

---

## Audit Committee Meeting

Date of Meeting	Monday 13 June 2016
Paper Title	External Audit Approach Plan
Agenda Item	7
Paper Number	AC3-C
Responsible Officer	Scott -Moncrieff
Status	Disclosable
Action	For discussion

### 1. Report Purpose

- 1.1. Consider the GCRB External Audit Plan for 2015-16.

### 2. Recommendations

- 2.1. The Committee is invited to **consider** the GCRB External Audit Plan for 2015-16.

### 3. Background

- 3.1. The 2015/16 External Audit Plan for GCRB is attached to this report for Audit Committee members' consideration.
- 3.2. The document is categorised as draft as SFC are yet to provide specific guidance material required for the preparation of the accounts and the audit of them. Dependent on this guidance (which can only be determined once issued), there may be a need to revise elements of this plan.

### 4. Risk Analysis, Legal Implications, Financial Implications and Regional Outcome Agreement Implications

- 4.1. Other than as reported with the attached reports, there are no specific aspects to be considered under these headings.



Scott-Moncrieff  
business advisers and accountants

# Glasgow Colleges' Regional Board

External Audit Plan  
2015/16

DRAFT

June 2016

# Contents

- Introduction..... 1
- Responsibilities of Scott-Moncrieff ..... 3
- Audit strategy ..... 5
- Financial Statements..... 8
- Corporate Governance..... 14
- Audit outputs, timetable and fees ..... 17
- Appendix 1: Your audit team ..... 20
- Appendix 2: Statement of understanding..... 22

1

# Introduction

# Introduction

## Overview

1. This document summarises the work plan for our 2015/16 external audit of the Glasgow Colleges' Regional Board (GCRB).
2. The core elements of our work include:
  - an audit of the GCRB's 2015/16 financial statements, including a review of the governance statement and the remuneration report;
  - a review of the overall internal control framework, including key financial systems, and corporate governance arrangements that have been implemented;
  - an overview of performance management arrangements and arrangements in place to deliver best value;
  - a review of the internal audit service, including any outputs to date; and
  - any other work requested by Audit Scotland, applicable to the GCRB.

## Audit appointment

3. The Auditor General for Scotland acts on behalf of the Scottish Parliament to ensure propriety and value for money in the spending of public monies. The Auditor General for Scotland is therefore responsible for appointing auditors to FE Colleges and regional boards, and setting the terms of their appointment.
4. Audit Scotland is an independent statutory body that provides the Auditor General for Scotland with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Scott-Moncrieff as external auditor of the GCRB for the period 2014/15 to 2015/16. This document comprises the audit plan for 2015/16 and summarises:
  - the responsibilities of Scott-Moncrieff as external auditors;

- our audit strategy;
- our planned audit work and how we will approach it;
- our proposed audit outputs, timetable and fee; and
- background to Scott-Moncrieff and the audit team.

## Adding value through the audit

6. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We hope that our audit work will add value to the GCRB 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 GCRB promote further improved standards of governance, better management and decision making, and more effective use of public money.
7. Any comments you may have on the service we provide would be greatly appreciated at any time. Full contact details for your audit team can be found in Appendix 1.

2

# Responsibilities of Scott-Moncrieff

# Responsibilities of Scott-Moncrieff

## Code of Audit Practice

8. The Code of Audit Practice prepared by Audit Scotland and approved by the Auditor General sets out the ways in which auditors should carry out their functions under the Public Finance and Accountability (Scotland) Act 2000. It is a condition of our appointment that we follow this Code.

## Auditor responsibilities

9. 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 and associated documents such as governance statements, but providing a view also, where appropriate, on matters such as propriety, performance and the use of resources in accordance with the principles of Best Value and 'value for money'.

10. The Audit Scotland document *Public Audit in Scotland* sets out a common framework for all the audit work conducted for the Auditor General for Scotland and for the Accounts Commission. It describes four areas of focus:

- Governance and transparency;
- Financial management;
- Financial sustainability; and
- Value for money.

11. These areas of focus feature prominently in the new Code of Audit Practice which will come into force for 2016/17. In the course of planning and reporting our annual audit work in 2015/16, we will consider, where possible, how the GCRB demonstrates these areas, including any risks to their achievement.

12. Our main responsibilities under the Code of Audit Practice in 2015/16 can be summarised follows:

Audit area	Auditor Responsibility
Use of resources	To review the GCRB Board's arrangements for managing its performance and for securing economy, efficiency and effectiveness in its use of resources <sup>1</sup> .
Financial statements	To provide an opinion on the financial statements of the GCRB, including an opinion on the regularity of transactions.
Corporate governance	To review and report the GCRB's governance arrangements in relation to: <ul style="list-style-type: none"> <li>• corporate governance and systems of internal control, including reporting;</li> <li>• the prevention and detection of fraud and irregularity;</li> <li>• standards of conduct and arrangements for the prevention and detection of corruption; and</li> <li>• financial position, financial sustainability and financial management arrangements.</li> </ul>

<sup>1</sup> The Public Finance and Accountability (Scotland) Act 2000 gives the Auditor General the right to initiate examinations into the economy, efficiency and effectiveness of audited bodies' use of resources. The results of such examinations may be presented to the Scottish Parliament and considered by its Audit Committee.

**3**

# Audit strategy



# Audit strategy

## Risk-based audit approach

13. 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:



14. 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

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

internal audit service 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 GCRB is used efficiently and effectively.

18. The internal audit service is a key component of the GCRB's internal control framework. As part of our corporate governance responsibilities, we will review the GCRB's arrangements to ensure that the work of internal audit is sufficient in quality, volume and coverage and complies with best practice. Our review will be performed in accordance with the Code of Audit Practice and International Standard on Auditing 610 – Considering the work of internal audit (ISA 610).

## Professional standards and guidance

16. We perform our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) (ISAs), the International Standard on Quality Control 1 (UK and Ireland), Ethical Standards, and applicable Practice Notes and other guidance issued by the Auditing Practices Board (APB). In particular, we comply with the APB's *Practice Note 10 on the Audit of Financial Statements of Public Sector Bodies in the United Kingdom (revised)*.

## Partnership working with Audit Scotland

19. 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. Audit Scotland issues general and sector specific planning guidance summarising all of the areas we are

## Internal audit

17. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the GCRB's total audit resource. For 2015/16 the

expected to cover as well as facilitating regular sector meetings where sector auditors discuss key issues arising during the audit year. We have applied the planning guidance in developing this external audit plan. We will use the sector meetings to help identify the key issues that may impact on our audit of the GCRB.

# 4

# Financial Statements

# Financial Statements

## The GCRB's stewardship responsibilities

20. The financial statements are an essential means by which the GCRB accounts for its stewardship of public funds. The GCRB is responsible for:
- safeguarding assets and ensuring the regularity of transactions by establishing adequate systems of internal control;
  - maintaining proper accounting records; and
  - preparing financial statements which show a true and fair view and comply with Scottish Funding Council (SFC) Accounts Direction (2015/16 Direction yet to be issued) and the Statement of Recommended Practice – Accounting for Further and Higher Education (FE/HE SORP).

## Approach to audit of financial statements

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

### Risk-based audit planning

22. As set out within section 3 of this report, 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. Our risk assessment will be based on discussions with senior staff as well as reviews of management accounts and other documentation. Our risk assessment will also be informed by the GCRB's own risk management arrangements.

### An audit of key systems and internal controls

23. We will evaluate the key accounting systems and internal controls to determine the extent to which they can be relied upon. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and consider compliance with the Standing Orders, Financial

Regulations and other detailed financial operating procedures implemented within the GCRB. Wherever possible we will look to integrate any relevant internal audit reviews of systems and controls with our own work.

24. 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 high risk.

### A final audit of the financial statements

25. 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.
26. Our final audit will seek to provide reasonable assurance that the financial statements are free from material misstatement and comply with accounting standards, the FE/HE SORP and the SFC Accounts Direction.
27. 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

28. Our opinion on the truth and fairness of the financial statements and the regularity of transactions will be set out in our independent auditor's report which will be included within the financial statements.

### Materiality

29. 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.

30. Our initial assessment of materiality for the financial statements is £2,800. Our assessment of materiality is set with reference to a range of benchmarks (including total income and expenditure). We consider these to be the principal considerations for the users of the accounts when assessing the performance of the GCRB. We will review our assessment of materiality throughout our audit.

31. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We will perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be of significant risk of material misstatement.

Area risk assessment	Weighting	Performance materiality
High	45%	£1,260
Medium	55%	£1,540
Low	75%	£2,100

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

- All material corrected misstatements
- Uncorrected misstatements with a value in excess of 10% of the overall materiality figure (i.e. over £280);
- Other misstatements below the 1% threshold that we believe warrant reporting on qualitative grounds.

**Key audit risks in the financial statements**

33. In determining where to direct our audit work we have considered the risks and circumstances that apply to the GCRB. Our planning process has identified the following key issues that are likely to impact on our audit.

**1. Governance**

As required by paragraph 17 of part 1 of the Financial Memorandum with Fundable Bodies in the college sector, the GCRB must comply with the principles of good governance set out within the Code of Good Governance for Scotland’s Colleges.

Our 2014/15 Annual Report recognised that a number of key assurance mechanisms had not operated as intended during the course of the year, namely:

- a risk management framework
- supporting committees
- an internal audit function
- an approved scheme of delegation, standing orders and standing financial instructions
- financial monitoring arrangements.

The GCRB has taken action to address these findings and implement revised governance arrangements during the first half of 2015/16.

Whilst governance policies and procedures have been developed, there remains a risk that the detail within is not sufficient or appropriate to the organisation or that the policies and procedures have not been consistently applied.



34. We will assess the robustness of the GCRB's risk management arrangements and will ensure that they comply with the Code of Good Governance for Scotland's Colleges. We will review minutes of Board meetings and supporting committees to confirm that risk management has been embedded within the organisation and is reviewed on a regular basis.
35. We will review the outputs on the internal audit function, including their annual opinion, and ensure that any significant findings are adequately reflected within the year end governance statement and wider annual report.
36. We will ensure that a formal scheme of financial delegation, standing orders and standing financial instructions has been endorsed by the Board and is revised on a periodic basis, reflecting changes to GCRB staffing, governance, and operational structures when required.
37. We will ensure that expenditure tested has been appropriately approved in accordance with the agreed scheme of financial delegation.
38. We will review the financial monitoring arrangements in place for both the current year and forward looking to ensure that financial information is sufficient and adequately monitored.
39. We recognise that not all governance arrangements have been in place for the duration of the 2015/16 financial year and will therefore ensure that this matter is adequately reflected within the year end governance statement.
40. We will ensure that there are appropriate processes and sources of assurance in place to draft the year end governance statement.

## 2. Completeness and occurrence of income

Under International Standard on Auditing (UK & Ireland) 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 GCRB could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported revenue position.



41. Whilst we do not suspect any instances of fraud or error, we will evaluate revenue transactions and review the controls in place over revenue accounting. We will consider the GCRB's key revenue transactions and streams and carry out testing to confirm that the GCRB's revenue recognition policy is appropriate and has been applied consistently throughout the year.

## 3. Management override

In any organisation, but particularly in small organisations with limited staffing, there is a risk that management has the ability to process transactions or make adjustments to the financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements. We treat this as a presumed risk area in accordance with International Standard on Auditing (UK & Ireland) 240, "The auditor's responsibilities relating to fraud in an audit of financial statements".



42. Whilst we do not suspect any incidences of management override, we will review the accounting records for significant transactions that are outside the normal course of business and obtain evidence to ensure that these are valid and accounted for correctly.

---

## Other matters

### Fundable body status

43. The GCRB has not yet been awarded fully-operational fundable body status by the Scottish Funding Council (SFC) and is therefore not in a position to fully exercise its strategic management and coordination duties as set out under the Post-16 Education (Scotland) Act.
44. The GCRB continues to work with the SFC to ensure that all necessary arrangements are in place for the GCRB to assume fully-operational fundable body status.
45. On 18 January 2016, the SFC wrote to the GCRB with an update on its view of progress, the key points of which were:
- GCRB has made good progress ensuring the required processes, procedures and governance documents are in place;
  - the developing arrangements of collegiate working are working well with an increasingly regional approach based on mutual trust and respect;
  - finalisation of the 2016/17 Regional Outcome Agreement will be critical in ensuring the delivery of the Curriculum & Estates Plan 2020 and the future sustainability of all three colleges; and
  - building on that good progress, the GCRB now requires additional time for governance and management arrangements to be fully implemented and operating effectively, about which the SFC will require further reassurance through observation.
46. We understand that SFC's assessment remains ongoing and that fully-operational fundable body status is unlikely to be awarded before the end of the 2015/16 financial year. However, we will continue to monitor developments during the course of our 2015/16 audit.
47. Once fully-operational fundable body status is granted to the GCRB, we will again consider the financial sustainability of the GCRB and its member colleges, in the context of the current

financial austerity pressures facing the FE sector across Scotland.

48. Further, from a financial statements perspective, we will need to consider the implications that the award of fully-operational fundable body status has on the requirement for GCRB to prepare full consolidated financial statements for the Glasgow college region. The preparation of consolidated accounts can be a timely and complex process which needs to be planned for sufficiently in advance of the requirement becoming effective.

### FRS102 restatement

49. In March 2013, the Financial Reporting Council (FRC) issued FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". FRS102 is a single set of accounting standards, based on the International Financial Reporting Standard for Small and Medium-sized Entities, that replaces UK GAAP.
50. FE establishments, including regional boards, are required to adopt this standard for accounting periods starting on or after 1 January 2015, with the comparative balance sheet and opening comparatives requiring restatement. For the GCRB, this means a 1 May 2014 transition date (being the commencement of the 2014/15 reporting period), a 31 July 2015 comparative balance sheet and the first FRS102 compliant accounts being prepared for 31 July 2016.<sup>2</sup>
51. The transition to FRS102 brings with it potentially significant implications to the financial statements of bodies adopting the standard. However, we consider the impact to GCRB to be minimal. The key areas of impact include, but are not necessarily limited to: i)

---

<sup>2</sup> A new Statement of Recommended Practice: Accounting for Further and Higher Education 2015 has also been developed, published in March 2014, which supplements FRS102 and sets out further guidance for the sector.

short term employee benefits; and ii) financial statement presentation.

- 52. We will work with Finance staff to ensure that all requirements are identified in a timely manner and will audit all restatements to satisfy that they are correct and complete.
- 53. We will ensure that disclosures, including stated accounting policies, as included within the 2015/16 financial statements are transparent and are in accordance with FRS102 requirements.

#### 2015/16 Accounts Direction

- 54. The SFC has not yet published the 2015/16 Accounts Direction. Should the final 2015/16 Accounts Direction vary significantly from expectations, our audit plan, and the significant audit risks reflect within it, may need to be amended.
- 55. Audit planning is a continuous process. We will continue to liaise with management on this matter and any significant changes required to our audit approach or plan will be reported within our annual report on the 2015/16 audit.

#### Remuneration report

- 56. In 2014/15, the college sector, including regional boards, was required to present a remuneration report within their annual report and accounts. Underlying guidance in the 2015/16 FReM suggests that Charitable NDPBs (encompassing the college sector) are no longer required to present a remuneration report and should prepare their annual reports in accordance with Charity SORP requirements: this SORP currently does not prescribe for the inclusion of a remuneration report. Until Accounts Directions are issued and the SFC specifically advises on the disclosure matter, there remains uncertainty as to whether a remuneration report will be required within the GCRB's 2015/16 annual report and accounts.
- 57. If the decision is reached that GCRB, and the wider college sector, is required to present a remuneration report, we will work with management to ensure that the disclosures made are compliant with Accounts Direction requirements. Specifically, where members of the Senior Management are seconded from supporting organisations, we must ensure that the remuneration and pension disclosures are presented consistently across the sector. Once the Accounts Direction has been issued, we will work with management to confirm the degree and content of disclosures required.



**5**

# Corporate Governance

# Corporate Governance

## Governance framework

58. We will review the effectiveness of the GCRB's governance framework and the extent to which Board and committee roles, membership and terms of reference comply with current guidance and the Financial Memorandum with between the GCRB and the Scottish Funding Council.
59. We will consider whether the information provided to the GCRB's Board and committees is sufficient for members to assess the impact of decisions on resources and performance.

## Systems of internal control

60. To ensure the proper conduct of its business, the GCRB is responsible for implementing adequate systems of internal control, including risk management.
61. In its annual governance statement, the Board confirms that it has conducted a review of the effectiveness of its systems of internal control.
62. We will review and report on the GCRB's annual Governance Statement. Our work will include consideration of how risk management has been addressed within the GCRB. We will also consider the GCRB's internal audit arrangements to determine their role in examining the control systems established by management.

## Fraud and irregularity

63. To ensure the integrity of public funds, it is the GCRB's responsibility to establish arrangements to prevent and detect fraud and other irregularity, including:
- developing, promoting and monitoring compliance with standing orders and financial instructions;
  - implementing strategies to prevent and detect fraud and other irregularity; and
  - receiving and investigating allegations of breaches of proper standards.

64. As external auditors, we are required to consider the arrangements made by management. We will do this in a number of ways:

- our risk-based audit approach will focus on specific areas of high risk and provide a reasonable expectation of detecting misstatements in the annual accounts resulting from fraud or irregularity;
- we will review the Technical Bulletins produced by Audit Scotland with regard to fraud reports in the public sector and ensure that the Board has adequate arrangements in place to prevent similar frauds occurring;
- we will consider the work of the GCRB's internal audit function; and
- we will examine the policies, strategies, standing orders and financial instructions issued by the GCRB to ensure that they deal adequately with fraud and corruption and provide a framework for exercising strong internal control.

## Standards of conduct and arrangements for the prevention and detection of bribery and corruption

65. Propriety requires that public business is conducted with fairness and integrity. This includes avoiding personal gain from public business, being even-handed in the appointment of staff, letting contracts based on open competition and avoiding waste and extravagance. Our work in this area will include a review of the arrangements for adopting and reviewing standing orders, standing financial instructions and schemes of delegation and complying with national and local Codes of Conduct.
66. Our review will also consider the controls in place to prevent and detect corruption with regard to the tendering and awarding of contracts, consents and licences, secondary employment of staff, hospitality and pecuniary interests of Board members.

## Financial management

- 67.** We are required to consider the GCRB's financial standing. This involves a review of the arrangements in place for financial planning, budgetary control and financial reporting. It is important that such arrangements are adequate in order to properly control the GCRB's operations and use of resources.
- 68.** Our Annual Report to the Board and the Auditor General will include our comments on whether the GCRB's financial position is soundly based, with particular regard to:
- financial performance in the period
  - financial projections and the ability to meet known financial obligations
  - responses to known developments which may impact on the financial position
  - financial reporting and monitoring arrangements.

## Financial sustainability

- 69.** Financial sustainability looks forward to the medium and longer term to consider whether the GCRB is planning effectively to continue to deliver its services or the way in which they should be delivered.
- 70.** In addition to the work undertaken in respect of financial management, as outlined above, we will review the challenging financial outlook for the GCRB to ensure that appropriate planning has been implemented to address the ongoing financial constraints.

## Going concern

- 71.** The GCRB was formally established in May 2014 as part of the FE sector reforms under the Post-16 Education (Scotland) Act 2013. Two years on from formal establishment, the GCRB has yet to be awarded fully-operational fundable body status and is therefore not in a position to fully exercise its strategic management and coordination duties as set out under the act. Despite this, the GCRB has been operational, supported by public funds.

- 72.** Whilst we do not consider there to be evidence to suggest that GCRB's operations will cease to continue, we must ensure that there is sufficient audit evidence to support the going concern assertion, addressed through our work to be conducted on financial sustainability.

## Value for money

- 73.** Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.
- 74.** We will review the GCRB's processes in place for ensuring that they continue to achieve their objectives whilst promoting and consistently securing best value for money. We will review the GCRB's performance during the financial year against any key performance indicators.

# 6

## **Audit outputs, timetable and fees**

# Audit outputs, timetable and fees

Audit output	Format	Description	Target date
Independent Auditor's Report	2 page report	This report will contain our opinions on the truth and fairness of the financial statements and on the regularity of transactions.	December 2016
Annual Report to the Board and the Auditor General incorporating our Report on the Audit of Financial Statements	Report	We will issue an annual report setting out the nature and extent of our audit work for the year and summarising our opinions, conclusions and the significant issues arising from the work. This report will pull together all of our work on the use of resources, financial statements and governance arrangements.	December 2016 Audit Committee

## Audit outputs

- 75.** Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
- 76.** We will endeavour to supply a draft annual report within three weeks of completion of the final audit fieldwork. We will require formal management responses within two weeks of receipt of the draft annual report. On occasion these timescales may need to be shortened, e.g. to meet the December 2016 Audit Committee and certification deadlines.
- 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.

## Audit fee

- 78.** We have agreed with the GCRB that the audit fee for 2015/16 should be set at £8,500 (including VAT). This reflects our assessment of the resources required to deliver the GCRB's audit and reflects the senior staff time required to assess the governance arrangements identified in section 4 of this plan.

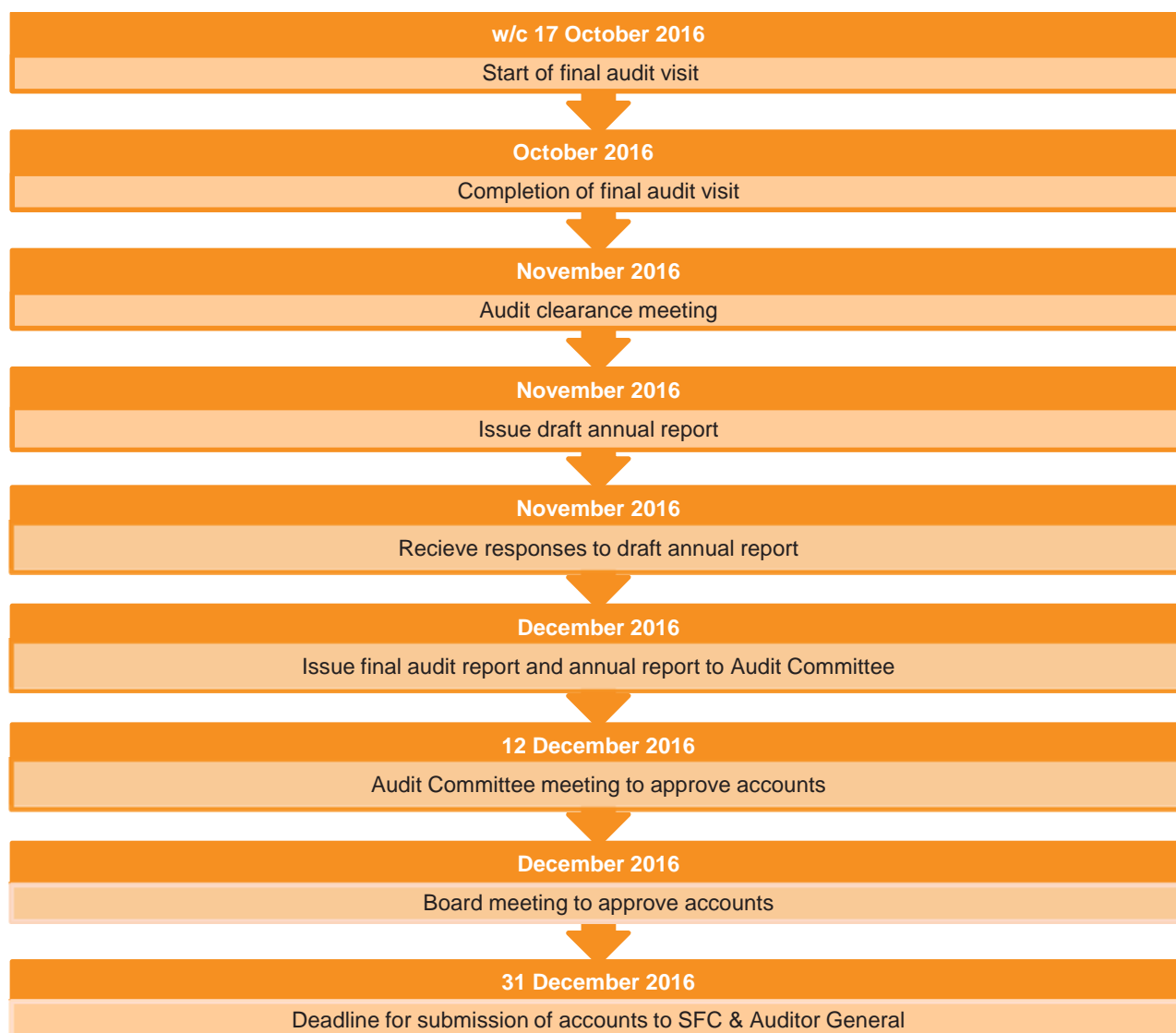
- 79.** The audit fee covers:

- the 2015/16 audit work and outputs described in this plan;
- attendance at all Audit Committees;
- access to advice and information on relevant audit issues;
- a contribution towards Audit Scotland's costs which cover national performance audit reports and other support costs.

- 80.** We have taken account of the risk exposure of the GCRB and the management assurances in place. We assume receipt of the draft accounts and working papers before 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

- 81.** The dates for audit have been discussed with the Executive Director and Finance support staff from City of Glasgow College. A summary timetable, including audit outputs, is set out below:



**82.** SFC has not announced any amendments to the 31 December submission deadline for accounts across the FE sector. However, this submission deadline for the Higher Education (HE) sector has recently been revised to 1 December. We will continue to monitor the matter and will ensure that we work closely with management to accommodate any future changes required to our proposed timetable as a result of any decisions made by the SFC.

# 7

## Appendices

# Appendix 1: Your audit team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 18 partners and 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 (0131) 473 3500	25 Bothwell Street Glasgow G2 6NL  (0141) 567 4500	10 Ardross Street Inverness IV3 5NS  (01463) 701 940

## Extensive public sector audit experience

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.

We have been external auditors within the public sector for at least fifty years, and have been involved in FE College audits both as internal and external auditors since incorporation.

## Your audit team



**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 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’s client experience includes Forth Valley College, Glasgow Kelvin College and the Glasgow Colleges’ Regional Board.

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.



**Sally Castledine**  
**Senior Manager**  
[sally.castledine@scott-moncrieff.com](mailto:sally.castledine@scott-moncrieff.com)

This is Sally’s second year on the GCRB audit. Sally joined Scott-Moncrieff in 2015, previously working in the Public Sector Audit Team at Moore Stephens LLP (network firm) in London.

Sally has over 10 years’ Public Sector experience, specialising in the audits of central government bodies and working in partnership with the National Audit Office. Sally’s recent FE client experience includes the City of Glasgow College and involvement in the internal audits of



FE Colleges including Ayrshire, Edinburgh and South Lanarkshire.

Sally will be your normal contact on a day-to-day basis and will be supported by an onsite audit team, led by an audit senior.

## Confirmation of independence

ISA 260 requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence. We confirm that we will comply with APB Ethical Standard 1 – Integrity, Objectivity and Independence. 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 the Board, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.

# 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 GCRB and Scott-Moncrieff. Detailed responsibilities are set out in the Code of Audit Practice issued by Audit Scotland. We confirm our agreement to these responsibilities.

## Internal audit

It is the responsibility of the GCRB to establish adequate internal audit arrangements. The audit fee is agreed on the basis that a satisfactory internal audit function exists on which we will be able to place reliance.

We will liaise with internal audit to ensure an efficient audit process. However, an additional fee may be charged if reliance cannot be placed on the work of internal audit due to deficiencies in the scope or quality of internal audit work.

## Financial statements

We will require the financial statements and supporting working papers for audit by the commencement of the onsite final audit. 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 (i.e. 31 December). We will issue a financial statements strategy which sets out roles, responsibilities and expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

Failure by the GCRB to comply with the agreed timetable may result in additional time being required to complete the audit and hence an additional fee having to be levied.

## 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 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 request you to provide written confirmation of certain oral representations which we have received from the GCRB during the course of the audit on matters having a material effect on the financial statements. This will take place by means of a letter of representation, which will require to be signed by a suitable GCRB Board representative.

## 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, and accept instructions to act as your auditor on the basis that we will act in accordance therewith.

## Fees

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

## Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Gary Devlin. If you are still

not satisfied, you should contact our Managing Partner, Stewart MacDonald. In the event of your not being satisfied by our response, you may 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 a report detailing the results and conclusions from our work. We will endeavour to supply a draft report within the timescales set out within section 6 of this report.

As stated within the Code of Audit Practice, 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 the timescales set out within section 6 of this report.

## Agreement of terms

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



**Scott-Moncrieff**  
business advisers and accountants