B

AUDIT COMMITTEE REPORT

Subject: Draft External Audit Plan 2017-18	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Corporate Services	**Date:** 09 May 2018

Purpose: To approve the External Audit Plan for the 2017-18 Final Accounts and Annual Report.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:

The attached plan is proposed by Scott-Moncrieff, the College's external auditors, following discussion with the Head of Finance and Procurement and me.

Both the College and auditors are comfortable that this approach will enable us to reach a successful conclusion to the audit and present the Regional Board with audited final accounts in December 2018.

Recommendation: Committee are invited to discuss the contents of the plan and approve it, with amendments as necessary.

Previous Committee Approvals: n/a

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

Scott-Moncrieff
business advisers and accountants

Borders College

External Audit Plan
2017/18

May 2018

Contents

Introduction 1
Responsibilities of the auditor and the College 3
Audit strategy 8
Annual report and accounts 11
Wider scope audit 16
Audit outputs, timetable and fees 18
Appendix 1: Your audit team 21
Appendix 2: Statement of understanding 22

1 Introduction

Introduction

Overview

1. This document summarises the work plan for our 2017/18 external audit of Borders College ('the College').

2. The core elements of our work include:

   - an audit of the College's 2017/18 annual report and accounts;
   - proportionate application of the wider public audit scope; 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, 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 College for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2017/18 and summarises:

   - the responsibilities of Scott-Moncrieff (as external auditor) and the College;
   - our audit strategy;
   - our planned audit work and how we will approach it;
   - our proposed audit outputs, timetable and fee; and
   - background to the audit team.

Confirmation of independence

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

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. As in the prior year, the College has requested Scott-Moncrieff provide VAT advice during 2017/18. The expected non-audit fee for this work is £2,000 (fees are not charged on a contingent basis). The non-audit work will not involve management decision making and will be undertaken by the Scott-Moncrieff VAT team, entirely separately from the Public Sector External Audit team.

9. In line with Audit Scotland planning guidance, approval was obtained from the Scott-Moncrieff ethics partner and Audit Scotland before commencing this non-audit work.

Adding value through the audit

10. 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 Borders College through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help Borders College promote improved standards of governance, better management and decision making and more effective use of resources.

11. 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*

12. While this plan is addressed to Borders College, it will be published on Audit Scotland's website, *www.audit-scotland.gov.uk*

2

Responsibilities of the auditor and the College

Responsibilities of the auditor and the College

Auditor responsibilities

Code of Audit Practice

13. 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

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

15. 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.

16. 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

17. 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 providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

18. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.

19. 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.

20. Our assessment takes into account the size, nature and risks of the organisation. Taking these factors into consideration, we have concluded that application of the full wider scope is not appropriate for the College and we will restrict our work accordingly.

The College's responsibilities

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

Exhibit 1: Audit dimensions of wider scope public audit

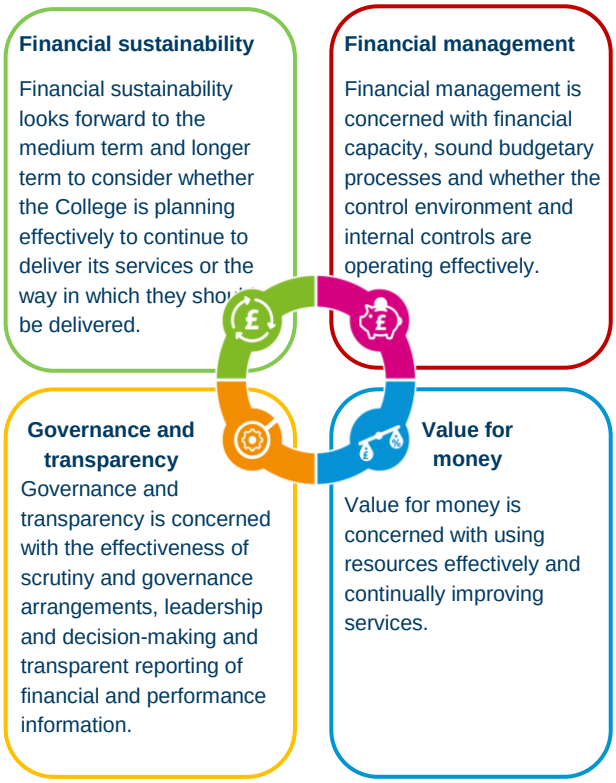

Exhibit 2 – College responsibilities

Area	The College's responsibilities
Annual accounts: The College must prepare annual accounts containing financial statements and other related reports.	The College has responsibility for: • preparing financial statements which give a true and fair view of the state of affairs of the College as at 31 July 2018 and of the net expenditure for the year, in accordance with the applicable financial reporting framework and relevant legislation; • 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.
Financial sustainability: Financial sustainability looks forward to the medium and longer term to consider whether the College is planning effectively to continue to fulfill its functions in an affordable and sustainable manner.	The College is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to: • Such financial monitoring and reporting arrangements as may be specified. • Compliance with any statutory financial requirements and achievement of financial targets. • Balances and reserves, including strategies about levels and their future use. • How the organisation plans to deal with uncertainty in the medium and long term. • The impact of planned future policies and foreseeable developments on the financial position.
Financial management: Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	It is the College's responsibility to ensure that its financial affairs are conducted in a proper manner. Management is responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance. Borders College is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal. It is the College's responsibility to establish arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Exhibit 2 – College responsibilities

Area	The College's responsibilities
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.	The College is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements. The College is also responsible for establishing effective and appropriate internal audit and risk management functions.
Value for money: Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.	The College 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. The Accountable Officer has a specific responsibility to ensure that arrangements have been made 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.

3

Audit strategy

Audit strategy

Risk-based audit approach

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

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

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

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

Communications with those charged with governance

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

Professional standards and guidance

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

Partnership working

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

Audit Scotland

27. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

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

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

Internal audit

30. The College's internal audit function is provided by Wylie and Bisset. We will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource to the College is used efficiently and effectively.

Other inspection bodies

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

4

Annual report and accounts

Annual report and accounts

Introduction

32. Colleges' 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 Borders College's annual report and accounts.

33. The annual report and accounts comprise the financial statements, the performance report and the accountability report.

Approach to audit of the financial statements

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

Risk-based audit planning

35. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the financial statements will be based.

An audit of key systems and internal controls

36. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements.

37. The systems we review and the nature of the work we perform is based on an initial risk assessment. We examine and test compliance with best practice and the College's own policies and procedures.

38. Wherever possible we will take cognisance of internal audit's reviews of systems and controls.

39. We will update the risk assessment following our evaluation of systems and controls. This will ensure that we continue to focus attention on the areas of highest risk.

A final audit of the financial statements

40. During our final audit we will test and review the material amounts and disclosures in the financial statements. The extent of testing will be based on the risk assessment.

41. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with:

- the Statement Of Recommended Practice: accounting for further and higher education (the SORP);
- the Government Financial Reporting Manual (FReM) where applicable; and
- the Accounts Direction.

42. In order to provide assurance on the regularity of transactions, we also review whether in all material respects, expenditure has been incurred and income applied in accordance with guidance issued by Scottish Ministers.

Independent auditor's report

43. Our opinions on whether the financial statements give a true and fair view and on the regularity of transactions will be set out in our independent auditor's report which will be included within the annual report and accounts.

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

Materiality

45. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

46. Our initial assessment of materiality for the financial statements of the College is £225,000, approximately 1.8% of the College's 2016/17 expenditure. We will review our assessment of materiality throughout our audit.

Performance materiality

47. We set a performance materiality for each area of work which is based on a risk assessment for the area.

48. 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%	£101,000
Medium	55%	£124,000
Low	75%	£169,000

Reporting

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

- All material corrected misstatements;
- Uncorrected misstatements over £11,250; and
- Other misstatements below £11,250 that we believe warrant reporting on qualitative grounds.

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

Exhibit 3 – Key audit risks for the annual accounts

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*.

51. In response to this risk we will review the College's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation and amortisation rates, pension assumptions, asset valuations, provisions and arrears. We will also adopt data analytics techniques to review and test aspects of this significant risk.

2. Revenue Recognition

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

52. As part of our planning process we have considered the nature of the revenue streams at the College against the risk factors set out in ISA 240. We have identified that for Scottish Funding Council (SFC) grant funding the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate revenue of this nature. We have concluded, however, the risk of fraud in relation to revenue recognition is present in all other income streams.

53. We will review the controls in place over revenue accounting. We will consider the College's key revenue transactions and streams and carry out testing to confirm that the College's revenue recognition policy is appropriate and has been applied consistently throughout the year.

3. Risk of fraud in expenditure recognition

The FRC has published a revised Practice Note 10 which applies to the audit of financial statements of public sector bodies in the UK, for periods commencing after June 2016. The practice note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

In line with the practice note, our presumption is that the College could adopt accounting policies or recognise expenditure in a way that materially misstates the College's financial performance.

54. In response to this risk we will evaluate the significant expenditure streams at the College (excluding payroll which we do not consider to be a significant audit risk area) and review the controls in place over accounting for expenditure. We will consider the key areas of expenditure and obtain evidence that the expenditure was recorded in line with appropriate accounting policies and that the accounting policies have been applied consistently throughout the year.

The performance report, accountability report and other information

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

Other information

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

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

The performance report

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

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

59. Our independent auditor's report will confirm whether in our opinion the performance report has been properly prepared and is consistent with the financial statements.

The accountability report

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

- A corporate governance report (including a governance statement) explaining the composition and organisation of the entity's governance structures and how they support the achievement of objectives.
- A remuneration and staff report setting out staff numbers and costs as well as the entity's remuneration policy for directors and the remuneration awarded to directors.
- A parliamentary accountability report disclosing the regularity of expenditure and other parliamentary accountability requirements.

61. Our independent auditor's report will confirm whether in our opinion the governance statement and the audited part of the remuneration and staff report have been properly prepared and are consistent with the financial statements

5

Wider scope

Wider scope audit

Introduction

62. As described in section 2, the Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. Following consideration of the size, nature and risks of the College, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work on the wider scope will therefore be restricted to:

    - Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
    - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

63. Our planned audit work against these two dimensions is risk based and proportionate.

64. Our assessment builds upon our understanding of the College's priorities and risks which we developed in 2016/17, discussions with management and review of minutes and key strategy documents. In 2017/18 we have also considered the following risk areas as they relate to the College:

    - EU withdrawal
    - New financial powers
    - Ending of public sector pay cap
    - Response to cyber security risks
    - Openness and transparency.

65. At this stage of our audit planning, we have identified one significant risk to the wider scope of our audit in relation to financial sustainability (Exhibit 4). Audit planning is a continuous process and our application of the small body provision will be subject to ongoing review to ensure it remains appropriate. Should we identify any particular issue or risk during our audit that requires additional work, or the full wider scope to be applied, we will update our audit plan.

Exhibit 4 – Significant risk: financial sustainability

4. Financial sustainability

The College's 2017/18 revenue budget, as reported to the Regional Board in June 2017, forecasted an underlying operating deficit. The initial budget was prepared before the full impact of national pay bargaining could be considered. The updated 2017/18 budget projected an operating deficit of £0.106million. The College are now hopeful of achieving a breakeven position for 2017/18.

The Scottish Funding Council ('SFC') issued guidance on Financial Forecast Returns required for the period to 2021/22 in June 2017. The returns required standard information from all colleges and contribute to the SFC financial health monitoring framework. The College's return showed an increasing deficit position reaching £950,000 by 2021/22. Colleges are working with the SFC with regard to the assumptions used in future FFRs.

The indicative funding allocations for 2018/19 were announced in February 2018. The College are expected to receive an increase of 12.7% compared to 2017/18 with respect of their core teaching funding allocation. This allocation includes additional funding for the full expected costs of national bargaining and additional rural and remoteness funding. While the indicative allocations are likely to provide some short term financial stability for the College, the longer term financial sustainability remains challenging.

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

6

Audit outputs, 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.	November 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.	November 2018 Audit Committee

Audit outputs

67. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate. The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

Audit fee

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

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

69. 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.

70. Audit Scotland requires fees to be agreed between the auditor and each audited body. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body. In exceptional circumstances, higher remuneration can be agreed with the prior agreement of Audit Scotland.

71. For 2017/18 we propose setting the audit fee at the expected fee level, as we did in 2016/17. The audit fee for the College is set out below:

Audit fee	2017/18	2016/17
Auditor remuneration – Scott-Moncrieff	£13,150	£13,020
Pooled costs – Audit Scotland (AS)	£840	£810
Audit support costs - AS	£730	£740
Total	**£14,720**	**£14,570**

72. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

Audit timetable

73. The dates for our interim and final audits have been discussed with the Vice Principal - Finance and Corporate Services. A summary timetable, including audit outputs, is set out below:

April 2018

Planning meetings to inform the 2017/18 audit

May 2018

Presentation of External Audit Plan to the Audit Committee

October 2018

Accounts presented for audit and final audit visit begins

November & December 2018

Annual audit report presented to Audit Committee & submitted to the Auditor General for Scotland

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 Borders College will be led by David Eardley 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.

David Eardley
Director
David.eardley@scott-moncrieff.com

David has nearly a decade and a half of experience and specialises in external and internal audit of public sector clients. David's primary area of focus and expertise is in the health and education sectors.

David works with a range of public sector clients including the NHS, education and central government, from £1.3billion health boards to specialist government entities. David has a wealth of technical accounting expertise, coupled with strong interpersonal skills and client relationship skills.

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 David to deliver the audit engagement.

Rachel Wynne
Audit Senior
Rachel.wynne@scott-moncrieff.com

Rachel joined the firm in 2014 as a public sector audit trainee and has since achieved her CA qualification. She has experience delivering external audit services to a range of public sector bodies, including further education and charities.

Rachel 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 College and Scott-Moncrieff.

Annual accounts

We will require the annual report and accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant 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 College's responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the College during the course of the audit on matters having a material effect on the annual accounts. This will take place by means of a letter of representation, which will require to be signed by the Principal.

Internal audit

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

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

Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise.

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

Ethics

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

Fees

We base our agreed fee upon the assumption that all of the required information for the audit is made available in line with the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend on the level of skill and responsibility of the staff involved.

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 College'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

© Scott-Moncrieff Chartered Accountants 2018. All rights reserved. "Scott-Moncrieff" refers to Scott-Moncrieff Chartered Accountants, a member of Moore Stephens International Limited, a worldwide network of independent firms. Scott-Moncrieff Chartered Accountants is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.