

Audit Committee Meeting

Date of Meeting	Tuesday 29 May 2018
Paper Title	External Audit Plan 2017/18
Agenda Item	7
Paper Number	AC4-C
Responsible Officer	Jim Godfrey, Finance & Resources Director
Status	Disclosable
Action	For noting

1. Report Purpose

- 1.1. The Audit Plan for 2017-18 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 2017/18 and **comment** as appropriate.

3. Report

- 3.1. An interim audit meeting took place on the 26 April 2018 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 activities, changes to systems/accounting standards, previous audit recommendations and fraud/risk. Arrangements for the administration of the audit were also agreed.
- 3.2. A draft version of this Audit Plan was also provided to the Finance & Resources Director for comment in advance of this Committee Meeting. Some minor changes were agreed and incorporate into the plan that is attached to this report.
- 3.3. The main change to the audit plan for 2017/18 reflects the decision of the GCRB Board to prepare consolidated financial statements. As a result of this decision, the level of audit work required has increased considerably.

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. Legal Implications

- 5.1.** 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.

6. Resource Implications

- 6.1.** The cost of external audit for 2017/18 is expected to be £20,760 inclusive of VAT and the contribution to the work of Audit Scotland. Further analysis of the costs is provided in the Audit Plan.

7. Strategic Plan Implications

- 7.1.** 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

Glasgow Colleges' Regional Board

Group External Audit Plan
2017/18

May 2018

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1

Introduction

Introduction

Overview

1. This document summarises the work plan for our 2017/18 external audit of the Glasgow Colleges' Regional Board (the "GCRB").
2. The core elements of our work include:
 - an audit of the Board'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

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 most public bodies in Scotland outside the local government sector, including further education bodies in Scotland, and reporting on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Scott-Moncrieff as external auditor of the Board 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 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.

Confirmation of independence

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

Adding value through the audit

9. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to 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.
10. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: www.surveymonkey.co.uk/r/S2SPZBX
11. While this plan is addressed to GCRB, it will be published on Audit Scotland's website, www.audit-scotland.gov.uk

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Respective responsibilities of the auditor and the Board

Responsibilities of the auditor and the Board

Auditor responsibilities

Code of Audit Practice

12. 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 and it is a condition of our appointment that we follow it.

Our responsibilities

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

14. Our responsibilities under the Code are to:

- undertake statutory duties, and comply with professional engagement and ethical standards, including International Standards on Auditing;
- provide an opinion on audited bodies' financial statements and the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports;
- notify the Auditor General when circumstances indicate that a statutory report may be required; and
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
 - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;
 - suitability and effectiveness of corporate governance arrangements; and
 - financial position and arrangements for securing financial sustainability.

15. Weaknesses or risks 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.

Wider scope audit work

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

Board Responsibilities

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

Exhibit 1: Audit dimensions of wider scope public audit

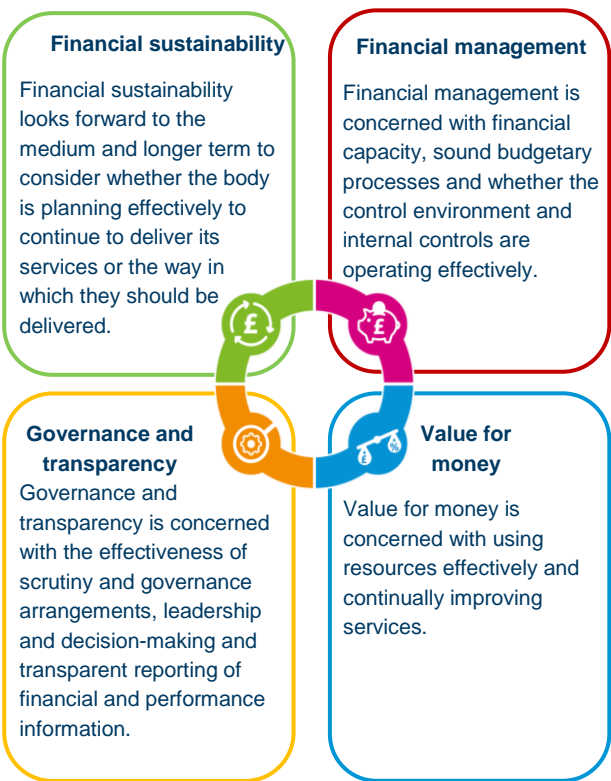


Exhibit 2 – Board responsibilities

Area	The Board’s responsibilities
<p>Annual accounts: The Board must prepare annual accounts containing financial statements and other related reports.</p>	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of the state of affairs of the Board as at 31 July 2018 and of the net expenditure for the year, 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; • 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 Board is planning effectively to continue to fulfill its functions in an affordable and sustainable manner.</p>	<p>The Board 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 GCRB plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Financial management: Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>It is the Board’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>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>It is the Board’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>

Exhibit 2 – Board responsibilities

Area	The Board’s responsibilities
<p>Governance and transparency: Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>The Board 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 Board is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p>Value for money: Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Board has a responsibility to monitor progress with its strategic priorities and to consider whether those objectives have led to the delivery of appropriate services and value for money.</p> <p>The Accountable Officer of GCRB has a specific responsibility to ensure that the Board had made arrangements to secure best value. Although different arrangements exist across the public sector in relation to best value, all public bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>

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Audit strategy

Audit strategy

Risk-based audit approach

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

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



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

Communications with those charged with governance

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

Professional standards and guidance

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

Partnership working

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

Audit Scotland

26. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.
27. Audit Scotland undertakes national performance audits on issues affecting the Board. We will review the Board'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 Board uses the national performance reports as a means to help improve performance at the local level.
28. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

Internal audit

29. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the Board's total audit resource. The Board'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 Board is used efficiently and effectively.

4

Annual report and accounts

Annual report and accounts

Introduction

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

Approach to audit of the financial statements

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

Risk-based audit planning

33. 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

34. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements.
35. 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 Board's own policies and procedures.
36. Wherever possible we will take cognisance of internal audit's reviews of systems and controls.
37. 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

38. 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.

39. 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.
40. 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

41. 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.
42. We also provide an opinion on the audited part of the remuneration report, annual governance statement and performance report.

Group accounts

43. GCRB will prepare its financial statements on a group basis for the first time in 2017/18. The group consists of GCRB and the colleges within the Glasgow region:
- Glasgow Kelvin College;
 - Glasgow Clyde College; and
 - The City of Glasgow College.
44. The consolidation of the subsidiaries is expected to result in a material change to the parent's financial statements.
45. 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.
46. 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

47. 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.

Group overall materiality	GCRB overall materiality
£2,544,000	£5,800

48. We consider the gross expenditure to be the principal consideration for the users of the group and parent accounts when assessing financial performance. We have set our planning performance materiality for GCRB at 1.8% of 2016/17 gross expenditure for the Board. We have lowered our materiality for the group to 1.5% of combined expenditure as reported in the 2016/17 accounts for the regional colleges and GCRB. This takes cognisance of the increased level of stakeholder interest anticipated due to this being the first year of publication.
49. We will review our assessment of materiality throughout our audit.

Performance materiality

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

	Area risk assessment £		
	High	Medium	Low
Board	2,900	3,450	4,350
Group	1,144,800	1,399,200	1,780,000

Reporting

51. We will report any misstatements identified through our audit that fall into one of the following categories:
- All material corrected misstatements;
 - Uncorrected misstatements over 5% of overall materiality for the Board and for the Group; and
 - Other misstatements below the 5% threshold that we believe warrant reporting on qualitative grounds.

Key audit risks

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

• Exhibit 4 – Key audit risks in the financial statements

1. Management override of control

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

53. In response to this risk we will review the Board'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, pension assumptions, provisions and arrears.

2. Revenue Recognition

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

54. As part of our planning process we have considered the nature of the revenue streams at the GCRB 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.
55. We have reviewed income streams across the group and concluded that although the risk of revenue recognition can be rebutted for GCRB, the colleges within the group have significant other income streams and the risk of fraud in relation to revenue recognition is present.
56. We will consider the colleges' key revenue transactions and streams and liaise with the college auditor to gain assurance over the control environment in place and the figures reported in the accounts of the regional colleges. Where we are unable to get satisfactory assurance from the component auditors we will conduct additional testing at the group level.

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 GCRB and its subsidiaries could adopt accounting policies or recognise expenditure in a way that materially misstates the group's financial performance.

57. As part of our planning process we have considered the nature of the expenditure at the GCRB against the risk factors set out in ISA 240. We have identified that the majority of expenditure relates to payroll and this is not subject to manipulation in the same way as other expenditure items. We have therefore rebutted the risk of expenditure recognition for the GCRB parent accounts.
58. The group accounts consist of the expenditure for the GCRB and the three regional colleges. We recognise that the colleges expenditure is more complex than the GCRB and therefore we do not intend to rebut this risk for the group accounts.


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59. We will consider the colleges' key expenditure transactions and streams and liaise with the college auditor to gain assurance over the control environment in place and the figures reported in the accounts of the regional colleges. Where we are unable to get satisfactory assurance from the component auditors we will conduct additional testing at the group level.

4. Preparation of consolidated financial statements

The Scottish Funding Council (the SFC) approved the fundable body status of GCRB as of 1 April 2017. However, fundable body status did not take effect until 1 August 2017.

GCRB considered the implications of achieving fundable body status for their financial reporting. GCRB referred to the guidance in FRS 102 on consolidation and concluded that when fundable body status took effect this would create a group arrangement with City of Glasgow College, Glasgow Kelvin College and Glasgow Clyde College being subsidiaries of GCRB. This would trigger a need to prepare consolidated financial statements under FRS 102.

GCRB is planning to produce consolidated financial statements for the period ended 31 July 2018. They are working with the 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.

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60. We will review the consolidation workings to ensure the group accounts have been prepared correctly and all inter-group balances have been eliminated appropriately.
-  61. 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.
62. We have identified that all three subsidiaries are significant for the purposes of the group financial statements and as such we will require 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.
63. 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

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Wider scope

Wider scope audit

Introduction

- 64. 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.
- 65. We are committed to using the wider dimensions to target and provide assurance throughout our period of appointment. As with our financial statements audit, our wider scope audit approach is focused on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting audit risks relation to each of the four dimensions of wider scope public sector audit.
- 66. In 2017/18 we will also consider the following risk areas as they relate to GCRB:
 - EU withdrawal;
 - New financial powers;
 - Ending of public sector pay cap;
 - Response to cyber security risks; and
 - Openness and transparency.
- 67. At this stage of our audit planning process, we have identified one significant risk to the wider scope dimension of our audit.

Exhibit 4 – Wider Scope Significant Risks

1. Governance arrangements following fundable body status

In April 2017 the SFC awarded GCRB fundable body status under the Further and Higher Education (Scotland) Act 2005. This gives GCRB responsibility for allocating and distributing funding to the three colleges in the Glasgow region (City of Glasgow College, Glasgow Kelvin College and Glasgow Clyde College). During 2016/17 the GCRB worked with the SFC to create the structures needed to take on full funding and monitoring functions from 2017/18.

2017/18 will be the first year of the Board having full responsibility for monitoring outcomes and supplying funding to the Colleges. This is a significant increase in the responsibilities of GCRB will require robust governance arrangements and a strong system of internal control to be in place.



- 68. We will review the processes and procedures in place to cover the new responsibilities of the GCRB and assess for appropriateness the compliance with the Memorandum of Understanding.
- 69. We will review the arrangements in place for the GCRB’s new monitoring role and whether they are meeting the requirements of the SFC.

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



Financial sustainability

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

Consideration	Our audit approach
<p>During 2016-17, we were satisfied that the GCRB were forecasting a relatively stable position across the five year period to 2021/22. The GCRB has forecast a breakeven position in each of the five years.</p> <p>However, across the regional colleges the combined position is an underlying deficit over the long term with the deficits rising from £2.740 million in 2018/19 to £4.545 million in 2021/22.</p> <p>We noted that it will be increasingly challenging to maintain service delivery within the confines of the regional budget. The GCRB has a role in monitoring the financial health of the colleges going forward and working with the colleges to develop a plan to close the budget gap while maintaining the quality of service.</p>	<p>During our 2017-18 audit we will update our assessment of the GCRB's financial standing. This will involve a review of the arrangements in place for short, medium and long term financial planning, budgetary control and financial reporting. Our work will also consider the adequacy of the GCRB's preparations and scenario planning for the impact of EU withdrawal and key financial assumptions such as the impact of further national bargaining.</p> <p>We will also review the monitoring arrangements for the regional colleges and the governance arrangements for working with the regional colleges to close the budget gap.</p>



Financial management

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

Consideration	Our audit approach
<p>The GCRB Performance Committee receives regular monitoring reports throughout the financial year. The report provides members with a year to date position against budget, a forecasted year end position and narrative commentary.</p> <p>The GCRB's revenue budget, as reported to the Performance Committee in May 2017 and endorsed by the Board in September 2017, forecasts a breakeven position in 2017/18.</p>	<p>During our 2017/18 audit we will review, conclude and report on the following:</p> <ul style="list-style-type: none"> • Whether the GCRB has arrangements in place to ensure systems of internal control are operating effectively; • Whether the GCRB can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance; and • Whether the GCRB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.



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.

Considerations	Our audit approach
<p>See Exhibit 4</p> <p>We concluded in 2016/17 that the GCRB operated with satisfactory governance arrangements in place and that the College was transparent in the way it conducts its business.</p> <p>We noted that the GCRB provisionally approved a revised staffing structure in February 2017. This was finalised in September 2017 and all posts were filled by January 2018.</p>	<p>We will continue to consider the effectiveness of the GCRB's governance framework and the extent to which the arrangements and management of the GCRB and committees comply with relevant good practice guidance.</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>We will consider the revised staffing structure and the governance around the appointments process in relation to the 2017/18 activities.</p>



Value for money

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

Considerations	Our audit approach
<p>The GCRB published its first strategic plan covering the period from 2017 to 2022. This plan focuses on the three key areas: better lives in a better economy; widening access to life-changing learning; an unlocking regional potential and adding value.</p> <p>Key targets and performance measures to align to the new strategic plan were due to be developed in 2017/18.</p> <p>The GCRB also have a role in monitoring performance against regional outcome agreements across the region. In 2016/17, it was noted that further improvement was needed over rates of attainment and inter-region progression.</p>	<p>We will review the development of the performance management framework for the new strategic plan.</p> <p>We will seek evidence from the GCRB that outcomes are improving and there is sufficient focus on improvement and the pace of it.</p> <p>Audit Scotland carries out a national performance audit programme on behalf of the Auditor General for Scotland and the Accounts Commission. We will work with Audit Scotland during the year to understand the outputs from this work and identify any particular reports that the GCRB may have a direct interest in.</p>

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

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 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.	December 2018 Audit 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.	December 2018 Audit Committee

Audit outputs

71. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
72. 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

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

75. For 2017/18 the expected fee for the GCRB is £20,760. We propose setting the 2017/18 audit fee at the expected fee level. This takes into consideration the risks identified at planning and the audit issues encountered in previous years.

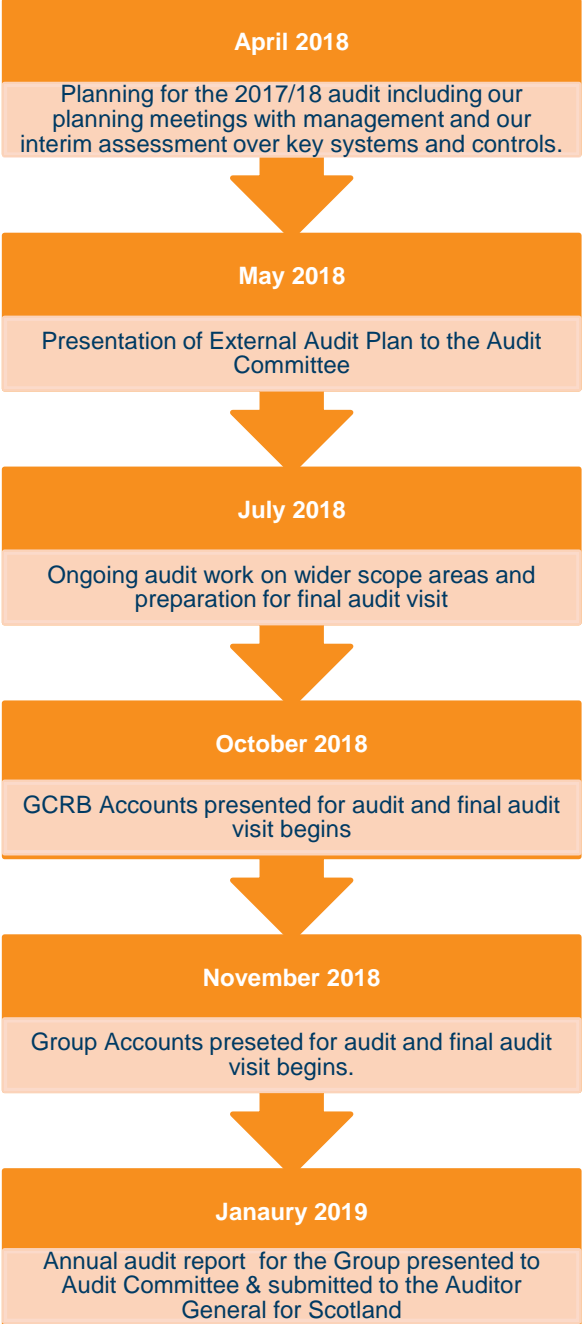
2017/18	
Auditor remuneration	£18,540
Pooled costs	£1,190
Audit support costs	£1,030
Total expected fee	£20,760¹

38. 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.

¹ The audit fee in 2016/17 was £12,000

Audit timetable

76. The dates for our final audit has been discussed with the Executive Director and the Director of Finance. 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 17 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network.

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

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

Your audit team

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

Gary Devlin
Partner
gary.devlin@scott-moncrieff.com



Gary is responsible for Scott-Moncrieff's work in the public sector and further and higher education sectors. He has over 20 years' experience in providing audit, assurance and advisory services to a wide range of clients and is an expert on governance and risk reviews in the public, charity and education sectors. Gary experience spans internal audit, external audit and risk management services and he is the partner in charge of a range of our HE and FE internal and external audit appointments. Gary is the appointed auditor to Glasgow Clyde College, Glasgow Kelvin College, and the City of Glasgow College.

Claire Gardiner
Audit Manager
claire.gardiner@scott-moncrieff.com



Claire has over 12 years' public sector external audit experience. She has delivered external audit services to a range of public sector bodies, including pension funds, local authorities, health bodies and central government bodies. Claire will manage the onsite team and work alongside Gary to deliver the audit engagement.

Claire McTaggart
Audit Senior
claire.mctaggart@scott-moncrieff.com



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

Appendix 2: Statement of understanding

Introduction

The purpose of this Statement of understanding is to clarify the terms of our appointment and the key responsibilities of the Board's Board of Management ("the Board") 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 staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit.

Scope of audit

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

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

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 David Eardley. 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 Committee reporting deadlines.

Agreement of terms

We shall be grateful if the Board'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