

Glasgow Clyde College

Annual Audit Plan 2023/24



Prepared for Glasgow Clyde College

May 2024

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Introduction

Summary of planned audit work

1. I, Stuart Nugent remain the appointed auditor for Glasgow Clyde College (GCC). The audit team remains consistent from last year, with Dafydd Jones continuing as the lead auditor in 2023/24. This document summarises the work plan for my 2023/24 audit. The main elements of the audit include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
- an audit opinion on regularity and other statutory information published within the annual report and financial statements, including the performance report, governance statement, and the remuneration and staff report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- provision of an Independent Auditor's Report expressing my opinions on the different elements of the annual report and financial statements and an Annual Audit Report setting out conclusions on the wide scope areas.

Respective responsibilities of the auditor and Audited Body

2. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and GCC. Key responsibilities are summarised below.

Auditor responsibilities

3. My responsibilities as appointed auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

4. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and financial statements. We also review and report on the wider scope arrangements in place at GCC. In doing this, we aim to support improvement and accountability.

GCC's responsibilities

5. GCC is responsible for maintaining adequate accounting records and internal controls, and preparing financial statements for audit that give a true and fair view. They are also required to produce other reports in the annual report and financial statements in accordance with applicable requirements.

6. GCC 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 deliver their objectives.

Adding Value

7. My team and I aim to add value by: tailoring audit work to the circumstances of GCC and the audit risks identified; being constructive and forward looking; providing independent conclusions; attending meetings of the Audit Committee; and by recommending and encouraging good practice. In so doing, we will help GCC promote improved standards of governance, better management and decision making, and more effective use of resources.

Annual report and financial statements

Introduction

8. The annual report and financial statements are an essential part of demonstrating GCC's stewardship of resources and its performance in the use of those resources.

9. As appointed auditor, I am required to perform an audit of the financial statements, consider other information within the annual report and financial statements, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

10. My team and I focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

11. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. I am required to plan my audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

12. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for GCC are set out in [Exhibit 1](#).

Exhibit 1

2023/24 Materiality levels for Audited Body

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of GCC's operations. For the year ended 31 July 2024, we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2022/23.	£1.120 million

Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 70% of planning materiality. £0.784 million

Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. £56,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. Our risk assessment draws on our cumulative knowledge of GCC, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.

14. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

15. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risks, management's sources of assurance over these risks, and the further audit procedures we plan to perform to gain assurance over the risks.

Exhibit 2

2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
		<ul style="list-style-type: none"> • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other adjustments throughout the year. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.
<p>2. Estimation in the valuation of land and buildings.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions, and changes in these can result in material changes to valuations.</p> <p>All non-current assets are revalued on a five-year rolling</p>	<ul style="list-style-type: none"> • Values are stated as at the latest interim valuation for 31 July 2022, based on the valuation report with reference to that date as prepared by Avison Young. The College has a policy of undertaking a full revaluation at least every five years. In the years where no formal valuation is performed, a review of the impact of 	<ul style="list-style-type: none"> • Review the information provided to the external valuer to assess for completeness and if necessary, seek further confirmation from the valuer on any particular aspects of the process. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of the management's involvement in the valuation

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>basis. Values may also change year on year, and it is important that GCC ensures the financial statements accurately reflect the value of the land and buildings.</p>	<p>indexation of the formal valuation may be performed by the valuer.</p>	<p>process to assess if appropriate oversight has occurred.</p> <ul style="list-style-type: none"> • Consider whether the valuation frequency is appropriate. • Critically assess the approach GCC has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. • Critically assess the adequacy of the College's disclosures regarding the assumptions in relation to the valuation of land and buildings. • Review the status and accounting disclosures regarding the known impairments in the Anniesland and Cardonald campuses.
<p>3. Estimation in the valuation of pension asset/liability</p> <p>GCC is a member of the Strathclyde Pension Fund (i.e., the local government pension scheme) and accounts for it under the relevant accounting standard (FRS 102). At 31 July 2023 the net asset was £3.449 million.</p> <p>The present value of the retirement (pension) obligations depends on a number of factors that are determined on an actuarial basis underpinned by a series of assumptions. There is a risk that errors in the information provided to the actuary or in the underlying assumptions, or</p>	<ul style="list-style-type: none"> • For the purposes of financial reporting the College commissions, through Glasgow City Council, the actuarial firm Hymans Robertson to provide an annual valuation of the College's share of the underlying assets and liabilities of the Pension Fund. The three Glasgow Colleges, GCRB and the external auditor meet annually with the actuary to discuss and agree the underlying assumptions in the related reports. 	<ul style="list-style-type: none"> • Review of the information provided by GCC to its actuary. • Completion of the 'review of the work of an expert' in respect of the actuary including a review of actuarial assumptions. • Review evidence confirming that the College's management has assessed the estimate provided by its actuary. • Testing of pension disclosures in the financial statements, including disclosures in the key estimates and judgements note. • Observe meetings between the College and its actuary.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
late information, can result in a material misstatement.		

Source: Audit Scotland

16. As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

17. We have rebutted this risk for GCC as the majority of income is from government sources, either the Scottish Funding Council or the Student Awards Agency Scotland. This can be readily agreed to third party confirmations. In addition, GCC's other income streams comprise of a high volume of low value transactions. We have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

18. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

19. We have rebutted this risk as the main expenditure stream of GCC is staff costs and this can be readily forecast based on a predictable pattern of spend. The other expenditure streams comprise of high volume and of relatively low value items, and there are control systems to support this.

20. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Regularity

21. Auditors are required by the Public Finance and Accountability (Scotland) Act 2000 to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers (generally referred to as the regularity opinion).

22. We will adopt an integrated audit approach to meeting this responsibility and use work on the audit of the financial statements supplemented by additional testing for any irregular transactions, where necessary.

Wider Scope and Best Value

Introduction

23. Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit, and requires auditors to consider and conclude on the effectiveness and appropriateness of the arrangements in place for each wider scope area in audited bodies.

24. In summary, the four wider scope areas are:

- **Financial management** – this means having sound budgetary processes. We will consider the arrangements to secure sound financial management, including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- **Financial sustainability** – we will look ahead to consider whether the body is planning effectively to continue to deliver services, also comment on financial sustainability in the medium (two to five years) to longer term (longer than five years).
- **Vision, leadership, and governance** – we conclude on the clarity of plans in place to deliver the vision, strategy, and priorities adopted by GCC. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how the College demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

25. Our planned work on the wider scope areas is risk based and proportionate, and in addition to local risks, we may be asked by the Auditor General for Scotland to consider specific risk areas which are impacting the public sector as a whole. We have not been asked to consider specific risks for 2023/24 audits, but we will remain cognisant of challenges identified in prior years such as climate change.

Duty of Best Value

26. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Further, the Scottish Funding Council's financial memorandum requires the College to have a strategy for reviewing systematically management's arrangements for securing value for money. We will be carrying

out a high-level review to confirm that such arrangements are in place within GCC.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

27. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

28. We will provide:

- an Independent Auditor's Report to GCC, the Scottish Parliament, and the Auditor General for Scotland setting out our opinions on the annual report and financial statements.
- GCC and the Auditor General for Scotland with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

29. [Exhibit 3](#) outlines the target dates for our audit outputs set by the Auditor General for Scotland. In determining the target reporting date, due regard is paid to the accounts submission date of 31 December 2024 set by the Scottish Funding Council.

30. We plan to issue our Independent Auditor's Report and Annual Audit Report by the target date.

Exhibit 3 2023/24 Audit outputs

Audit Output	Target date	Audit Committee Date
Annual Audit Plan	20 May 2024	29 May 2024
Independent Auditor's Report	11 November 2024 (TBC)	20 November 2024 (TBC)
Annual Audit Report	11 November 2024 (TBC)	20 November 2024 (TBC)

Source: Audit Scotland



31. All Annual Audit Plans and the outputs detailed in [Exhibit 3](#), and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.

Timetable

32. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 4](#) that has been discussed with management.

33. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 4 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package. Spreadsheet to be provided by 23 September 2024	1 October 2024
Latest date for final clearance meeting with the Director of Finance (or equivalent)	1 November 2024
Issue of draft Letter of Representation and proposed Independent Auditor's Report	11 November 2024 (TBC)
Agreement of audited and unsigned annual report and accounts	11 November 2024 (TBC)
Issue of Annual Audit Report to those charged with governance.	11 November 2024 (TBC)
Signed Independent Auditor's Report	13 December 2024 (TBC)

Source: Audit Scotland

Audit fee

34. In determining the audit fee, we have taken account of the risk exposure of GCC and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The proposed audit fee for 2023/24 is £64,200.

35. In setting the fee for 2023/24, we have assumed that GCC has effective governance arrangements and will prepare a comprehensive and accurate set of annual report and financial statements for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of

the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

36. It is the responsibility of GCC to establish adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work.

37. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

38. I am independent of GCC in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

39. Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard including an annual '*fit and proper*' declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

40. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. I am not aware of any such relationships pertaining to the audit of GCC.

Audit Quality

41. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

42. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

43. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

44. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan which is used to support continuous improvement. Progress with implementing planned actions is regularly monitored by Audit Scotland's Quality and Ethics Committee.

45. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

Glasgow Clyde College

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Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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