

**Minute of the Audit Committee Meeting
Held on Thursday 15 June 2017
at the Kilwinning Campus**

Present: Alan Walker (Chair) *(Paper 1)*
Nicki Beveridge
Marri Welsh

In attendance: Brendan Ferguson (Board Secretary)
Michael Breen
Alistair Gordon
Michael McHugh
Helen Canning
Elizabeth Young (Scott-Moncrieff)
Lucy Nutley (Mazars)

1 Welcome and Introductions

The Chair welcomed everyone to the meeting.

2 Apologies

Apologies were received from Committee Members Barbara Graham, Alan McGregor and Fiona Fawdry. Apologies were also received from EMT members Jackie Galbraith, Jane McKie and Donna Vallance.

3 Declarations of Interest

There were no declarations of interest.

4 Minute of the Previous Meeting held on 20 March 2017 *(Paper 1)*

The minutes were deferred for approval until the next meeting as there were insufficient members present who attended the previous meeting of the committee.

5 Matters Arising

There were no Matters Arising, which were not dealt with elsewhere on the agenda.

6 **Cyber Security** (*Presentation*)

Brad Johnstone, Head of IT Services, provided a presentation on College systems and strategies to mitigate threats from external cyber-attacks.

Members discussed in parallel the requirements as set out within the General Data Protection Regulations (BGPR), which at this time are expected to be enacted in 2018. M McHugh commented that an Information Audit is a necessity going forward and a group within the College is working systematically through the requirements. An update on the progress would be provided at November meeting of the committee. Members wished to reserve the option of engaging Scott Moncreiff to undertake an internal audit on this subject.

The Committee noted the above and thanked Brad Johnstone for the informative presentation.

7 **Internal Audit Report 2016-17 – SFC Financial Returns – Resources and Cash Drawdowns** (*Paper 2*)

M Breen took the Committee through Paper 2 as written.

A number of questions were asked and satisfactory responses provided.

The Committee noted and approved Paper 2, welcoming the positive nature of the audit conclusions.

8 **Internal Audit Report 2016-17 – Corporate Governance** (*Paper 3*)

E Young introduced the above paper and stated that no control weaknesses were identified by the audit, with a number of low risk housekeeping opportunities for improvement identified.

B Ferguson noted the suggested introduction of Action Logs for the Board and Committees contained in the above report and updated the management response contained within Paper 3. B Ferguson stated that Action Logs would be introduced as a part of the board standing committee review and proposed restructuring to be considered at the following week's meeting of the Board of Management.

The committee noted and approved Paper 3. In particular, the committee welcomed the assurance provided by the Corporate Governance Report that the implementation of the Board's processes and procedures, as set out in its Standing Orders, the requirements of the Code of Good Governance for Scotland's Colleges and the various Acts of Parliament governing the operation of the College were being properly and appropriately enacted.

9 Internal Audit Report 2016-17 – Student Experience – Student Voice (Paper 4)

E Young introduced the above paper and took the Committee through it as written.

M McHugh replied on behalf of the College that the report represented a fair assessment, noting areas of good practice and areas where improvements could be made. M McHugh went on to outline where developments had since taken place since the audit date e.g. the complaint handling procedures M McHugh confirmed that the College had a very proactive culture in dealing with complaints.

H Canning noted based on her remit that from a student perspective the audit had been very positive and work was currently underway to address the points raised within the report.

The Committee noted the above comments and approved Paper 3.

10 Internal Audit Progress Report 2016-17 – Summary (Paper 5)

E Young reported that the internal audit programme for 2016/17 was complete, with six audits completed and one deferred until 2017/18.

The Committee noted the content of Paper 5.

11 Internal Audit Plan 2017-18 (Paper 6)

E Young reported that 2017/18 represented the third year of the three-year plan previously agreed with the Audit Committee. E Young then took the Committee through the Paper, noting that the deferred Business Continuity Planning audit would take place during 2017/18.

M Breen commented that the College is awaiting information from the Scottish Funding Council on the requirements of the ten-year infrastructure plan and as such further discussion on the Estates Strategy Audit due to take place within 2017/18 may be required

The Committee noted and approved Paper 6.

12 Draft Business Continuity Plan (V2) at May 2017 (Paper 7)

M Breen took the committee through the draft plan, being the second iteration of the Business Continuity Plan since the vesting of the College. It was noted that the committee had previewed the systems resilience in the presentation made earlier in the meeting by Brad Johnstone. Further work would be undertaken on the draft designed to make it more “user friendly” in its presentation. M Breen added that the draft plan represents a risk based assessment based on the College’s Corporate Risk Register.

In response to a question, M Breen confirmed that the ownership of the Plan rested with him as detailed within the documentation, but that ownership was shared across EMT and SMT.

The Committee approved the draft Business Continuity Plan (V2), noting that further work would be undertaken on its presentation.

13 External Audit Report – Audit Strategy Review & Plan for 12 months ending July 2017 (Paper 8)

Lucy Nutley introduced herself to the Committee as the representative for the new external auditors and provided a brief introduction to Mazars . L Nutley then took the committee through the proposed audit strategy and plan for the 12 months ending 31 July 2017.

A Gordon commented to the Committee on the technical work being undertaken around bringing the new £50m Kilmarnock Campus onto the balance sheet, while at the same time adjusting current balance sheet values for the former campuses

L Nutley noted that going forward national bargaining agreements and their impact would have to be considered in relation to College budget and accounts

The Committee welcomed Lucy Nutley and approved the Audit Strategy Memorandum for the 12 months ending July 31 2017.

14 2016-17 Internal Audit Rolling Action Plan at May 2017 (Paper 9)

A Gordon took the Committee through the paper as written.

A Gordon confirmed that the sector was still awaiting the updated Financial Memorandum from the SFC in order to complete the update of the Finance Procedures Manual.

The Committee noted the above report.

15 Corporate Risk Register (V4) at May 2017 (Paper 10)

A Gordon introduced Corporate Risk Register V4 and reminded the committee that the extracts had all been considered by their host committee.

The Committee noted Paper 10 and discussed the implications of equality legislation and where it could best be located within the Risk Register. The Committee considered that it might be located under HRW3, but equally there was an argument for it being located within the Board Risks in order that it be recognised as an institutionally embedded risk.

The committee approved the Corporate Risk Register 2016/17 V4. In addition, the committee asked that further consideration be given to the most appropriate location within the Risk Register of equalities legislation.

The committee also asked that the Board of Management give consideration to the continuing relevance of Risk BOM4

16 National Fraud Initiative (NFI) 2016 (Verbal)

A Gordon verbally reported on the College's engagement with NFI. No issues of significance had been identified and the external auditors would report accordingly to Audit Scotland.

Date of Next Meeting: Date of Next Meeting – Tuesday 19th September 2017 at Kilmarnock Campus.

Introduction

The Audit Committee is identified as a Committee of the Ayrshire College Board of Management. The approved Terms of Reference and information on the composition and frequency of the Committee will be considered as an integral part of the College Standing Orders.

The Committee will be known as the Audit Committee of the Board and will be a Standing Committee of the Board of Management. For the purposes of the Terms of Reference, unless otherwise indicated, 'the Board' means the Ayrshire College Board of Management.

Remit

The Committee will be responsible for overseeing all matters related to the external and internal audit of the College and provide assurance to the Board that the College's audit requirements are discharged along with all other relevant regulations and legislation. The Committee will have a particular engagement with internal and external auditors.

Committee Membership

The Committee membership shall consist of a minimum of four non-executive Board members who shall be independent and objective and, in line with good practice, should not include either the Principal or the Chair of the Board. At least one member of the Audit Committee must have recent relevant financial or audit experience.

The Committee Chair will be appointed by the Board.

Committee membership will be reviewed annually by the Board, taking account of the remaining terms of office of the Committee members.

Quorum

50% of the total membership of the Committee will constitute a quorum.

Attendance

The Committee may co-opt additional advisors as required. Details of proposed co-opted advisors will be notified to the Chair of the Board in advance. The role, remit and term of membership of co-opted advisors will be determined by the Committee.

External and Internal Auditors shall normally attend meetings and will be invited to all meetings.

Members of the EMT and, where appropriate, other staff should attend meetings of the Committee to provide information and reports as appropriate.

Meetings

The Committee shall normally meet on a quarterly basis, but shall meet on a minimum of three occasions per annum.

Any member of the Committee may convene additional meetings of the Committee as and when required by giving a minimum of ten working days' notice to the Secretary to the Board of Management to call a meeting.

The Committee Chair will instruct the Secretary to the Board of Management to call meetings of the Committee. The agenda and supporting papers will be sent to members at least five working days before the day of the meeting.

The Committee may meet privately without any non-members (with the exception of the secretary) for all or part of a meeting if they so decide.

Duties

- To agree Strategies within the Committee's overall remit subject to Board of Management Approval.
- Reviewing and advising the Board of Management on the effectiveness of the College's financial and other internal control Systems.
- Reviewing and advising the Board of Management on corporate governance requirements.
- Appointing the College's Internal Auditors and agreeing on the terms of reference for an audit service.
- Reviewing the scope and effectiveness of the work of the internal and external auditor using appropriate performance indicators.
- Considering issues raised in audit reports, annual management letter and reporting to the Board of Management on action required.
- Considering the College's annual financial statements and external auditor's report prior to submission to the Board of Management by the Finance Committee. Recommending to the Board the adoption of the audited Annual Accounts.
- Agreeing an internal and external audit plan.
- Advising the Board of Management on internal and external value for money reviews which secure the effective use of College resources.

- Preparing an Annual Report to the Board of Management on the work of the Audit Committee which will then be submitted to the Scottish Funding Council.
- Reviewing reported cases of impropriety to establish whether they have been appropriately handled.
- Agreeing the fees of Internal and External Auditors.
- Ensuring the system of risk management established by Ayrshire College remains fit for purpose and is being appropriately maintained.
- At each meeting receive and consider the Ayrshire College Risk Register and comment accordingly to the Board of Management.

Authority

The Committee is authorised to investigate any matters which fall within its Terms of Reference.

The Committee is authorised to seek and obtain any information it requires from any Senior Manager or Employee of the College, its Advisors or Member of the Board of Management whilst taking account of policy and legal rights and responsibilities.

Reporting Arrangements

Minutes will be kept of the proceedings of the Committee by the Board Secretary. These will be circulated, in draft form normally within ten working days to the Chair of the Committee and the Executive Management Team representative for checking. It is expected that minutes will be checked timeously and any amendments advised to the Secretary to the Board of Management.

The Secretary to the Board of Management will prepare a “Staff Briefing Note” of the Committee proceedings, which will be posted on Staff Notice Boards throughout the College and also on the College intranet as part of the College communication system.

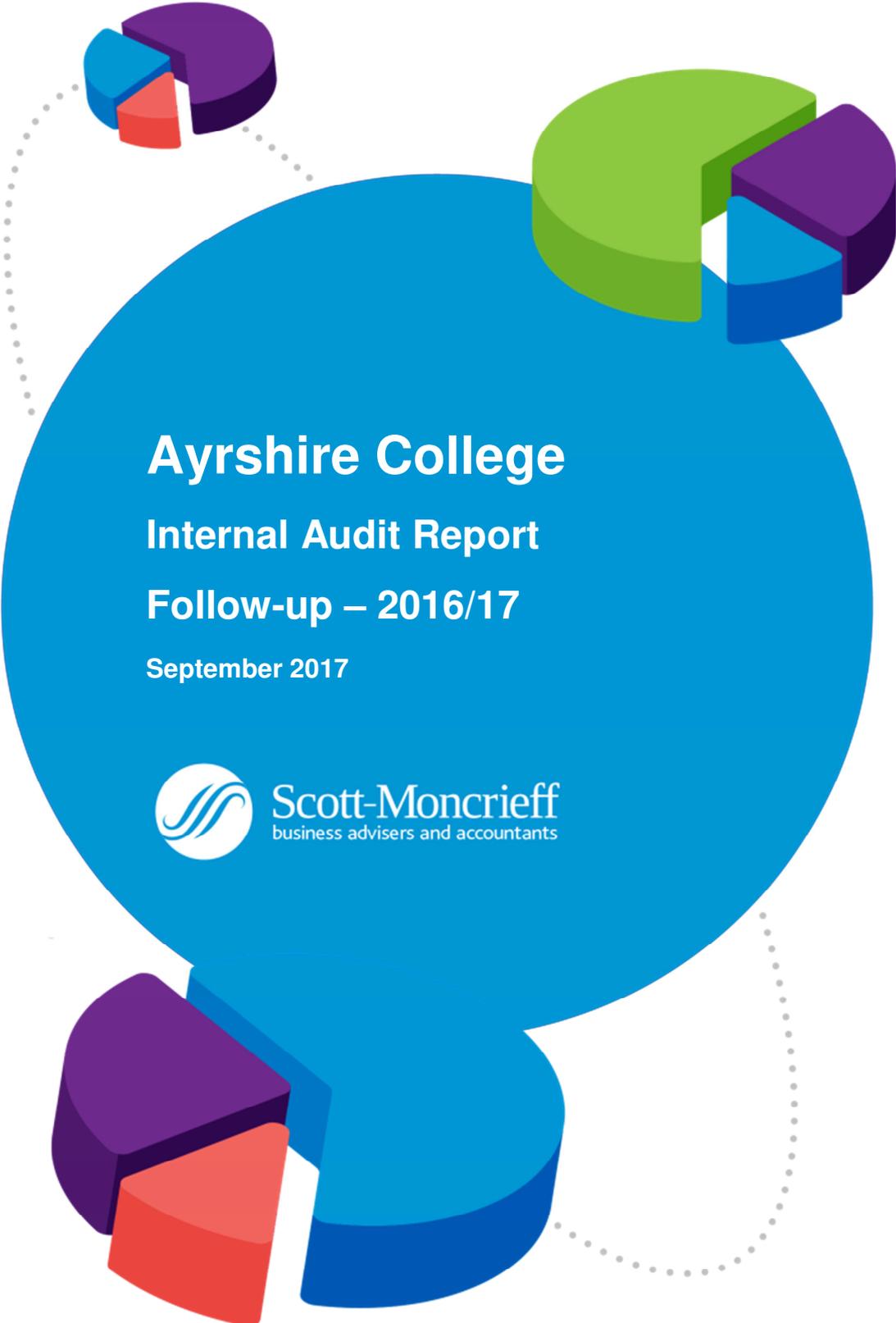
The Chair of the Committee shall report on the work and recommendations of the Committee and submit approved Committee minutes to the Board meeting for information.

Publication

This paper will be published on the College website.

Audit Committee work plan 2017-18

September	December	March	June
Internal Audit Reports	Internal Audit Reports	Internal Audit Reports	Internal Audit Reports
Risk Register 2017-18	Risk Register 2017-18	Risk Register 2017-18	Risk Register 2017-18
Internal Audit Rolling Action Plan	Internal Audit Rolling Action Plan	Internal Audit Rolling Action Plan	Internal Audit Rolling Action Plan
	AY 2016-17 Student Support Funding and EMA Audit Report		External Audit Reports
	AY 2016-17 Credit data Return		
	Board of Management Report and Financial Statements 2016-17		
	2016-17 External Audit Reports: Annual report to the BOM and Auditor General Letter of Representation		
	2016-17 Audit Committee Report		



Ayrshire College

Internal Audit Report

Follow-up – 2016/17

September 2017



Scott-Moncrieff
business advisers and accountants

Ayrshire College

Internal Audit Report

Follow-up – 2016/17

Introduction	1
Summary of progress	2
Appendix 1 – Recommendation status by report	4

Introduction

Introduction

In accordance with the 2016/17 internal audit plan, we have carried out a follow up review at Ayrshire College to provide Executive Management and the Audit Committee with assurance that internal audit actions agreed during the current and previous financial year(s) have been implemented satisfactorily.

This report summarises the progress made by the College's management in implementing the agreed actions.

Scope

We have followed up the outstanding management actions from previous financial years as well as those from 2016/17 internal audit reports finalised prior to the time of our follow-up work.

For recommendations deemed complete by management, we discussed the agreed actions with the appropriate members of staff and obtained evidence to confirm progress. For recommendations that were still incomplete and now past their original due date, we agreed revised completion dates with the action owners.

Conclusion

Ayrshire College has made good progress in implementing the agreed actions from previous internal audit reviews, with only 6 outstanding actions that have passed their due date, none of which are classed as high risk. 15 actions are outstanding in total, from 30 that were followed up.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

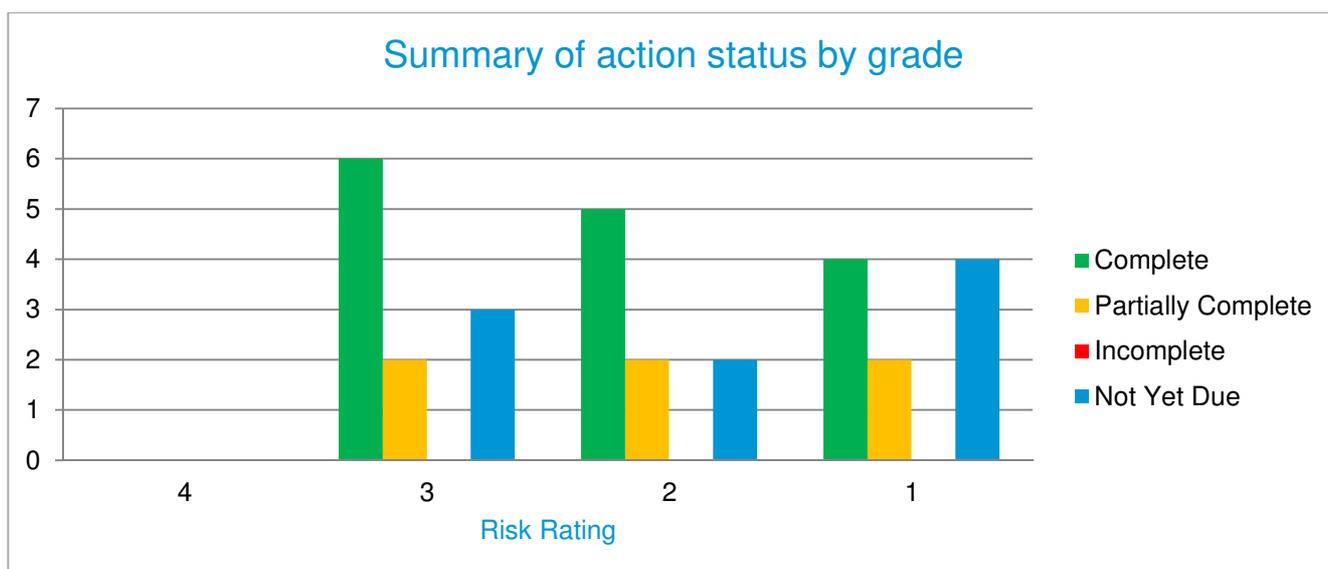
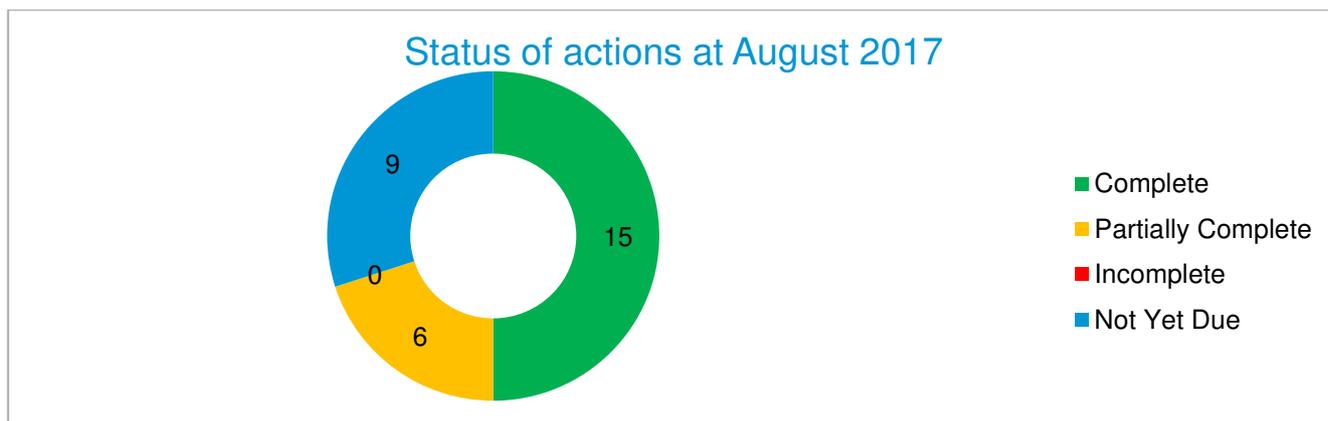
Summary of progress

The table below shows the movement in the Ayrshire College audit actions tracker since our last follow up:

	Number of Actions
Open actions brought forward from August 2016	16
New actions added to tracker	14
Total actions to follow up	30
Actions validated as closed /not applicable	15
Open actions carried forward	15

We reviewed management's progress in implementing the 30 actions and we obtained sufficient evidence to close 15. Of the 15 outstanding actions, six (40%) are partially complete and nine (60%) are not yet due for completion against their target timescale.

The charts below set out our assessment of the status of the 15 actions included in the audit actions tracker:



High risk actions

There are no outstanding high risk actions following this review.

Appendix 1 – Recommendation status by report

Report title	C	PC	I	NLA	NYD	Total
Risk management	-	1	-	-	-	1
2013/14 Sub-total	-	1	-	-	-	1
Asset management	-	1	-	-	-	1
Education contracts	1	-	-	-	-	1
2014/15 Sub-total	1	1	-	-	-	2
Extended learning support	5	-	-	-	-	5
Health and safety	3	3	-	-	-	6
Key financial systems	-	1	-	-	-	1
2015/16 Sub-total	8	4	-	-	-	12
Budget setting	2	-	-	-	1	3
Corporate governance	2	-	-	-	3	5
Student voice	2	-	-	-	5	7
2016/17 Sub-total	6	-	-	-	9	15
TOTAL	15	6	-	-	9	30

Key:

C - Completed	PC - Partially Complete	I - Incomplete	NLA - No Longer Applicable	NYD - Not Yet Due
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Audit Committee Meeting**19 September 2017****Subject:** Rolling Internal Audit Action Plan at September 2017**Purpose:** To provide an update on the Rolling Internal Audit Action Plan at September 2017**Recommendation:** The Audit Committee note the contents of this report.**1. Background**

The Rolling Internal Audit Action Plan was last presented to the Audit Committee at their meeting on 15 June 2017. The Plan has since been updated on an exceptions basis for actions which are now beyond their agreed completion dates.

2. Current Situation**2013-14 to 2016-17**

Table 1 below lists all remaining points from the internal audits from 2013-14 to 2016-17. *This table is consistent with Paper 3.*

Table 1

Ref	Audit Year	Audit Area	Points Raised	Actioned in Period	Remaining Points
1	2013-14	Risk Management	1	-	1
2	2014-15	Asset Management	1	-	1
3	2015-16	Key Financial Systems	1	-	1
4	2015-16	Health & Safety	3	-	3
Total			6	0	6

1. Risk Management

The action relates to the alignment of operational Risk Registers to the overall corporate Risk Register. This action will be rolled out in full at operational level for AY 2017-18. The feedback on the new approach from Committee members has been positive and as such we are now able to start preparatory work with pilot teams from September 2017 onwards.

2. Asset Management

The item above relates to the development of a long term capital plan. A draft plan has now been developed which will be aligned to the emerging Outcome Agreement for 2017-20. This will be carried out during AY 2017-18.

3. Key Financial Systems

The point relates to updating the finance procedures manual. The Finance team is currently updating elements of the procedures manual and this will be finalised once the College receives the updated financial memorandum from SFC which

will allow the College to update its overall financial regulations. This is expected to be completed in the period to December 2017.

4. Health & Safety

Three points remain in the area in respect of Health & Safety Audit Evidence, Audit Action Plan and Audit Action Reporting. All action areas concern the local audit process carried out by the HSW team. The process and procedure have been updated in relation to the recommendations. Local audits are now underway but are not yet at a stage where we can demonstrate completion of the audit recommendations.

3. Proposals

No further proposals are contained in this report.

4. Consultation

No formal consultation is required to be completed given the subject matter of this report.

5. Resource Implications

There are no resource implications to be noted in this paper.

6. Risks

An effective and challenging Internal Audit service is a key element in the management of risk within the College.

7. Equality Impact Assessment

An impact assessment is not applicable to this paper given the subject matter.

8. Conclusion

The Audit Committee note the contents of this report.

Michael Breen
Vice Principal, Finance and Skills
11 September 2017



Ayrshire College

Internal Audit Progress Report

September 2017



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Ayrshire College

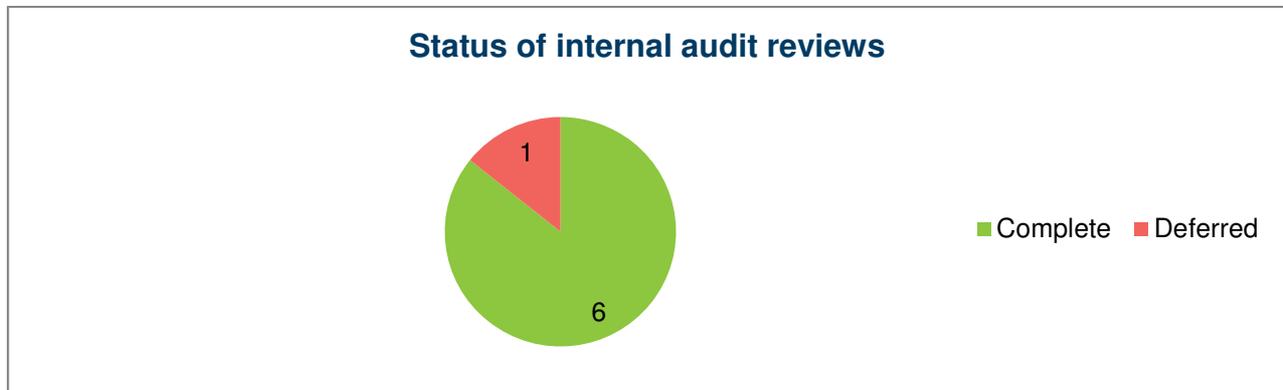
Internal Audit Progress Report

Summary of Progress	1
Appendix 1 – Progress against 2017/18 internal audit plan	2

Summary of Progress

This paper provides the Audit Committee with a summary of internal audit activity since its last meeting and confirms the reviews planned for the coming quarter, identifying any changes to the original annual plan.

Progress against annual audit plan



We have completed one audit in the period to September 2017 – Follow Up – and have now completed all audits in the 2016/17 plan. In addition, fieldwork is in progress for our annual audits of Student Support Funding and Credits. Reports for both audits will be presented to the November 2017 Audit Committee.

Appendix 1 sets out the status of the 2017/18 internal audit programme.

Plan for next quarter

We will present the following reports to the November 2017 audit committee:

- Annual Report 2016/17
- Student Support Funds
- Credits
- Business Continuity Planning

Action for Audit Committee

The Audit Committee is asked to note the contents of this report and to approve the plan for the next quarter. We also invite any comments on the format or content of this report. Contact details are as follows:

Chris Brown, Audit Partner	chris.brown@scott-moncrieff.com	0131 473 3500
Elizabeth Young, Senior Manager	elizabeth.young@scott-moncrieff.com	0141 567 4500

Appendix 1 – Progress against 2017/18 internal audit plan

Ref and Name of report	Audit Sponsor	Status	Quarter	Planned Audit C'ttee	Actual Audit C'ttee
A2. Risk management	Board Secretary	Planning	Q2	Mar 18	
B1. Key Financial Systems	Director - Finance and Student Funding	Planning	Q2	Mar 18	
B2. SFC Financial Returns – Resources and Cash Drawdowns	Director - Finance and Student Funding	Planning	Q3	Jun 18	
C1. Student Experience (Student Services)	Vice Principals	Planning	Q3	Jun 18	
D2. Estates Strategy	Vice Principal- College Estate & Facilities	Planning	Q3	Jun 18	
D3. Business Continuity Plan	Director – ICT and MIS	Planning	Q1	Dec 17	
E1. Student Support Funds	Director - Finance and Student Funding	Fieldwork complete	Q1	Dec 17	
E2. Student Sums	Director - Finance and Student Funding	Planned	Q1	Dec 17	
F1. Follow up	N/A	N/A	Q4	Sept 18	

Key:	
Complete	Audit work complete and report has been agreed and finalised
Draft Report	A draft report has been issued
Fieldwork complete	The audit work is complete but the draft report has not yet been issued.
Fieldwork in progress	The audit work is in progress.

Planned	The scope and timing have been agreed with management
Planning	The scope of the audit has yet to be agreed with management

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Audit Progress Report



September 2017



Contents

- Audit progress..... 3
- National publications and other updates..... 4
- Appendix 1 – Position statement of 2016-17 audit 7
- Appendix 2 – Example independent auditor’s report 8
- Contact details 12

Audit progress

Purpose of this report

The purpose of this paper is to provide the Audit Committee (the Committee) with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website (www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

Progress on the audit

Since the Committee last met, we have:

- Documented key controls and processes on material transaction streams in the accounts and performed walkthrough testing in line with our audit strategy;
- Attended an FE sector update meeting with Audit Scotland;
- Discussed accounting treatments for the recognition of the NPD campus at Kilmarnock;
- Reviewed processes in place at the college for the National Fraud Initiative and submitted a return to Audit Scotland;
- Developed and issued a draft Accounts final visit project plan setting out the key dates when we plan to undertake our work; and
- Continued to update our risk assessment for our Wider Scope work conclusion, including review of agendas and minutes for relevant meetings and consideration of reports by external regulators.

Our audit work is on track, and we have no matters to raise with the Committee at this stage of our audit. There are no changes to the risks previously reported in our Audit Strategy Memorandum. Appendix 1 provides a summary of progress for our 2016-17 audit.

The final audit fieldwork is due to begin on 23 October 2017. We will report to the Business Resources and Infrastructure committee on the 22 November and the Audit Committee on 7 December 2017.

National publications and other updates

National publications and other updates	
1	Brockenhurst College - Court of Justice of the European Union (CJEU) decision, May 2017
2	Scotland's Colleges 2017, Audit Scotland, June 2017
3	Accounts direction for Scotland's colleges 2016-17, Scottish Funding Council, June 2017
4	2017/6(FE) Technical Guidance Note – Audit of annual report and accounts, Audit Scotland, August 2017
5	2017/7(FE) Technical Guidance Note – Independent auditor's reports, Audit Scotland, August 2017

1. **Brockenhurst College - Court of Justice of the European Union (CJEU) decision, May 2017**

Brockenhurst College submitted a claim to HMRC for overpaid VAT in the UK on:

- Catering services; and
- Entertainment services.

The College believed that those supplies should have been treated as exempt on the basis that the supplies were closely related to the principal supply of education, which is exempt. Students enrolled in performing arts and catering and hospitality courses, as part of their course of study, run a restaurant and stage performances which persons not enrolled on the course pay for and attend. Attendees are a limited public including parents, siblings etc, and are supplied at a reduced cost as part of the practical element of the student's education.

The CJEU ruled that services that are closely related and/or ancillary to the principal supply of education can include services made to a third party, provided it was for the purpose of fulfilling the education of the student and did not generate additional financial resources.

There may be a potential to make a claim for overpaid output tax, where similar supplies are being made – although the amounts are unlikely to be a windfall. Where such services are open to a wider general public, generate additional income, or would be likely to be in direct competition with more commercial operations, colleges are unlikely to be able to make a claim on this basis.

Our indirect tax specialists, including Chris Scott who is based in our Glasgow office, would be happy to discuss any of these matters further:

<http://www.mazars.co.uk/Home/Our-Services/Tax/Indirect-tax>
chris.scott@mazars.co.uk

2. Scotland's Colleges 2017, Audit Scotland, June 2017

Audit Scotland's annual review of the college sector found improved attainment, but highlighted that colleges face future financial challenges and potential difficulties from a declining student population.

Reviewing college performance, Audit Scotland found that whilst the sector had delivered less activity in the academic year 2015-16 compared to the prior year it had exceeded the national target for learning (credits). Student numbers decreased slightly in the academic year 2015-16, primarily in the 16-24 age group. However, Audit Scotland also found an improved student attainment level with 65% of students completing their course in the 2015-16 academic year.

While financial health is relatively stable across the sector, it has deteriorated in the year under review with an overall underlying deficit at 31 July 2016 of £8 million, in comparison to a total underlying deficit of £1 million at 31 July 2015. Staff costs, which are the highest area of expenditure have increased as a percentage of total spending. This trend is set to continue as Colleges Scotland estimate the total cost to the sector of National Bargaining is likely to be £112.7 million over the academic years to 2019/20.

Recommendations were made in the report for the Scottish Government, the Scottish Funding Council and for colleges. Audit Scotland recommended that colleges should:

- prepare longer-term financial plans, in order to support financial decision-making that takes account of both immediate and future cost pressures; and
- calculate the cost of harmonising staff pay, terms and conditions and include these in their financial plans.

<http://audit-scotland.gov.uk/report/scotlands-colleges-2017>

3. Accounts direction for Scotland's colleges 2016-17, Scottish Funding Council, June 2017

On 30 June 2017, the Scottish Funding Council issued its accounts direction for Scotland's colleges for the 2016-17 year, along with supporting guidance. There have been no significant changes to the direction from 2015-16. Changes include:

- Requirement to include a statement at the foot of the SoCI and a note to the accounts explaining the impact of the non-cash budget given for depreciation; and
- Requirement for the Performance Report to include a breakdown of the cash budget allocation previously earmarked for depreciation. This is now to be called 'cash budget for priorities' and was previously referred to as net depreciation cash.

<http://www.sfc.ac.uk/communications/Guidance/2017/SFCGD102017.aspx>

4. 2017/6(FE) Technical Guidance Note – Audit of annual report and accounts, Audit Scotland, August 2017

Audit Scotland has produced annual technical guidance for auditors of FE colleges, covering the following areas:

- Financial reporting framework, key auditing standards and presentation of financial statements;
- Tangible fixed assets;
- Provisions, creditors and accruals;
- Retirement benefits;
- Regularity of income and expenditure; and
- Non-financial statements – performance report, governance statement, remuneration and staff report.

5. 2017/7(FE) Technical Guidance Note – Independent auditor’s reports, Audit Scotland, August 2017

Following changes to International Standards on Auditing, in June 2016, Audit Scotland have issued model independent auditor’s reports for the 2016-17 audits of FE colleges.

An example audit report has been provided in Appendix 2 to this report.

<http://audit-scotland.gov.uk/our-work/technical-guidance>

Appendix 1 – Position statement of 2016-17 audit

Planned output	Expected completion date	Final report presented to Audit Committee	Comments
Audit Committee Progress Report and Briefing	N/A	N/A	
2016-17 Audit Strategy Memorandum	By 30 June 2017	15 June 2017	
2016/17 Audit Completion Report, incorporating: <ul style="list-style-type: none"> • Opinion on the financial statements. • Conclusion on Wider Scope work 	By 31 December 2017		

Appendix 2 – Example independent auditor’s report

Independent auditor’s report to the members of the Board of Management of Example College, the Auditor General for Scotland and the Scottish Parliament

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Example College for the year ended 31 July 2017 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2017 and of its surplus/deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK), our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the college and its environment obtained in the course of the audit, we have not identified material misstatements in the Performance Report or Governance Statement.

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

A Auditor,
For and on behalf of Mazars LLP

Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD

31 December 2017

A Auditor is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

Contact details

Please let us know if you would like further information on any items in this report.

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