

Audit & Assurance Committee

Date of Meeting	3 June 2025
Paper No.	AAC4-E
Agenda Item	5.4
Subject of Paper	External Audit Annual Plan 2024-25
FOISA Status	Disclosable
Primary Contact	Marie McFadden/Mark Laird Audit Scotland
Date of production	20 May 2025
Action	For Discussion

1. Recommendations

1.1 Audit and Assurance Committee are asked to discuss the attached Audit Plan 2024-25.

2.Consultation

2.1 During the preparation of the attached report, Audit Scotland consulted with City of Glasgow College clients, Andrew Dickson - Chief Financial Officer, Laura Shields - Financial Controller and Alex Stewart - Head of Finance

3. Key Insights

3.1 The purpose of this paper is to advise committee on the external audit workplan for 2024/25.

4. Impact and Implications

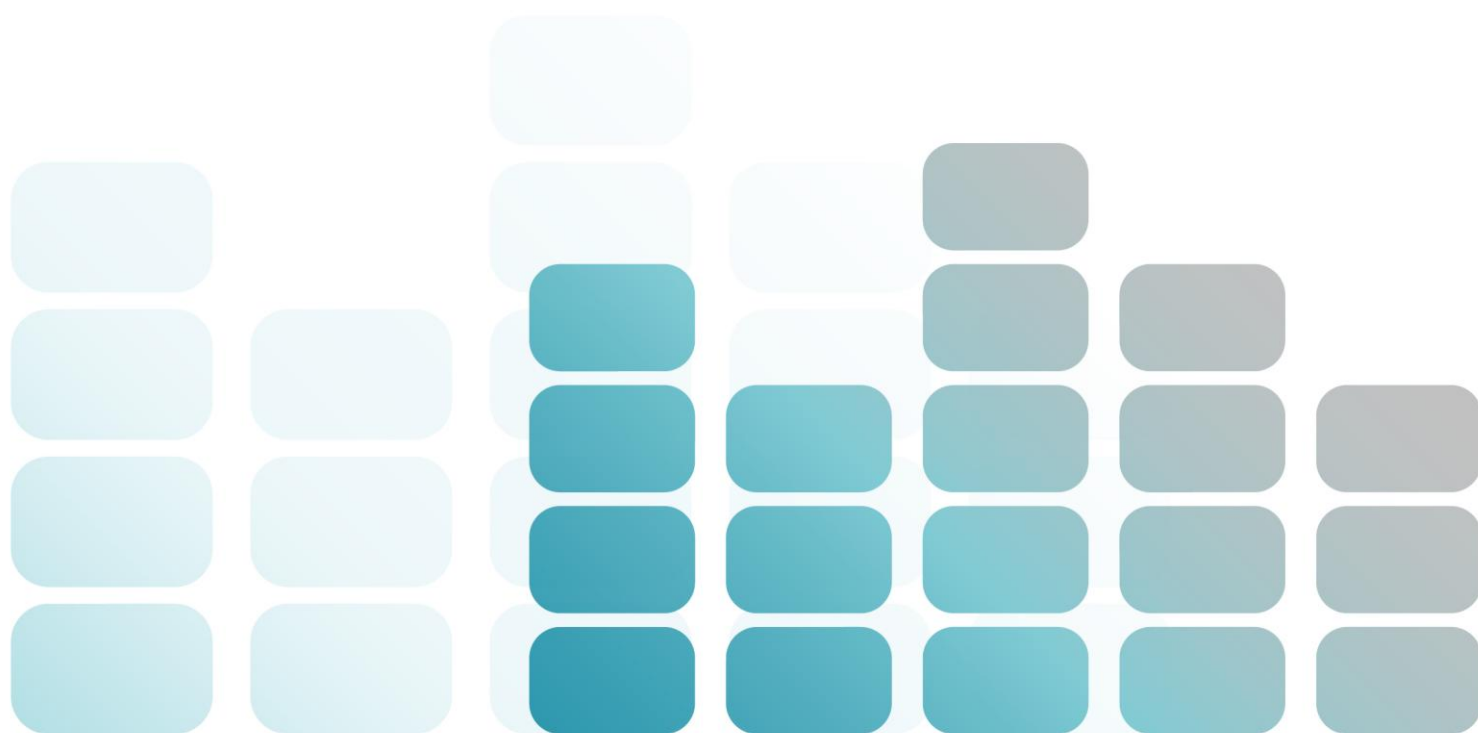
The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of the City of Glasgow College (the college) annual report and accounts.

Without a structured audit plan, this can result in non-compliance, lack of Stakeholder confidence and miss out on opportunities to enhance its operations and financial health.

Appendix 1 – External Audit Plan 2024-25

City of Glasgow College

Annual Audit Plan 2024/25



Prepared for City of Glasgow College
June 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of the City of Glasgow College (the college) annual report and accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

Mark Laird, of Audit Scotland, has been appointed by the Auditor General for Scotland as external auditor of the college for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

Mark Laird and the audit team are independent of the college 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. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the college to communicate.

Audit scope and responsibilities

Scope of the audit

The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- 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 opinion on statutory other information published with the financial statements in the annual report and accounts, including the Performance Report, the Governance Statement, and the audited part of the Remuneration and Staff Report
- conclusions on the college's arrangements in relation to the wider scope areas: financial management, financial sustainability, vision, leadership, and governance, and use of resources to improve outcomes
- reporting on the college's arrangements for securing Best Value
- provision of an Annual Audit Report setting out significant matters identified from the audit of the annual report and accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

The Code of Audit Practice sets out the respective responsibilities of the auditor and the college. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on the college's arrangements in place for the wider scope areas.

Board of Management responsibilities

Management have primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and

establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- establishing arrangements to ensure the proper conduct of its affairs
- preparation of an annual report and accounts, comprising financial statements and other information that gives a true and fair view
- establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption
- implementing arrangements to ensure its financial position is soundly based
- making arrangements to secure Best Value
- establishing an internal audit function.

Audit of the annual report and accounts

Introduction

The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

The materiality levels determined for the audit of the college are outlined in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for City of Glasgow College

Materiality	Amount
Planning materiality – based on an assessment of the needs of users of the financial statements and the nature of the college's operations, the benchmark used to determine materiality is gross expenditure based on the audited 2023/24 financial statements. Materiality has been set at 2% of the benchmark.	£1.9 million

Materiality	Amount
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 65% of planning materiality.	£1.2 million
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£95,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

The risk assessment process draws on the audit team's cumulative knowledge of the college, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

Risk assessment is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the college and those charged with governance, where relevant.

Exhibit 2**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response
<p>Fraud caused by management override of controls</p> <p>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>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate 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. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.
<p>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>The audit team will:</p> <ul style="list-style-type: none"> • Review the information provided by the college to the external valuer to assess for completeness. • Review detailed working papers to support asset reviews and impairments. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of the valuation process and management's involvement in this to assess if appropriate oversight has occurred. • Critically assess the approach the college 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.

Risk of material misstatement	Planned audit response
<p>Estimation in the valuation of pension asset / liability</p> <p>The actuarial valuation depends on a range of financial and demographic estimations about the future. The subjectivity around these estimates gives rise to a significant risk of material misstatement.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Consider the accuracy and completeness of information provided to the actuary. • Evaluate the professional competence of the actuary. • Consider the appropriateness of assumptions used by the actuary. • Consider the reasonableness of actuarial estimates on material elements of the valuation.

Source: Audit Scotland

Key audit matters

The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

In determining key audit matters, auditors consider:

- areas of higher or significant risk of material misstatement
- areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty
- significant events or transactions that occurred during the year.

The matters determined to be key audit matters will be communicated in the Annual Audit Report. Exhibit 2 outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Wider scope and Best Value

Introduction

Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual report and accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **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** – the college sector in Scotland faces significant financial uncertainty. We will look ahead to consider whether the college is planning effectively to continue to deliver services and 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 the college. 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.

A conclusion on the effectiveness and appropriateness of arrangements the college has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Duty of Best Value

The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

Consideration of the arrangements the college has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion on the arrangements the college has in place will be reported in the Annual Audit Report.

Auditors may also carry out specific audit work covering the seven Best Value characteristics set out in the SPFM. The risk assessment process did not identify a need to carry out specific audit work on any of the characteristics. However, auditors are required to carry out a review of the 'fairness and equality' characteristic at least once during the audit appointment, and this will be carried out during the 2024/25 audit.

Reporting arrangements, timetable and audit fee

Audit outputs

The outputs from the 2024/25 audit include:

- this Annual Audit Plan
- an Independent Auditor's Report to the college, the Auditor General for Scotland, and the Scottish Parliament setting out opinions on the annual report and accounts
- an Annual Audit Report to the college and the Auditor General for Scotland setting out significant matters identified from the audit of the annual report and accounts, conclusions from the wider scope and Best Value audit, and recommendations, where required.

The matters to be reported in the outputs will be discussed with the college for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual report and accounts.

Target dates for the audit outputs are set by the Auditor General for Scotland. In setting the target dates for the audit outputs, consideration is given to the target date for approving the annual report and accounts, which is 31 December 2025 for colleges.

The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 31 December 2025.

Audit timetable

Achieving the timetable for production of the annual report and accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 3](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with the college and reported to those charged with governance, where required.

Exhibit 3**2024/25 audit timetable**

Audit activity	Target date
Issue of Annual Audit Plan	3 June 2025
Annual report and accounts:	
Submission of unaudited annual report and accounts and all working papers to audit team	by 6 October 2025
Latest date for final clearance meeting with the Chief Financial Officer	TBC
Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report	TBC
Issue of Annual Audit Report to those charged with governance	
Signed Independent Auditor's Report	TBC

Source: Audit Scotland

Audit fee

The college's audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2024/25 audit is £68,430 (2023/24: £67,140).

In setting the audit fee, it is assumed that the college has effective governance arrangements in place and the complete annual report and accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Other matters

Internal audit

The college is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. A review of internal audit's 2024/25 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team concluded it will not rely on internal audit's work. However, the audit team will review internal audit's reports and assess if there is any impact on the audit.

Audit quality

Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 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. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

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

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 monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

Audit Scotland may periodically seek the views of the College on the quality of audit services provided. The audit team would also welcome feedback at any time.

City of Glasgow College

Annual Audit Plan 2024/25



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