

Audit and Assurance Committee Meeting

Date of Meeting	Tuesday 26 May 2020
Paper Title	External Audit Plan 2019-20
Agenda Item	11
Paper Number	AAC4-G
Responsible Officer	Jim Godfrey, Finance & Resources Director
Status	Disclosable
Action	For noting

1. Report Purpose

- 1.1.** The Audit Plan for 2019-20 has been prepared by Scott-Moncrieff and the report is provided to the Audit Committee for consideration.

2. Recommendations

- 2.1.** The Committee is invited to **note** the external audit plan for 2019-20 and **comment** as appropriate.

3. Report

- 3.1.** An interim audit meeting took place on the 18 May 2020 involving the External Auditor together with the Executive Director and Finance & Resources Director of GCRB. The purpose of the meeting was to consider; current year outcomes, changes to systems/accounting standards, aspects of the wider scope, previous audit recommendations and fraud/risk. Arrangements for the administration of the audit were also agreed.

4. Risk Analysis

- 4.1.** The work of the External Auditor is informed by an assessment of risk. The approach to audit planning reflects an overall assessment of the relevant risks that apply to GCRB. This ensures that the audit focuses on the areas of highest risk.

5. Equalities Implications

- 5.1.** There are no equalities implications as a direct result of this report.

7. Legal Implications

- 7.1.** The Auditor General has appointed Scott-Moncrieff as external auditor of GCRB for the five-year period 2016-17 to 2020-21. The audit of public funds helps to create a strong and effective system of financial accountability and transparency which supports the best use of public money in the public interest. Public audit provides independent assurance that public money is spent properly and provides value for money.

8. Resource Implications

- 8.1.** The cost of external audit for 2019-20 is expected to be £22,550 inclusive of VAT and the contribution to the work of Audit Scotland. Further analysis of the costs is provided in the Audit Plan.

9. Strategic Plan Implications

- 9.1.** Through the conditions of grant associated with the Regional Outcome Agreement, GCRB is required to conduct its affairs in accordance with the expected standards of good governance, which includes independent scrutiny and audit.



Scott-Moncrieff
business advisers and accountants

With **Campbell Dallas**
a Capgemini company

Glasgow Colleges Regional Board

External Audit Annual Plan 2019/20

May 2020

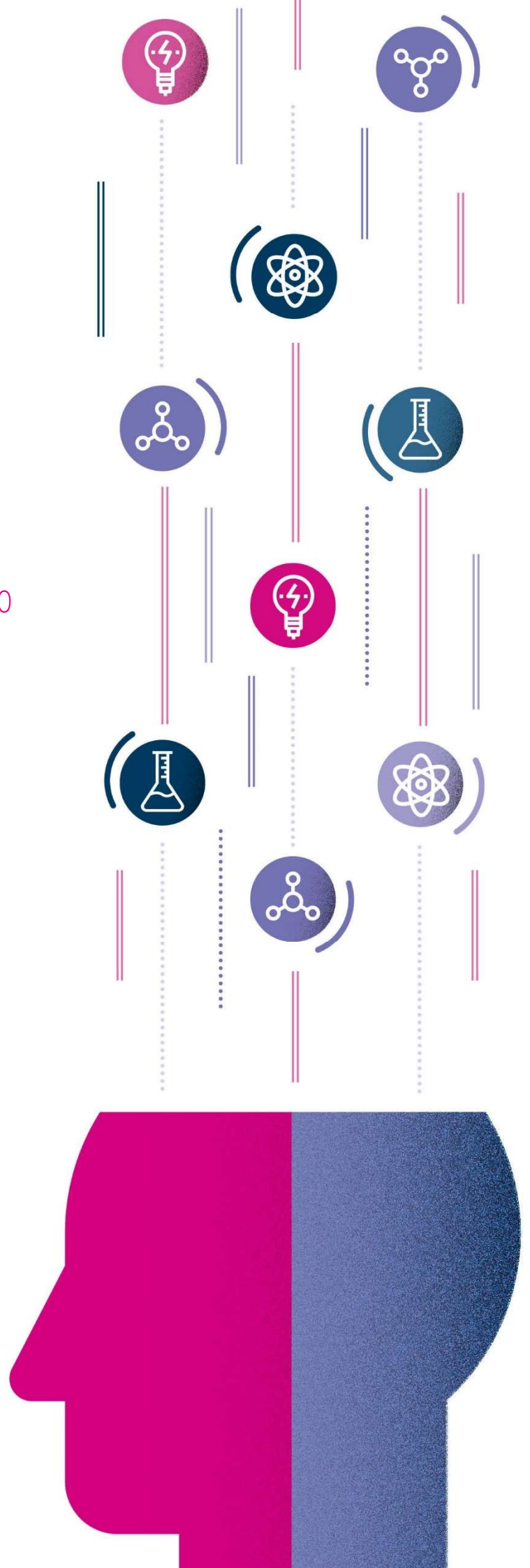




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1. Introduction



Introduction

1. This document summarises the work plan for our 2019/20 external audit of Glasgow Colleges Regional Board ("GCRB").
2. The core elements of our work include:
 - an audit of, and provision of a specified audit opinion, on the 2019/20 annual report and accounts;
 - Consideration and reporting on GCRB's arrangements on the four audit dimensions: financial sustainability, financial management, governance and transparency and value for money;
 - monitoring the GCRB's participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.
3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, including further education bodies in Scotland, and reporting to Parliament 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 their 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 Glasgow Colleges Regional Board for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2019/20 and summarises:
 - the responsibilities of Scott-Moncrieff as the external auditor;
 - our audit strategy;
 - our planned audit work and how we will approach it;
 - our proposed audit outputs and timetable; and
 - background to Scott-Moncrieff and the audit management team.

7. We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standards. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 2 our assessment and confirmation of 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 GCRB through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help GCRB promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

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 any member of your audit team

Openness and transparency

11. This plan will be published on Audit Scotland's website:
www.audit-scotland.gov.uk

Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.



2. Respective responsibilities of the auditor and GCRB



Respective responsibilities of the auditor and GCRB

Auditor responsibilities

Code of Audit Practice

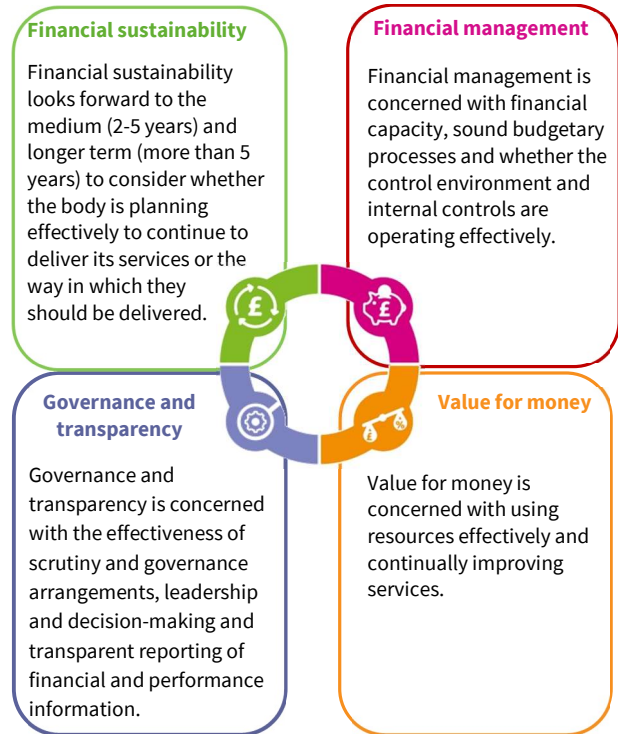
- The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

Our responsibilities

- Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities. These are to:
 - undertake statutory duties, and comply with professional engagement and ethical standards
 - provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions
 - review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
 - notify the Auditor General when circumstances indicate that a statutory report may be required
 - demonstrate compliance with the wider public audit scope (proportionate to the audited body) by reviewing and providing judgements and conclusions on the audited bodies':
 - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;
 - suitability and effectiveness of corporate governance arrangements; and
 - financial position and arrangements for securing financial sustainability.

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

Exhibit 1: Audit dimensions of wider scope public audit



Wider scope audit work

- The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.
- The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
- 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.
18. Our assessment takes into account the size, nature and risks of GCBR. Taking these factors into consideration, we have concluded that application of the restricted scope is appropriate to GCBR.

GCRB's responsibilities

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

Exhibit 2 – GCRB responsibilities

Area	GCRB's responsibilities
<p>Financial statements: Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>GCRB 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; • maintaining proper accounting records; 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 organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>GCRB 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.



Area	GCRB's responsibilities
<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>GCRB is responsible for ensuring that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>GCRB 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>GCRB is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p>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>GCRB 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>GCRB 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>GCRB has a specific responsibility to ensure that arrangements have been made to secure best value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>



3. Audit strategy



Audit strategy

Risk-based audit approach

20. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the GCRB. This ensures that our

audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers at GCRB	Our understanding of the further education sector and its key priorities and risks	Attendance at the Audit Committee
Guidance from Audit Scotland	Discussions with Audit Scotland and other sector auditors	Review of internal audit's plans and reports
Review of GCRB's corporate strategies and plans	Review of the College's corporate risk register	The outcomes of prior year audits

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

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 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.

Communications with those charged with governance

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

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

Professional standards and guidance

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

27. During the year we may also be required to provide information to Audit Scotland to support the national performance audits or provide information to support the assessment of the impact of specified published performance audit reports.

Partnership working

24. 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.

Internal audit

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

Audit Scotland

25. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with them throughout the audit. This helps, for example, to identify



4. Annual report and consolidated financial statements



Annual report and consolidated financial statements

Introduction

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

Approach to audit of the 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 examine and test compliance with best practice and GCRB's own policies and procedures.
35. We take cognisance of any relevant internal audit reviews of systems and controls.
36. We update the risk assessment following our evaluation of systems and controls which ensures 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 our risk assessment.

38. Our final audit will seek to provide reasonable assurance that the financial statements are free from material misstatement and comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP), HM Treasury Financial Reporting Manual 2019/20 (FR&M) and the SFC's 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 whether the financial statements give a true and fair view of the state of affairs of GCRB and of the regularity of transactions will be set out in our independent auditor's report which will be included in the annual report and consolidated financial statements.
41. We also provide an opinion on the audited part of the remuneration and staff report, governance statement and performance report.

Group Accounts

42. GCRB prepared its financial statements on a group basis for the first time in 2017/18. The consolidation of the financial statements is this still a relatively new process. The group consists of GCRB and the colleges within the Glasgow region:
 - Glasgow Kelvin College
 - Glasgow Clyde College; and
 - The City of Glasgow College
43. The consolidation of the subsidiaries is expected to result in a material change to the parent's financial statements.
44. As part of our audit we will review the consolidation working papers to ensure the group accounts accurately reflect the activities of the parent and all the subsidiaries.
45. We liaise with the auditors of the subsidiaries to ensure we can obtain adequate assurance from the audit testing at each of the individual colleges. Where this is not possible we will conduct additional testing over the group balances as appropriate.



Materiality

46. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We review our assessment of materiality throughout our audit.
47. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.
48. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
49. Our initial assessment of materiality and performance materiality is set out in the table below.

Group Materiality

£000

Overall materiality: Our initial assessment of materiality for the financial statements is £2.870 million (approximately 1.5% of the 2018/19 expenditure), which is considered one of the principal considerations for users of the financial statements when assessing performance. 2,870

Performance materiality: using our professional judgement we have calculated performance materiality at approximately 70% of overall materiality. 2,009

GCRB Materiality

£000

Overall materiality: Our initial assessment of materiality for the financial statements is £8k (approximately 1.8% of the 2018/19 expenditure), which is considered one of the principal considerations for users of the financial statements when assessing performance. 8

Performance materiality: using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality. 6

50. We will also 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 of 5% of the overall materiality figure; and
- Other misstatements below the 5% threshold that we believe warrant reporting on qualitative grounds.

Key audit risks in the financial statements

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



Exhibit 3 – Key audit risks in the financial statements

1. Management override

In any organisation, there exists a risk that management has the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

52. In response to this risk we will review GCRB's accounting records and obtain evidence for any significant transactions outside the normal course of business to ensure these are valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this significant risk. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, provisions and bad debt analysis.

2. Revenue recognition

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


53. As part of our planning process we have considered the nature of the revenue streams at GCRB against the risk factors set out in ISA (UK) 240. We have identified that for Scottish Funding Council (SFC) grant funding the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate revenue of this nature. We have concluded, however, the risk of fraud in relation to revenue recognition is present in all other income streams.
54. We will review evaluate each material revenue stream, including the controls over revenue accounting. We will conduct substantive testing on all material revenue streams to confirm revenue has been recognised appropriately and in line with accounting policies.

3. Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 "*The Audit of Public Sector Financial Statements*" which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.


In line with the practice note, our presumption is that GCRB and its subsidiaries could adopt accounting policies or recognise expenditure in a way that materially misstates the group's financial performance



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55. In response to this risk we will evaluate the significant expenditure streams at GCRB (this will include payroll however it is not deemed to be a significant risk area) and review the controls in place over accounting for expenditure. We will consider the GCRB's key areas of expenditure and obtain evidence that the expenditure was recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.

4. Preparation of consolidated financial statements

GCRB will be required to prepare consolidated financial statements for the period ended 31 July 2020. They continue to work with the assigned colleges to ensure there are consistent accounting policies across the region and there is a suitable timetable to allow GCRB to meet the reporting deadlines as outlined in the SFC accounts direction. However, any errors in the consolidation process carry a risk of material misstatement for the consolidated accounts.

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56. We will review the consolidation workings to ensure the group accounts have been prepared correctly and all inter-group balances have been eliminated appropriately.
57. ISA 600 requires that as group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries and the consolidation process to express an opinion on whether the group financial statements are prepared in accordance with the SORP.
58. We have identified that all three subsidiaries are significant for the purpose of the group financials statements and as such we will required comprehensive assurance that the figures provided by the colleges are materially correct. We have identified three significant risks which are relevant to the financial statements of the colleges and we will liaise with the component auditors to obtain satisfactory assurance.
59. Scott-Moncrieff provides external audit services to each of the colleges. We will therefore co-ordinate across the various audit teams to ensure group audit risks and materiality are considered by the subsidiary auditor. We will seek assurance from the college audit teams that the subsidiary accounts give a true and fair view and that there are no unadjusted errors which would have a material impact on the group.




5. Covid-19

The current Covid-19 pandemic presents a number of unprecedented challenges to the operation, financial management and governance of an organisation. Systems and processes have been amended to support remote working, governance arrangements and decision making has moved to a virtual environment and many organisations are forecasting large operating deficits due to loss of income and additional cost pressures.


There is increasing uncertainty of how long these challenges will persist and as a result, the extent of the impact on the preparation and audit of the 2019/20 annual report and financial statements remains unknown. We will continue to monitor government and relevant announcements as they pertain to the audit of GCRB and adapt our audit approach as required.

Covid-19 has impacted the valuation of assets due to the uncertainty over the performance of the markets and pensions due to the changes in assumptions required on discount rates and mortality rates.

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60. We will monitor the emerging situation and liaise with GCRB to ensure they continue to adopt robust governance arrangements and maintain an appropriate system of internal control. We will review the year-end process to ensure this supports the preparation of true and fair financial statements, including consideration of management estimates, valuations and the necessary supporting disclosures.
 61. We will assess the impact of the valuations on assets and pensions as part of our audit work to determine if any disclosures are required in the accounts or if any modification to the audit opinion maybe required.
 62. We will work with management to agree an efficient and timely audit approach to ensure we continue to receive appropriate and sufficient audit evidence, in line with auditing standards.

6. Pension assumptions

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

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63. We will review the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate. We will review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We will agree the disclosures in the financial statements to information provided by the actuary.



The performance report, accountability report and other information

64. The HM Treasury Government Financial Reporting Manual 2019/20 sets out the content required within the annual report and consolidated financial statements. In addition to presenting our opinions over the financial statements our independent auditor's report will also present our opinion on other aspects of the annual report and consolidated financial statements:

- 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.

Other information

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

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

70. 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.

The performance report

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

- an overview of the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year; and
- a detailed summary of how the entity measures its performance.

68. 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

69. The accountability report is required in order to meet key parliamentary accountability requirements. It has three sections:



5. Wider scope audit



Wider scope audit

Introduction

71. As described in section 2, the Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. Following consideration of the size, nature and risks of GCRB, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work on the wider scope will therefore be 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.
72. Our planned audit work against these two areas is risk based and proportionate. Our initial assessment builds upon the understanding of the GCRB which we developed from previous years, along with discussions with management and
- review of GCRB minutes and key strategy documents.
73. In 2019/20 we are also considering the following risk areas as they relate to GCRB:
- Fraud and corruption in respect of the procurement function; and
 - EU withdrawal
74. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit (Exhibit 4). Audit planning is a continuous process and we will report any identified significant risks, as they relate to the wider scope, in our annual audit report.

Exhibit 4 – Wider Scope Significant Risk

1. Financial sustainability

As is the case across the sector, the financial sustainability of GCRB remains challenging. Work is on-going to quantify the impact of the Covid-19 pandemic on 2019/20 year end projections and the development of a 2020/21 budget has been delayed as a result. GCRB has continued to face cost pressures around cost inflation, national pay bargaining implications and general pay uplifts. In addition, the sector recognises that the impact of Covid-19 on GCRB and its subsidiaries' service delivery will continue to impact its financial sustainability in the short- and medium-term; although the extent of this remains unknown.

75. During our audit we will consider whether GCRB has adequate arrangements in place for managing its financial position and its use of resources. Our conclusion will be based on a review of the College's financial performance, underlying financial position, financial plans and financial reporting.





6. Audit outputs, timetables and fees



Audit outputs, timetable and fees

This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of GCRB.

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2019/20	May 2020
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the regularity of transactions and the audited part of the remuneration report, annual governance statement and performance report.	December 2020 Audit Committee
Annual Report to GCRB and the Auditor General for Scotland	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	December 2020 Audit Committee

Audit outputs

76. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
77. 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.

	2019/20	2018/19
Auditor remuneration	£20,380	£18,970
Pooled costs	£1,110	£1,090
Audit support costs	£1,060	£1,150
Total fee	£22,550	£21,210

Audit fee

78. 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.
79. As auditors we negotiate a fee with the audited body during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
80. For 2019/20 we propose setting the audit fee at 5% above the expected fee level. We are expecting that given the impact the Covid-19 pandemic will have on the College that there will be additional audit procedures which we have laid out in our plan. The fee for GCRB for the 2019/20 audit is as follows:

81. We will take account of the risk exposure of GCRB and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work.



Audit timetable

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

MAY 20	●	Planning meeting to inform the 2019/20 audit
MAY 20	●	Presentation of External Audit Plan to the Audit Committee
OCT 20	●	Accounts presented for audit and final audit visit begins
DEC 20	●	Annual audit report presented to the Audit Committee and submitted to the Auditor General for Scotland



7. Appendices



Appendix 1: Your audit management team

Scott-Moncrieff is one of Scotland's leading firms of auditors and business advisers. We are part of the fast-growing Cogital Group, giving us both a UK-wide presence and international reach in 190 offices with 6,500 staff. Cogital Group is an innovator, investor and early adopter of technologies that provide continuous improvement to the services we provide our clients.

Scott-Moncrieff 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, central government bodies and FE colleges. We also provide services to charities, schools as well as private and public limited companies. Scott Moncrieff's offices are as follows:

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

Your audit management team



Gary Devlin

Engagement Lead

gary.devlin@scott-moncrieff.com

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



Aileen Ogston

Audit manager

Aileen.ogston@scott-moncrieff.com

Aileen has extensive experience in commercial and public sector external audit. She has delivered external audit services to other further education bodies and a range of commercial sectors.

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



Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

In particular, FRC's Ethical Standards stipulate that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. Scott-Moncrieff provides taxation services to GCRB. All taxation services are provided by independent partners and staff who have no involvement in the audit of the annual report and consolidated financial statements. The total value if the taxation services provided in 2019/20 is anticipated to be approximately £3,000 (excluding VAT).

We confirm that we comply with FRC's Ethical Standards. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff and GCRB, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.



Appendix 3: Statement of understanding

Introduction

The purpose of this statement of understanding is to clarify the terms of our appointment and the key responsibilities of GCRB and Scott-Moncrieff.

Annual report and consolidated financial statements

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 GCRB staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy in advance of our final audit visit which sets out our expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

Scope of audit

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

As auditors we do not act as a substitute for GCRB'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 GCRB during the course of the audit on matters having a material effect on the annual report and accounts. This will take place by means of a letter of representation, which will require to be signed by the Chair.

Internal audit

It is the responsibility of GCRB 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. In particular we require to be notified of all frauds which:

- Involve the misappropriation of theft of assets or cash which are facilitated by weaknesses in internal control
- Are over £5,000

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.

Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose an obligation on the Auditor General to inform the National Crime Agency (NCA) if they know or suspect that any person has engaged in money laundering or terrorist financing.

We require the Board to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants in England and Wales.

Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

Service

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

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



Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

Agreement of terms

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

