the appropriateness of the disclosures in the Governance Statement.</p> <p>We will consider whether the information provided to the board and committees is sufficient for members to assess the impact of decisions on resources and performance.</p> <p>Our work will include consideration of how risk management has been addressed within the College. We will also consider the College's internal audit arrangements to determine their role in examining the control systems established by management.</p>



## Value for money

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

Consideration	Our audit approach
<p>In 2016/17 we found that College had proper arrangements in place to promote and secure value for money.</p> <p>The Senior Management Team regularly review 13 key performance indicators across three broad categories: effectiveness, efficiency and financial. The College delivered 128,696 credits in the year to July 2017, 1,605 credits (1.3%) over its target. The SFC has set a target of 128,683 credits for 2017/18. Indications to date are that target will be met.</p>	<p>During our 2017/18 audit we will work with the College to identify and review evidence which demonstrates the achievement of value for money in the use of resources.</p> <p><b>We will seek evidence from the College that outcomes are improving and there is sufficient focus on continuous improvement and the pace and sustainability of that improvement.</b></p>

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# Audit outputs, timetable and fees

# Audit outputs, timetable and fees

Audit output	Description	Target date
External audit plan	This report sets out the scope of our audit for 2017/18.	May 2018 Audit & Risk Committee
Independent Auditor's Report	This report will contain our opinions on the truth and fairness of the annual accounts and on the regularity of transactions.	November 2018 Audit & Risk Committee
Annual Report to the Audit Committee and the Auditor General for Scotland	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 under the Code of Audit Practice.	November 2018 Audit & Risk Committee.  Final submissions by 31 December 2018

## Audit outputs

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

**71.** Audit Scotland sets an expected fee for each audit that assumes the audited body:

- has sound governance arrangements that operate effectively throughout the year;
- prepares comprehensive and accurate unaudited accounts; and
- meets the agreed timetable for the audit.

**72.** Audit Scotland requires fees to be agreed between the auditor and each audited body. Through the fee agreement process the auditor remuneration element of the fee may be varied by up to 10% above the expected level where significant local issues require additional work to be undertaken. In exceptional circumstances, higher remuneration can be agreed with the prior agreement of Audit Scotland.

**73.** 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.

**74.** For 2017/18 we propose setting the audit fee at the expected fee level, as we did in 2016/17:

Composition of the fee	2016/17	2017/18
Auditor remuneration	£23,820	31,560
Pooled costs	£1,490	2,020
Audit support costs	£1,350	1,750
<b>Total expected fee</b>	<b>£26,660</b>	<b>35,330</b>

**75.** The audit fee will cover:

- the 2017/18 audit work and outputs described in this plan;
- attendance at all Audit and Risk Committee meetings;
- access to advice and information on relevant audit issues; and
- a contribution towards Audit Scotland's pooled costs.

76. 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

77. The dates for our interim and final audits have been discussed with the Vice Principal Resources and College Development and the Assistant Principal - Finance & Infrastructure. A summary timetable, including audit outputs, is set out below:



# 7

## Appendices

# Appendix 1: Your audit team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 18 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network.

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

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.

## Your audit team

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

### Gary Devlin, Audit Partner

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

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

Gary’s 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 Kelvin College, Glasgow Clyde College, the City of Glasgow College and the Glasgow Colleges’ Regional College.

Gary has a reputation for providing practical, value-added advice that is tailored to the needs of his clients. They also appreciate his professionalism, dedication and willingness to devote time and energy to ensure the firm’s high standards are upheld.

### Georgina Phil, Assistant Manager

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

Georgina has over five years’ public sector experience. She has delivered external audit services to a range of public sector bodies, including local government, health and further education bodies.

Georgina works across our education, central government and NHS clients, bringing strong client management interpersonal skills. She will manage the onsite audit team and work alongside Gary to deliver the audit engagement.

# 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 College and Scott-Moncrieff.

## Annual accounts

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

## Scope of audit

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

As auditors we do not act as a substitute for the 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 Principal.

## Internal audit

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

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

## Fraud and irregularity

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

## Ethics

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

## Fees

We base our agreed fee upon the assumption that all of the required information for the audit is made available in line with 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 on the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and timing of working papers and supporting documentation.

## Service

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

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

## Reports

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

As stated within the Code, management should prepare an action plan summarising their response to the recommendations in the reports. The action plan should include 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 and Risk Committee reporting deadlines.

### **Agreement of terms**

We shall be grateful if the College's Audit and Risk 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.

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**Scott-Moncrieff**  
business advisers and accountants