GLASGOW CLYDE
COLLEGE

AUDIT COMMITTEE

Wednesday 30 September 2020 at 4pm

AUDIT COMMITTEE

Meeting of the Twenty Sixth Audit Committee to be held on Wednesday 30 September 2020 at 4pm by Zoom due to Covid-19 restrictions.

A G E N D A

20.28	Welcome and Apologies		D Watt
20.29	Declarations of Interests		D Watt

Minutes of Previous Meeting

20.30	Minute of the Audit Committee meeting of 27 May 2020	P	D Watt
20.31	Matters Arising – Action Grid	P	D Watt
20.32	Schedule of Work	P	D Watt

Items for Discussion/Decision

20.33	Audit Scotland- Guide for Audit and Risk Committees	P	Audit Scotland

20.34	Internal Audit Reports
	   - Equalities
	   - Follow Up Reviews
		P	Henderson Loggie

20.35	Internal Audit 2019/20 Plan Progress and Plan for 2020/21	P	Henderson Loggie
20.36	College Assurance Framework Interim Update	P	J Thomson
20.37	College Strategic Risk Register	P	J Thomson
20.38	Fraud Response Plan	P	J Thomson
20.39	Approval of Accounting Policies (including Audit Scotland Guidance on Going Concern)	P	T Elliott

Items for Information/Noting

20.40	Internal and External Audit Rolling Action Plan	P	T Elliott
20.41	Audit Scotland Briefing Notes	P	J Thomson

Continual Improvement

20.42	Equalities Impact Assessment on Decisions Made		D Watt
20.43	Review of Papers (including Disclosable status)		D Watt
20.44	Any Other Business		D Watt

Date of next meeting: 18 November at 4.30pm, The Boardroom, Langside Campus

Glasgow Clyde College Audit Committee Schedule of Work 2020/21

Four meetings in each annual academic session

30 September 2020
For Discussion / Decision
Audit Committee Schedule of Work
Internal Audit Reports as per Plan
Internal Audit 2019/20 Plan Progress and Plan for 2020/21
College Assurance Framework Update
College Strategic Risk Register
Fraud Response Plan
Approval of Accounting Policies
For Information/ Noting
Internal & External Audit Rolling Action Plan
Audit Scotland Report : Scotland's Colleges 2020 (as available)
Updates from SFC (if available)
18 November 2020
For Discussion / Decision
Audit Committee Schedule of Work
Report on Going Concern
Draft Annual Financial Statements for year ending 31 July 2020
External Audit Annual Report for year ending 31 July 2020
Final Internal Audit Annual Report 2019/20
College Assurance Framework Update
Draft Annual Report from Audit Committee to Board of Management
Student Activity Data Audit Annual Report 2019/20
Student Support Funds Audit Annual Report 2019/20
For Information/ Noting
Internal and External Audit Rolling Action Plan
Strathclyde Pension Fund Actuarial Valuation Report – Accounting Assumptions
National Fraud Initiative 2019/20 Exercise
College Strategic Risk Register
Private meeting with internal and external auditors
Updates from SFC (if available)
3rd March 2021
For Discussion/ Decision
Audit Committee Schedule of Work
Internal Audit Reports as per Plan
Internal Audit 2020/21 Plan Progress
College Strategic Risk Register
For Information/Noting
Internal & External Audit Rolling Action Plan

Updates from SFC (if available)
26th May 2021
For Discussion/Decision
Audit Committee Schedule of Work
Internal Audit Reports – as per Plan
Internal Audit Plan 2020/21 Plan Progress and Plan for 2021/22
External Audit Planning Memorandum for 2020/21
Certificate of Assurance
College Strategic Risk Register
College Assurance Framework
Approval of Accounting Policies
For Information/Noting
Internal & External Audit Rolling Action Plan
Updates from SFC (if available)

AUDIT COMMITTEE MEETING

Date of Meeting	30 September 2020
Paper Title	Audit Scotland: COVID 19 Guide for Audit and Risk Committees
Agenda Item	20.33
Paper Number	20.33A
Responsible Officer	Audit Scotland
Status	Disclosable
Action	For Discussion

1   **REPORT PURPOSE**

The purpose of this paper is to submit to the Committee, for discussion, the COVID 19 : Guide for Audit and Risk Committees as recently published by Audit Scotland.

2   **RECOMMENDATION**

2.1   Members of the Audit Committee are invited to discuss the attached Guide for Committees.

3   **BACKGROUND**

3.1   The COVID 19 : Guide for Audit and Risk Committees was published by Audit Scotland was published in August. The guide focuses on the short-term challenges facing public bodies as they respond to Covid-19 and suggests questions that may help committee members better understand how their organisation is responding to and managing these challenges. These are within the document under four areas as below with a series of questions under each heading:

- internal controls and assurance
- financial management and reporting
- governance
- risk management

3.2   It is intended to discuss each of these areas in turn at the Committee meeting.

4 **RISK ANALYSIS**

4.1 There are a range of risks highlighted within the Guide and the College need to continue to update its Strategic Risk Register to pick on the various ongoing risk areas.

5 **LEGAL IMPLICATIONS/FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS**

5.1 There are no specific legal implications however there are financial implications across a range of the College's income areas and there are potentially Regional Outcome Agreement implications in relation to the College's future financial sustainability.

6 **HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT**

N/A

Covid-19

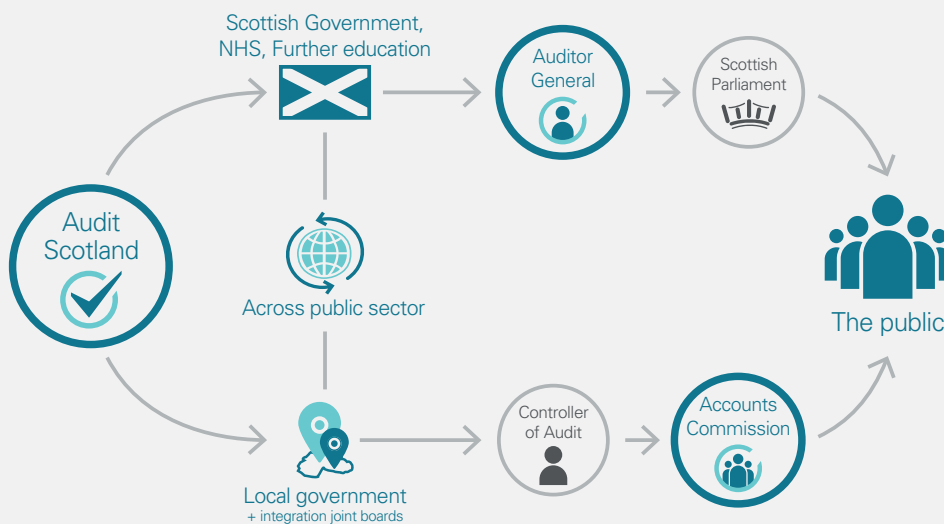# Guide for audit and risk committees

AUDIT SCOTLAND

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.

- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

Contents

Introduction

1. Covid-19 has already had a significant impact on every aspect of society in Scotland. It has affected individuals and communities, public services and the economy.

2. The response of public-sector bodies has been strong, and the pandemic has highlighted some of their key strengths, such as agility and partnership working. But Covid-19 has also exacerbated many pre-existing risks and challenges facing public bodies in areas such as financial sustainability and service demand pressures. A difficult road lies ahead as public bodies move from response to recovery and renewal.

3. Audit and risk committees have a crucial role to play in providing effective scrutiny and challenge. They help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements. As public bodies manage their business during this global pandemic, the role of audit and risk committees becomes even more important.

4. This guide for audit and risk committees draws on our recent experience of auditing public bodies during the pandemic. It also refers to key sources of guidance such as the Scottish Government's Scottish Public Finance Manual and On Board: a guide for members of statutory boards and the Chartered Institute of Public Finance and Accountancy's *Audit Committees: Practical Guidance for Local Authorities and Police*.

Key issues for consideration by audit and risk committees during the Covid-19 pandemic

5. There are a wide range of short, medium and long-term risks and issues emerging from Covid-19 for public bodies to consider. This guide focuses on the short-term challenges facing public bodies in the response phase of the pandemic. During this phase, key areas that audit and risk committees will need to focus on include:

- internal controls and assurance
- financial management and reporting
- governance
- risk management.

6. This guide provides audit and risk committee members with suggested questions to help them effectively scrutinise and challenge in these key areas. Answering the questions in this guide will help audit and risk committees better understand how their organisation is responding to the pandemic and managing both the immediate and longer-term challenges that it creates.

7. Audit and risk committees must assure themselves that they are engaged and well-informed about the changes that are occurring and affecting their organisation due to Covid-19. For example, they should be informed of changes to internal reporting arrangements, and policy and legislative changes and the impact they are likely to have on the organisation. They should also be apprised of any fraud and error risks arising from the response to Covid-19.[1]

---

[1] *Covid-19: Emerging fraud risks*, Audit Scotland, July 2020.

Internal controls and assurance

8. Public-sector staff are working under extreme pressure as a consequence of the scale and pace of change created by the pandemic and the need to respond rapidly to unfolding events. This may mean that some internal controls are suspended or relaxed. For example, the segregation of duties between colleagues for completing tasks and subsequent checks may not be possible due to unforeseen capacity issues or the lack of availability of more senior or experienced staff. Staff transfer between departments, for example, to new areas such as those responsible for distributing funding to support people and businesses most affected by Covid-19, may also leave some areas under-staffed. Furthermore, inexperienced staff may be working remotely without a full understanding of the required procedures and controls.

9. Internal audit provides independent assurance on governance arrangements, risk management and internal control processes. As the landscape changes, internal audit will have to consider its approach to audit planning and how it continues to deliver its assurance activities while balancing the workload created by new risks emerging from Covid-19.

10. As staff work remotely, there may also be potential security risks such as an increase in cyber-crime. For example, fraudsters may try to access public-sector systems by claiming to be legitimate technical support services or through phishing emails and scams.

11. Exhibit 1 proposes potential questions for audit and risk committee members to consider.

Exhibit 1
Internal controls and assurance – questions to consider

What changes to internal controls have been required due to Covid-19?
- Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls?

What new controls have been established to account for the distribution of any additional funds received?
- Have officers identified any weaknesses in new controls and if so, how are these being addressed?

To what extent has your organisation assessed the impact of working remotely on the control environment and working practices?

Has internal audit reviewed their audit plan and assessed which projects might need to be cancelled, postponed or accelerated as your organisation navigates its way through the pandemic?

How is management supporting internal audit to balance its 'routine' programme of work and that required to respond to Covid-19-related audit work?

What impact has Covid-19 had on the annual reporting and accounting process?
- Has your organisation's timetable for the annual reporting process been considered for 2019/20 and 2020/21? If so, have the timetables been revised and updated accordingly?
- Has the external auditor's annual audit plan been updated to assess and address new risks?

To what extent has your organisation considered work undertaken by other organisations (via professional networks and bodies), or where appropriate, engaged with external experts to inform decision-making around significant areas of change in response to the pandemic?

How have IT services performed during the pandemic?
- To what extent have cyber security controls been considered?

To what extent has management assessed the impact of Covid-19 on overall staff capacity?

- What areas have been identified as being under resourced and how is this being addressed?

What is your organisation doing to support its staff during the pandemic?

- To what extent have workload and working practices been adjusted to allow for the challenges that people may face when working remotely?
- What guidance, advice or signposting has your organisation put in place to support staff wellbeing?

What opportunities and risks have arisen as staff are deployed across departments?

How is your organisation capturing the learning and opportunities that arise from new ways of working?

Financial management and reporting

12. Public bodies face considerable uncertainty during the pandemic and as they plan for the future. Having robust financial management and transparent reporting arrangements in place is critical to ensuring that an organisation can manage its finances and deliver services effectively, identify issues and challenges early and act on them promptly.

13. Financial impacts of the pandemic could include a reduction in income generated from business rates and council tax non-payments as well as a reduction in fees and charges from, for example, leisure, public transport and parking. Organisations may also face increased costs such as higher staff costs to cover the delivery of services. The economic uncertainty and market volatility caused by the pandemic also make it difficult for public bodies to value, for example, property portfolios, inventories and pension schemes.

14. A number of factors will affect how well an organisation can report on and manage its financial position at a time where it is facing significant pressure and challenge. For example, there is likely to be competing pressures on finance staff, significant changes in financial processes and procedures and the introduction of financial systems in new areas, such as those for Covid-19-related government relief, assistance and stimulus packages. Exhibit 2 proposes potential questions for audit and risk committee members to consider.

Exhibit 2
Financial management and reporting – questions to consider

Is financial (and performance) information received in a timely manner, with sufficient detail, to inform the fast-paced changes that are required due to Covid-19?

How is management assessing the financial impact of Covid-19 on income and expenditure?

- What processes or procedures have been put in place to assess, for example, new demands, new expenditure streams, savings from activity foregone and lost income?

What information has been used in determining the value of assets and liabilities?

- To what extent have estimated valuations been impacted by Covid-19, for example, disruption to the revaluation of properties or market volatility impacting on investments?
- What is the likely impact of Covid-19 on pension deficits and what does this mean for your organisation?

What commitments and guarantees have been made to third parties, and how are these being monitored?

- Where relevant, how is your organisation ensuring that the impacts of the pandemic on its arm's-length external organisations (ALEOs) are being appropriately monitored?

What impact has Covid-19 had on savings plans?

- Is your organisation on track to deliver these savings and if not, what plans are your organisation putting in place to help with this?

What impact has Covid-19 had on transformational activity?

- If there has been or will be significant delays to activity or a failure to meet savings targets, what are the financial implications and how is management preparing for this?

Is there sufficient capacity within the finance team to deal with competing pressures, such as preparing annual accounts, at a time when working practices are having to be adapted due to Covid-19?

Governance

15. The pace and scale of change is unprecedented, and changes in governance arrangements are likely to have taken place. This may mean that there has been less opportunity for scrutiny and due diligence as public bodies respond rapidly to the challenges arising from Covid-19. For example, urgent procurement decisions and changes to delegated authority arrangements may have impacted on the level of scrutiny.

16. Governance and accountability arrangements around collaborative working may be increasingly complex but when done effectively, allows for better planning, design and coordination of services. Many aspects of public bodies' responses to the pandemic can only be done in partnership with others.

17. Recent changes to governance arrangements due to Covid-19 may include basic alterations such as documenting authorisation processes through to oversight of the overall running of the business. Exhibit 3 proposes potential questions for audit and risk committee members to consider.

Exhibit 3
Governance – questions to consider

What impact has Covid-19 had on governance arrangements?

- How is your organisation ensuring that effective oversight and scrutiny of key decisions is maintained as it responds rapidly to the challenges it faces during the pandemic?
- Have any significant changes been made to governance arrangements due to the pandemic, for example, suspension of committees or increased use of delegated decision-making powers?
- Where decisions are being made using delegated or emergency powers, how are these being recorded, made public and subjected to scrutiny by the relevant committee(s)?
- Have changes to processes and procedures made in response to Covid-19 been reviewed and documented appropriately to comply with overall governance arrangements?

Are governance arrangements being reviewed regularly to ensure they remain fit for purpose?

Are non-executive directors providing appropriate levels of support, scrutiny and challenge to your organisation as it responds to the current environment and new risks?

What barriers, if any, have affected your organisation's ability to continue to provide services for individuals and communities during the pandemic?

- How have these barriers been overcome?
- What was the impact on service users?

What impact has Covid-19 had on your organisation achieving its stated objectives?

- Does performance reporting highlight any changes on your organisation's ability to meet its objectives as a consequence of Covid-19?

- Has the pandemic caused new risks to achieving your organisation's objectives? If so, how are these being addressed?

What impact has Covid-19 had on collaborative working?

Risk management

18. While public bodies will have risk management processes in place, the likelihood and impact of existing risks and the emergence of new risks will need to be monitored carefully. There may also be a change in the risk appetite during the pandemic to allow for services to operate effectively and respond to issues in a timely manner. Some changes may be significant therefore officers and audit and risk committee members need to consider how sustainable these changes will be in the longer term.

19. Public bodies were already facing risks and challenges around, for example, financial sustainability, outcomes and inequalities. These risks and challenges have become greater due to Covid-19. They are also heightened further because of the uncertainty around the UK's exit from the European Union and increasing budget pressures.

20. Exhibit 4 proposes potential questions for audit and risk committee members to consider.

Exhibit 4
Risk management – questions to consider

Are there new expenditure or procurement streams, or delivery methods arising from Covid-19 that introduce new risk?
- What indicators does management have to support informed decisions on risk and is this data available in real time?
- Is your organisation's risk management strategy up-to-date to include risks associated with Covid-19?
- What risks have emerged that need to be addressed and what protocols are in place to report and analyse emerging risks as the situation evolves?
- Are risks being reported to the relevant committee?

Has your organisation's risk register been updated to reflect new risks arising from Covid-19?

Is there a need for management's risk appetite framework to be reviewed to ensure it is appropriate in this rapidly evolving environment?
- If so, when will the committee be informed of the outcome and any next steps?

How does Covid-19 impact on any financial risks already facing your organisation and how does this affect short, medium and long-term financial plans?

What impact does Covid-19 have on any scenario planning that your organisation has in place for events such as EU withdrawal and increasing budget uncertainty?

Looking ahead

21. This is the second in a series of Covid-19 guides prepared for public bodies and auditors. Our first publication, Covid-19 Emerging fraud risks, sets out a range of fraud risks that may arise due to the pandemic. By drawing on our position as external auditors across the public sector in Scotland, we have used our recent experience to develop these Covid-19 outputs. We will be issuing further guidance to public bodies to support them as they move beyond the response phase of the pandemic into recovery and renewal.

22. We invite feedback on how the role of external audit can further support public bodies as they respond to the challenges Covid-19 presents.

Further reading

- *Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19*, National Audit Office, June 2020.

- Financial scrutiny practice guide, The Chartered Institute of Public Finance and Accountancy, June 2020.

- https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/implications-audit-committees-arising-covid-19

- https://www.iia.org.uk/covid-19-hub/covid-19-guidance/

Covid-19

Guide for audit and risk committees

This report is available in PDF and RTF formats, along with a podcast summary at:
www.audit-scotland.gov.uk

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or **info@audit-scotland.gov.uk**

For the latest news, reports and updates, follow us on:

AUDIT SCOTLAND

AUDIT COMMITTEE MEETING

Date of Meeting	30 September 2020
Paper Title	Internal Audit Reports: • Equalities • Follow Up Review
Agenda Item	20.34
Paper Number	20.34A, 20.34B
Responsible Officer	Henderson Loggie, Internal Auditors
Status	Disclosable
Action	For Discussion

1 REPORT PURPOSE

The purpose of this paper is to submit to the Committee, for discussion, the following reports which have been produced by the College's Internal Auditors, Henderson Loggie.

- Equalities
- Follow Up Reviews

2 RECOMMENDATION

2.1 Members of the Audit Committee are invited to discuss the attached papers.

3 BACKGROUND

3.1 The Equalities internal audit report concludes that there is a good level of assurance in this area meaning that the system meets control objectives. There is one recommendation in the report.

3.2 The Follow Up Review 2019/20 internal audit report concludes that from the five reports covered in the review containing seventeen recommendations, thirteen have been fully implemented, one has been partially implemented, two have been considered and not implemented for the reasons given, and one is not past agreed completion date.

4 RISK ANALYSIS

4.1 There are no specific risk implications in this paper.

5   **LEGAL IMPLICATIONS/FINANCIAL IMPLICATIONS/ REGIONAL
        OUTCOME AGREEMENT IMPLICATIONS**

5.1   The College is required to have an internal audit function undertaken each
        year as part of the Financial Memorandum.

6   **HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT**

        N/A

Glasgow Clyde College

Equalities

Internal Audit Report No: 2020/08

Draft issued: 17 September 2020
2nd Draft issued: 22 September 2020

Final issued: 24 September 2020

LEVEL OF ASSURANCE   Good

Contents

Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

mha
HENDERSON LOGGIE

Equalities

Management Summary

Overall Level of Assurance

Good	System meets control objectives

Risk Assessment

This review focused on the controls in place to mitigate the following risk on the Glasgow Clyde College ('the College') Risk Register:

- G1 – Failure to meet all legislative and regulatory requirements and / or recommended guidance (risk rating: medium).

Background

As part of the Internal Audit programme at the College for 2019/20 we carried out a review of the College's Equality & Diversity arrangements. The Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management ('the Board') and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The public sector equality duty, which is set out in the Equality Act 2010, came into force in April 2011 – this is often referred to as the general duty. Scottish public authorities must have 'due regard' to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations.

Scottish Ministers made regulations in The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, placing specific duties on Scottish public authorities to enable the better performance of the public sector equality duty. These are also known as the Scottish Specific Duties.

mha
HENDERSON LOGGIE

Equalities

Scope, Objectives and Overall Findings

The scope of this audit was to review the action taken by the College, and the systems and procedures put in place, to integrate equality into its day-to-day working.

The table below notes the objective for this review and records the results:

Objective		Findings		
The objective of this audit was to obtain reasonable assurance that the College is complying with its legal duties under:		1	2	3
a) Section 149 of the Equality Act 2010; and b) The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended.	Good	0	0	1
		0	0	1
Overall Level of Assurance	Good	System meets control objectives		

Audit Approach

We assessed whether these objectives have been met by conducting meetings with the: Assistant Principal, Human Resources; Assistant Principal, Student Experience; Head of Human Resources; the Organisational Development Manager; the Equality and Diversity Officer; Human Resources Adviser and Head of MIS in order to allow a comparison between the current College approach to equalities mainstreaming and the Equality Act and Regulations (and supporting technical guidance) issued by the Equality and Human Rights Commission.

The review was primarily focused on the systems and procedures in place, although compliance testing was carried out where appropriate.

mha
HENDERSON LOGGIE

Equalities

Summary of Main Findings

Strengths

- From our review of documentation, we consider that the College complies with equalities legislation and regulations;
- The College has appropriate equality and diversity strategies and working practices in place and provides relevant induction and refresher training to staff;
- The College has a dedicated Equality and Diversity Officer, and key personnel within Human Resources (HR), to help ensure that legislation is being complied with and that any equality and diversity concerns are being addressed appropriately;
- The College has an excellent and well-developed process for engaging with students to identify any specific needs or additional support they may require during their College life. This process begins at the application stage and continues throughout the students' time at the College;
- The College leads and collaborates on a number of local and national equality and diversity initiatives, which allows the provision of up-to-date information and support to students;
- The College publishes all of the relevant equality and diversity data and information on its website; and
- Our review established that the College not only complies with its legal obligations but demonstrates a proactive approach in actively embracing the embedding of core concepts of equality and diversity in College working practices.

Opportunities

- Although the College has a range of strategies and procedures in place around equality and diversity, and we noted that the College has a written Equality and Respect Policy and an Equalities and Respect Statement in place, these documents do not showcase all elements of the College's Equality and Diversity practices. A more detailed policy document would provide a useful reference for staff, students, visitors and other stakeholders.
- The College has recognised that self-disclosure of protected characteristic information from current staff has been low and considerable efforts have been made to increase disclosure rates and improve reporting. We noted that reference was made to low disclosure rates and efforts to increase these in the Mainstreaming Report 2019, Equality Outcomes Report 2017-2021 and Gender Pay Gap and Equal Pay Report published in April 2018.

Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during our audit.

mha
HENDERSON LOGGIE

Main Findings and Action Plan

Objective 1: The College is complying with its legal duties under:

a) Section 149 of the Equality Act 2010; and
b) The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended.

Section 149 of the Equality Act 2010
From discussion with those interviewed, and review of relevant documentation, we determined how the College meets its obligations under Section 149 of the Equality Act 2010. A summary of our findings is shown below:

Requirement of Section 149 of the Equality Act 2010	Findings
The College must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Act.	The College has a range of policies, strategies and procedures which demonstrate its compliance with the requirements set out in Section 149 of the Equality Act 2010. These include: • Equality and Respect Policy; • Equality and Respect Statement; • Access and Inclusion Strategy; • Student Code of Conduct; and • The Student Charter. The College has an Equality and Diversity Officer in place who ensures these documents are adhered to and responds to any concerns raised around equality and diversity. The Equality and Diversity Officer reports to the Assistant Principal Student Experience who has a strategic leadership role in this area.

mha
HENDERSON LOGGIE

Equalities

Objective 1:

Section 149 of the Equality Act 2010 (continued)

Requirement of Section 149 of the Equality Act 2010	Findings
The College must have due regard to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, including the need to: • remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; • take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and • encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.	Equalities training is part of the induction process for all new staff. Mandatory training is also undertaken by all staff on a rolling basis every 2-3 years. Various online training 'Skills Booster' courses were available as part of the College's annual learning days in June 2020. The College has an Equality, Diversity and Inclusion Strategic Committee which is chaired by the Assistant Principal Student Experience and meets quarterly. Its areas of focus include: • Promote equality, diversity and inclusion duties and responsibilities, identify equality priorities and objectives and recommend actions to meet these priorities and monitor and report on progress to the Senior Leadership Team; • Provide advice on legislative compliance and best practice to the wider College; • Inform and support and monitor Equality, Diversity and Inclusion strategic and operational activity and monitor and report on implementation and recording within College Faculties and Units; • Engage and involve a diverse range of staff and students in College life to foster cohesion and eliminate discrimination; and • Use evidence to identify areas for action in support of meeting the Public Sector Equality Duties. The College also runs an IDEAs Group, which is an acronym for Inclusion, Diversity, Equality and Access. This is a forum open to all staff and students and these groups meet to discuss and resolve issues which are inclusive of the nine protected characteristics identified in the Equality Act 2010. Issues raised at these groups are taken to the Equality, Diversity and Inclusion Strategic Committee. The Equality and Diversity Officer sits on the Glasgow Regional Equality Group (GREG) which is attended by the Equality and Diversity lead at each of the Glasgow regional colleges to collaborate throughout the year. They work on the themed equality outcomes set by the Regional Board.

mha
HENDERSON LOGGIE

Equalities

Objective 1:

Section 149 of the Equality Act 2010 (continued)

Requirement of Section 149 of the Equality Act 2010	Findings
	The College also leads, or collaborates, on a number of local and national equality and diversity initiatives including: • Care@Clyde; • The Embracing Diversity Competition; • Healthy College Group; • British Sign Language Working Group; • Hate Crimes – the College acts as a third-party reporting centre; • Braille – all College documents and publications can be converted to Braille on request; and • Provision of ESOL courses for students who do not have English as their first language.

mha
HENDERSON LOGGIE

Equalities

Objective 1:

The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended

Duty to report progress on mainstreaming the equality duty.	Findings
The College must publish a report on the progress it has made to make the equality duty integral to the exercise of its functions so as to better perform that duty: (a) not later than 30th April 2013; and (b) subsequently, at intervals of not more than 2 years, beginning with the date on which it last published a report under this regulation.	The College's most recent Equality Mainstreaming Report was issued in April 2019. The next report is due to be published in April 2021. The report states that '*Glasgow Clyde College is committed to a positive and pro-active approach to equality and human rights, which encourages, supports and values diversity. We seek to promote and embed the principles of equity in all College services and in every aspect of College life. We will also ensure equality of opportunity and freedom from harassment for all students, staff and visitors by opposing and countering all forms of discrimination outlined in the Equality Act 2010.*' Our audit evaluation of the 2019 report concluded that not only has the College complied with the timescales for publication, but the report also contains the details required by this duty.

Equalities

Objective 1:

The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended (continued)

Duty to publish equality outcomes and report progress	Findings
The College must publish a set of equality outcomes which it considers will enable it to better perform the equality duty at intervals of not more than 4 years. In preparing a set of equality outcomes the College must: • take reasonable steps to involve persons who share a relevant protected characteristic and any person who appears to the authority to represent the interests of those persons; • consider relevant evidence relating to persons who share a relevant protected characteristic; and • if a set of equality outcomes published by a listed authority does not seek to further the needs mentioned in section 149(1) of the Act in relation to every relevant protected characteristic, the authority must publish its reasons for proceeding in this way. The College must publish a report on the progress made to achieve the equality outcomes published by it under the above paragraph every 2 years.	The College's most recent Equality Outcomes Report was issued in 2017 and covers the period 2017 – 2021. Progress was reported on these outcomes in the Equalities Outcomes Progress Report published in 2019. The College consulted with Advance HE to set its outcomes for the period 2017 – 2021 and also worked with the Equality, Diversity and Inclusion Committee to gather further perspective. The next Equality Outcomes Report is due to be published in 2021. As part of this audit, the College's most recent Equality Outcomes Report and Progress report were evaluated, and it was confirmed they were compliant with the requirements of this duty.

Equalities

Objective 1:

The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended (continued)

Duty to assess and review policies and practices	Findings
The College must make appropriate arrangements to review and, where necessary, revise all of its policies or practices to ensure that in exercising its functions it complies with the general equality duty. In assessing impact, the College must consider relevant evidence relating to persons who share a relevant protected characteristic, including any such evidence received from those persons. The College is required to take into account the results of any assessment of impact of a proposed new or revised policy or practice in the development of that policy or practice. Where the College assesses the impact of a new or revised policy or practice and then decides to apply the policy or practice, it must publish the results of the assessment within a reasonable period.	Within HR, an annual review of all policies and associated procedures is undertaken. As part of this review a number of factors are taken into account including consideration of the effectiveness and consistency of application of each procedure along with any feedback received from staff or managers provided during the previous year. While the core elements of policies and procedures generally remain the same, details can and do change according to potential identified areas of concern and any legislative updates and requirements identified. Equality legislation requires public authorities to conduct Equality Impact Assessments on policies and practices, which is an evidence based process which verifies that the College's policies and practices are equality proof and not discriminatory. The Equality and Diversity Officer is available for support and guidance in conducting these. All new or reviewed policies are required to go through this process to ensure there is not discrimination against any particular group, and to highlight areas of good practise within the College in terms of promoting equality of opportunity. We reviewed recent examples of these assessments, in relation to two recent internal restructuring exercises, including examples of the dialogue between HR and the relevant department. Once ratified within the department, the new or updated policies are sent to the internal Quality department for final checking before being published internally and where relevant, on our website. Our audit concluded that the College complies with the requirements of this duty in regard to new or updated policies and practices.

Equalities

Objective 1:

The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended (continued)

Duty to gather and use employee information	Findings
The College must take steps to gather information on: • the composition of the College's employees; • the recruitment, development and retention of persons as employees; and • with respect to the number and relevant protected characteristics of such persons. The College must also take steps to gather information in relation to recruitment, development and retention of staff with respect to protected characteristics. The College is required to use the employee information it gathers to better perform the general equality duty. A report published by the College must include details of the progress that the authority has made in gathering and using that information to enable it to better perform the equality duty.	The College gathers this information on a periodic basis, through the completion of 'Equality Monitoring' forms during recruitment of staff and the completion of application and enrolment forms during the recruitment of students. Current staff are asked to update this information within the College's HR system, iTrent. The College uses the information not only to develop its Equality & Diversity procedures / strategies but also for inclusion in its Equalities Mainstreaming Report, Equality Outcomes Report and Gender Pay and Equal Pay Gap Report. An evaluation of these Reports confirms they contain all the information, data and action plans / objectives required. The College has recognised that self-disclosure of protected characteristic information from current staff has been low and considerable efforts have been made to try and increase disclosure rates, including working with Advance HE in this area. We noted that reference is made to low disclosure rates and efforts to increase these in both the Mainstreaming Report 2019 and Equality Outcomes Report 2017-2021. Our audit work confirmed that the College complies with the requirements of this duty.

mha
HENDERSON LOGGIE

Equalities

Objective 1:

The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended (continued)

Duty to publish gender pay gap information	Findings
Every 2 years, the College must publish information on the percentage difference among its employees between men's average hourly pay (excluding overtime) and women's average hourly pay (excluding overtime). The information published must be based on the most recent data available for a date when the authority had at least 150 employees.	The College issued its most recent Gender Pay Gap and Equal Pay Report in April 2018, based on staff data as at 6 February 2018. The 2018 report includes the following paragraph: *'The overall percentage difference between men and women's average hourly pay (excluding overtime) is 5.77%, with women being paid, on average, 5.77% less than men.'* The College gave a further update on the Gender Pay Gap in 2019 based on data as at 28 February 2019 and identified the pay gap as 6%. An update was due to be published in April 2020 however this has been delayed due to COVID-19. Under the legislation, an update would not be required until 2021. The College has previously been involved in a number of initiatives aimed at reducing the gender pay gap such as 'Close the Gap', giving staff earning below a level an opportunity to upskill. There was a lack of funding to do this last year and opportunities for such activities have also been impacted by the Covid-19 lockdown. Our audit concluded that the College complies with the requirements of this duty.

mha
HENDERSON LOGGIE

Equalities

Objective 1:

The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended (continued)

Duty to publish statements on equal pay, etc.	Findings
Every 4 years, the College must publish a statement containing the following information: (a) the authority's policy on equal pay among its employees between men and women, persons who are disabled and persons who are not and persons who fall into a minority racial group and persons who do not; and (b) occupational segregation among its employees, being the concentration of men and women, persons who are disabled and persons who are not and persons who fall into a minority racial group and persons who do not, in particular grades and in particular occupations.	As mentioned above, the College issued its most recent Gender Pay Gap and Equal Pay Report in April 2018, based on staff data as at 6 February 2018. The College was unable to disclose information on its employees who are disabled or who fall into minority racial groups without affecting anonymity and due to the low self-disclosure rates on these characteristics from current staff. Our audit evaluation confirmed that the Gender Pay Gap and Equal Pay Report published in April 2018, contains all the information required by this duty.
Duty to consider award criteria and conditions in relation to public procurement	**Findings**
When the College proposes to enter into a relevant procurement agreement on the basis of an offer which is the most economically advantageous, it must have due regard to whether the award criteria should include considerations to enable it to better perform the equality duty. When the College proposes to stipulate conditions relating to the performance of a relevant agreement, it must have due regard to whether the conditions should include considerations to enable it to better perform the equality duty.	The College's Procurement Policy states: *'4.3 Duties under Equality Act 2010* *4.3.1 The Public Sector Equality Duty (PSED) under the Equality Act 2010 states that (as a public authority) the College must, in the exercise of its functions (including procurement) have due regard to the need to:* • *eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Act;* • *advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and* • *foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

Equalities

Objective 1:

The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended (continued)

Duty to consider award criteria and conditions in relation to public procurement	Findings
	The relevant protected characteristics covered by the PSED are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation. The PSED also covers marriage and civil partnerships, with regard to section a) in employment. *4.3.2 To enable better performance of the PSED, the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 place specific duties upon authorities. Subsequently, the College is required to pay due regard to whether the award criteria of the agreement, and the contract conditions relating to the performance of that agreement, should include considerations to enable it to better perform the PSED. The College remains responsible for meeting its obligations under the various statues even when an external contractor provides one or more of the College's functions. Members of staff involved in procurement will take account of the following key objectives when taking forward purchasing decisions:* • *ensuring all contracts are delivered in a way which is non-discriminatory, advances equality of opportunity and fosters good relations for the College's staff, students, the general public, and businesses; and* • *ensuring that goods, works, and services provided by contractors cater for all users' needs.* Our audit concluded the College complies with the requirements of this duty.

mha
HENDERSON LOGGIE

Equalities

Objective 1:

The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended (continued)

Duty to publish in a manner that is accessible, etc.	Findings
The College must comply with the above duties in a manner that makes the information published accessible to the public.	All required information is available on the College's website The College makes all relevant information available in Braille, on request.

Duty to consider other matters.	Findings
In carrying out its duties under these Regulations, the College may be required to consider such matters as may be specified from time to time by the Scottish Ministers.	The College works with partners on the following initiatives: • Advance HE Recruiting disabled staff project 2019-2021; • Scottish Association for Mental Health (SAMH) – Mentally Health College project; • Scottish Race Equality Network; • Scottish EDI Network; • TransEDU; and • Fearless Glasgow. The College also responds to changes in legislation / government guidance as and when required.

mha
HENDERSON LOGGIE

Equalities

Objective 1: The College is complying with its legal duties under Section 149 of the Equality Act 2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended (Continued)

Observation	Risk	Recommendation	Management Response
Although it was clear that Equality and Diversity is embedded in College strategies and procedures, and we noted that the College has a written Equality and Respect Policy and Equalities and Respect statement in place, this does not showcase all elements of the College's Equality and Diversity practices.	There is no detailed written framework through which equality of opportunity will be collectively managed for all staff, students, visitors and other stakeholders to access.	**R1** The College should carry out a review of the existing Equality and Respect Policy and consider whether there is scope to expand this to showcase all elements of the College's practices around both Equality and Diversity.	Agreed. A review of the current Equality and Respect Policy will be conducted and the document will be updated, as required, to ensure that it covers all of the required areas of both Equality and Diversity. **To be actioned by:** Vice Principal Student Experience **No later than:** 31 December 2020

Grade | 3

mha
HENDERSON LOGGIE

Glasgow Clyde College

Follow-Up Reviews

2019/20

Internal Audit Report No: 2020/07

Draft issued: 17 September 2020

Final issued: 23 September 2020

Now, for tomorrow

mha
HENDERSON LOGGIE

Contents

mha
HENDERSON LOGGIE

1. Management Summary

Introduction and Background

As part of the Internal Audit programme at Glasgow Clyde College ('the College') for 2019/20 we carried out a follow-up review of the recommendations made in Internal Audit reports issued during 2019/20 and reports from earlier years that had either not already been subject to follow-up or where previous follow-up identified recommendations outstanding. These were:

2019/08 – ESF Funding;
2019/09 – Health and Safety;
2019/10 – Follow-Up Reviews 2018/19
2020/02 – Publicity and Communications; and
2020/04 – Staff Recruitment and Retention / Staff Development.

Internal Audit Reports 2020/01 – Annual Plan, 2020/03 – Quality; 2020/05 – Cash and Bank / Treasury Management; and 2020/06 – IT Network Arrangements were not followed-up as these reports did not contain any recommendations.

Audit Scope and Objectives

The objective of our follow-up review was to assess whether recommendations made in previous reports have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

Audit Approach

For the recommendations made in the above reports we ascertained by enquiry and review of supporting documentation, as appropriate, whether they had been completed or what stage they had reached in terms of completion and whether the due date needed to be revised.

Action plans from the original reports, updated to include a column for progress made to date, are appended to this report.

Overall Conclusion

The College has made good progress in implementing the recommendations followed-up as part of this review with 13 of the 16 recommendations which were past their due dates being categorised as 'fully implemented'. One recommendation was assessed as 'partially implemented' and this will be subject to follow-up at a later date.

mha
HENDERSON LOGGIE

Overall Conclusion (Continued)

One recommendation from Internal Audit Report 2019/09 – Health and Safety and one recommendation from report 2019/05 – Budgetary Control (included in Follow-Up Reviews 2018/19) have been 'considered but not implemented'. College management concluded that the Fire TagEvac system would not be suitable for installation into College buildings (report 2019/09) and advised that it would not be practical to attempt to prepare a budgeted spend to actual spend report by individual staff member each month (report 2019/05). The control issue originally highlighted in the report has been addressed by the action taken.

From Original Reports			From Follow-Up Work Performed				
Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	Considered But Not Implemented	Not Past Agreed Completion Date
ESF Funding	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	1	1	-	-	-	-
Total		1	1	-	-	-	-
Health and Safety	1	-	-	-	-	-	-
	2	1	1	-	-	-	--
	3	5	4	-	-	1	--
Total		6	5	-	-	1	-
Follow-Up Reviews 2018/19	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	4	3	-	-	1	-
Total		4	3	-	-	1	-
Publicity and Communications	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	3	2	1	-	-	-
Total		3	2	1	-	-	-
Staff Recruitment and Retention / Staff Development	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	3	2	-	-	-	1
Total		3	2	-	-	-	1
Overall Total		17	13	1	-	2	1
Percentage		100%	76%	6%	-	12%	6%

mha
HENDERSON LOGGIE

Overall Conclusion (Continued)

The grades, as detailed below, denote the level of importance that should have been given to each recommendation:

Priority 1	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.
Priority 2	Issue subjecting the College to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Acknowledgments

We would like to thank all staff for the co-operation and assistance we received during the course of our reviews.

Appendix I - Updated Action Plan: Internal Audit Report 2019/08 – ESF Funding

Recommendation	Priority	Original Management Comments	To Be Actioned By	No Later Than	Progress at September 2020
R1 Ensure that all sections of the ESF Participant Forms are fully completed by the student before being signed off by the College.	3	Head of External Funding Unit will ensure staff responsible for receiving ESF forms are aware of the need to collect fully completed forms.	Jim Anderson, Head of External Funding	26 September 2019	The Head of External Funding Unit has advised staff responsible for receiving ESF forms of the need to collect fully completed forms and has reminded them of the related ESF guidelines. This was done verbally and therefore there was nothing available in writing to evidence this. A sample of 10 ESF students were selected for testing as part of our 2019/20 Credits audit and no issues were noted. All the required documents were available and fully completed, and back-up was available to support eligibility. *Fully Implemented*

mha
HENDERSON LOGGIE

Appendix II - Updated Action Plan: Internal Audit Report 2019/09 – Health and Safety

Recommendation	Grade	Original Management Comments	To Be Actioned By	No Later Than	Progress at September 2020
R1 Explore the options for the H&S Team to be notified when Fire Wardens and First Aiders are not available. This information can be used to compile a weekly rota and ensure all areas across all campuses have sufficient fire warden and first aid cover at all times.	3	Fire Wardens and First Aiders will be contacted to request they agree to a sign-in procedure to ensure we know how many of each are available each day.	G Crankshaw, Organisational Development Manager	30 September 2019	Fire Wardens are entirely voluntary and College management advised that, after investigation with them, signing in is not an option. First Aiders agreed to signing a register when they pick up the mobile phones at each daily shift and this was put in place in November 2019. *Fully Implemented*

mha
HENDERSON LOGGIE

Follow-Up Reviews 2019/20

Recommendation	Grade	Original Management Comments	To Be Actioned By	No Later Than	Progress at September 2020
R2 Consider whether the Fire TagEvac system would be suitable for installation into all, or some, of the College's buildings.	3	The H&S team are investigating the options for a logging system of clear areas of the buildings. Due to the structures of some of the buildings a change to protocols may not be feasible.	U Okoli, Senior Health & Safety Officer	31 October 2019	The H&S team have reviewed this option and due to the nature of the business (many staff working around the buildings) and complexities of the buildings it was felt that this system would not be appropriate. The H&S team deem the verbal communication system to be more effective to allow the flexibility required. *Considered But Not Implemented*
R3 Create and implement a new procedure providing guidance to staff on what action should be taken should they receive a suspicious package through the post. This procedure should include details of who should make the decision on whether to evacuate a College building if a package is confirmed as suspicious / potentially dangerous.	3	The team will circulate guidance for all staff on what to do in the event of receiving a suspicious package.	U Okoli, Senior Health & Safety Officer	30 September 2019	A Police Scotland Mail Handling Advice Note, covering indicators of suspicious mail and what action staff should take should they receive a suspicious package, was emailed to all staff on 12 November 2019. The covering email stressed to staff that they should leave the item undisturbed and immediately contact the Campus team, who would be responsible for contacting the Police and advising on action to be taken. *Fully Implemented*

Follow-Up Reviews 2019/20

Recommendation	Grade	Original Management Comments	To Be Actioned By	No Later Than	Progress at September 2020
R4 Explore options for introducing a system or tool that can provide evidence and reporting capability on which new start employees have, and have not, completed their H&S induction training modules within one month of their start date.	**2**	The College are seeking to implement a new VLE which the OD team use to release training. This system should have capacity to record progress and outcomes of training modules. In the interim the OD team are investigating other options for training packages, including H&S, which would provide accurate data on completion.	G Crankshaw, Organisational Development Manager	31 December 2019	The new College VLE launched in June 2020 and this will allow the OD team to capture the information it requires on induction and other H&S training rolled out. This has not been used for reporting as yet as the College has had so few staff joining due to Covid-19 and we were advised that the completion of induction training has been checked manually. *Fully Implemented*
R5 Revise the Accident Report form to require details of the action taken in response to the incident to be noted and what medical treatment / advice was provided to the injured person.	**3**	The College currently use Health and Safety Executive approved recording forms, however the team are working with the Systems Development Team to devise a new online recording system which will have mandatory fields ensuring completeness of reports. We will ensure extra fields are added to this report to include medical treatment/advice is also recorded.	U Okoli, Senior Health & Safety Officer	30 November 2019	A new online Accident Incident Report (AIR) system has been developed, launched and is in operation, which includes a question on what immediate action was taken. Staff training has been undertaken for First Aiders and Managers in its use. A supporting guidance note has been developed for all staff and circulated, effective 3 February 2020. *Fully Implemented*

7

mha
HENDERSON LOGGIE

Follow-Up Reviews 2019/20

Recommendation	Grade	Original Management Comments	To Be Actioned By	No Later Than	Progress at September 2020
R6 For every accident / first aid callout which does not result in a further investigation, a record should be kept of the reason(s) why this decision was made, by whom and when. An Accident Investigation Report should be completed, and retained, for all incidents which result in further investigation. All relevant members of staff should be reminded that all sections of Accident Investigation Reports should be completed including details of how and when recommendations in the report were actioned / implemented.	3	The team are working with the Systems Development Team to devise a new online recording system which will have mandatory fields ensuring completeness of reports and workflows prompting action from the relevant staff. The OD team will have the ability to monitor and advise staff on actions required through a live system. The team and relevant management will also be able to monitor when actions are closed-off.	U Okoli, Senior Health & Safety Officer	30 November 2019	These functions are captured in the new AIR system and have been implemented. ***Fully Implemented***

mha
HENDERSON LOGGIE

Appendix III - Internal Audit Report 2019/10 – Follow-Up Reviews

Recommendation	Grade	Original Management Comments	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at September 2020
Internal Audit Report 2018/07 – Estates Strategy / Capital Projects / Building Maintenance						
R4 Draw up procedures for planned preventative maintenance and statutory checks that include: • The contractor start-up phase (for new contractors); • The contractor management phase (for ensuring performance is appropriate and all contractual requirements are met); and • Processes to ensure that all required maintenance works have been done by contractors and that paperwork supporting this has been internally reviewed and retained, including:	**3**	The process for contractor start-up and contractor management are already sufficiently documented. A checklist is in place for planned preventative maintenance and this will be updated to include an extra column to indicate work completed.	Facilities Manager and / or Building Coordinators	31 October 2018	**At August 2019:** The College compliance planner for each campus now has space for the Building Coordinators to sign each month to confirm that all works due to be undertaken that month have been completed although only the planner for Anniesland had been fully signed off. The planner has also been updated to include a colour coding key to indicate the completion status of each task. The Facilities Manager role is no longer in the structure (as of 31 July 2019) and the Head of Estates Facilities and Energy is to undertake tasks assigned to the Facilities Manager going forward. The compliance planners provided did not record evidence of the periodic sample checks undertaken in 2019 to date. **Revised completion date:** 30 September 2019 **Partially implemented**	The Head of Estates Facilities and Energy is now undertaking periodic sample checks and retaining evidence of same for audit purposes. **Fully Implemented**

mha
HENDERSON LOGGIE

Recommendation	Grade	Original Management Comments	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at September 2020
R4 (continued) • Ensure that the Building Co-ordinators at each campus mark off the record of all planned preventative maintenance checks and statutory tests to ensure that these have been completed. The Facilities Manager should periodically review to ensure that this is being done; • Estates staff should record the reasons for any works not completed on the planned preventative maintenance contractor documentation that is filed; and • The Facilities Manager should undertake periodic sample checks to confirm that appropriate maintenance visit documentation is on file and that there is evidence of the required maintenance being completed in line with contractual requirements. Evidence of completing these checks should be kept on file.		The Building Coordinators will complete the column on the checklist at each campus. Periodic sample checks of the documentation will be completed and recorded.				

Follow-Up Reviews 2019/20

Recommendation	Priority	Original Management Comments	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at September 2020
Internal Audit Report 2019/05 – Budgetary Control						
R2 Develop budget versus actual payroll reports by individual staff member (permanent staff) and for temporary staff, provide reports that set out for each temporary staff member their cost and, where applicable or appropriate, the activity code(s) this time has been charged to.	**3**	The College is investigating options for extracting reports from the HR system and linking such reports to finance budgets.	Assistant Principal Human Resources and Assistant Principal Finance and Infrastructure	31 December 2019	**At August 2019:** A strategic review of the College HR / Payroll system took place on the 14-15 August 2019. This review focused on a range of areas including Management Information. Budget versus actual reports by individual staff member will be developed when payroll reports become available. There is a feedback session planned for 18 September 2019 and timescales for reporting will be considered then. ***Not past agreed completion date***	The College is able to drill down and analyse staff costs by individual, which is provided to budget holders each month following payroll transfer to the general ledger Tech1. Budget holders can see each element of pay and this is monitored at a cost code level. For the first budget meetings held, the establishment master, provided by HR, was compared to data in Tech1. This was to highlight any staff who appeared on the budget holders' establishment, but their actual costs were coded to another area. College management advised that it would not be practical to attempt to prepare a budget to actual report by individual staff member each month. ***Considered But Not Implemented***

mha
HENDERSON LOGGIE

Follow-Up Reviews 2019/20

Recommendation	Priority	Original Management Comments	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at September 2020
Internal Audit Report 2019/07 – Performance Reporting / KPIs						
R1 Ensure that a concise set of relevant, measurable and meaningful KPIs, targets or outcomes are agreed which allow effective monitoring, by both SLT and the Board, of the implementation of the strategic objectives included in the refreshed Development Plan.	**3**	A set of KPIs will be agreed for the strategic objectives within the refreshed Development (Strategic) Plan.	Executive Management Team	September 2019	**At August 2019:** The new Strategic Plan is under development with the final draft of the plan due to be presented to the Board of Management at the Board Development Day on 25 October 2019. The College now has four new values of People Centred, Passionate, Principled and Pioneering. The new Plan has three Strategic Themes - Employer of Choice, Partner of Choice and Unrivalled Student Experience, and two Cross-Cutting Themes, which are Financial Resilience through Operational Excellence and Inspirational Learning and Teaching. The Board Development Day includes an agenda item to review College performance including a report on performance re KPIs. This is to be written against the four Goals contained in the current Development Plan and will include RAG indicators, baseline data and trends. *Not past agreed completion date*	A suite of Key Performance Indicators (KPIs) to facilitate the monitoring of the implementation of the College's new Strategic Plan, has now been agreed. Each strategic objective is underpinned by a number of KPIs which attempt to provide a comprehensive objective basis on which to monitor progress. Agreed KPIs will be accompanied by annual targets for each year of the Plan. As part of the process to agree the KPIs, the Board requested each Committee to consider the KPIs most relevant to their area and provide feedback for consideration by the full Board. *Fully Implemented*

Follow-Up Reviews 2019/20

Recommendation	Priority	Original Management Comments	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at September 2020
R2 In order to provide Board members with further assurance that reporting requirements are being adequately met, or to inform further information needs, consider including management presentations on the following topics at the next Board development session: • the Strategies Performance Monitoring Schedule used by management to track progress on College strategies; and • the wider range of KPIs that management use to monitor operational performance.	3	This will be considered for the next Board Development session providing it is agreed by the Chair of the Board of Management to do so. Sample reporting will be circulated prior to the event.	Executive Management Team	December 2019	**At August 2019:** As noted above, the Board Development Day on 25 October 2019 includes an agenda item to review College performance and Board members were requested to provide feedback on the form and content of the Performance Report. *Not past agreed completion date*	A sample report from the Strategies Performance Monitoring Schedule, plus examples of other KPI reports used to monitor performance, were shared with members of the Audit Committee in October 2019. *Fully Implemented*

mha
HENDERSON LOGGIE

Appendix IV - Internal audit report 2020/02 – Publicity and Communications

Recommendation	Grade	Original Management Comments	To Be Actioned By	No Later Than	Progress at September 2020
R1 Flowcharts should be developed to supplement the existing Media Guideline and Digital and Social Media Guidelines. Consideration should also be given as to how these flowcharts could be incorporated into future online training provision.	**3**	The college agrees that flowcharts would be a useful addition to these guidelines and help to provide clarity for staff in responding to media enquiries and expectations when engaging with social media.	Head of Marketing and Communications	31 March 2020	The College has prepared flowcharts as a useful addition to existing guidelines to provide clarity for staff in responding to media enquiries and expectations when engaging with social media. *Fully Implemented*
R2 Consideration should be given to the creation of a single focal point for communications being the Marketing and Communications Department, which would have overall control of both internal and external communications, and with a reporting line to the Assistant Principal, Quality and Performance.	**3**	The college agrees that consideration should be given to placing the internal communication function within the Marketing and Communications service. Discussions have already taken place to evaluate the impact of a potential change.	College Vice Principals	31 March 2020	Initial discussions have taken place and it is anticipated that this activity will transfer by December 2020 at the latest. **Revised completion date:** 31 December 2020 *Partially Implemented*

mha
HENDERSON LOGGIE

Follow-Up Reviews 2019/20

Recommendation	Grade	Original Management Comments	To Be Actioned By	No Later Than	Progress at September 2020
R3 A review of the format of the Clyde Connects Newsletter should be conducted by the Marketing and Communications Department to ensure that the format used effectively complements the other methods of internal communications deployed within the College as part of a managed portfolio of communication activity.	3	The college will review the format of the Clyde Connects newsletter to ensure it complements other communication channels and strategies within the college.	Head of Marketing and Communications	30 June 2020	The College has revised the format of the Clyde Connects Newsletter to ensure it complements other communication channels and strategies within the College. *Fully Implemented*

Appendix V - Internal audit report 2020/04 – Staff Recruitment and retention / Staff Development

Recommendation	Grade	Original Management Comments	To Be Actioned By	No Later Than	Progress at September 2020
R1 The terms of reference for the Staffing Group should be reviewed and updated to describe the role of this forum within the wider College corporate governance framework and describing the timescale for subsequent review of the terms of reference for the Group.	3	The terms of reference for the College staffing group will be revised to ensure that the link to the wider governance framework is clear.	Vice Principal Resources and College Development	31 August 2020	The terms of reference for the Staffing Group were reviewed at the Group's meeting in September 2020 and updated in line with the recommendation. *Fully Implemented*
R2 Records should be accurately updated and maintained consistently across the hardcopy and electronic records. Ideally, the College should work towards developing a single consistent approach for processing recruitment documentation, including consistency in record keeping and retention.	3	The College are having advanced discussions with our software provider to get web recruitment operational. It is estimated that it will take approximately 3 days consultancy work to get the system operational resulting in only one system for recording recruitment processes.	Assistant Principal Human Resources	31 August 2020	The Web Recruitment Portal is now up and running. *Fully Implemented*

mha
HENDERSON LOGGIE

Follow-Up Reviews 2019/20

Recommendation	Grade	Original Management Comments	To Be Actioned By	No Later Than	Progress at September 2020
R3 The College should set out a timetable to develop and introduce a formal staff succession planning process for identified key posts.	3	The College has in recent years reviewed turnover of senior staff in key positions and identified opportunities for succession planning. For example, the current Depute post took on the Principal post and the current VP took on the Depute post and an AP was promoted into a VP post. There is always open external recruitment for permanent senior posts and therefore a succession planning process is in place although not documented. We will however develop a more formal succession planning process.	Assistant Principal Human Resources	31 December 2020	There has been no progress at this time on the succession planning action. *Not past agreed completion date*

mha
HENDERSON LOGGIE

hlca.co.uk | info@hlca.co.uk

AUDIT COMMITTEE MEETING

Date of Meeting	30 September 2020
Paper Title	Internal Audit 2019/20 Plan Progress and Plan for 2020/21
Agenda Item	20.35
Paper Number	20.35A, 20.35B
Responsible Officer	Janet Thomson, Vice Principal Resources and College Development
Status	Disclosable
Action	For Discussion and Approval

1. REPORT PURPOSE

The purpose of this report is to provide a summary of the progress against the Internal Audit Plan for 2019/20, and to approve the Internal Audit Plan for 2020/21 as prepared by MHA Henderson Loggie.

2. RECOMMENDATION

Committee Members are invited to discuss this paper and approve the Internal Audit Plan.

3. BACKGROUND

3.1 The 2019/20 Internal Audit Plan has been progressed with all audits completed except the student support funds ones and the credits audit which are done after the financial year end in July. A summary of the work completed is attached to this paper.

3.2 MHA Henderson Loggie have also produced the Draft Internal Audit Plan for 2020/21 which is attached and shows the planned audit areas for the year. There are six audit areas which total 40 days as shown in the plan. The forward planning document was submitted to the May Audit Committee meeting and some amendments were made following discussion at committee. The plan has been further discussed with management and has been agreed with the Chair of the Audit Committee.

4. RISK ANALYSIS

There are no specific risk implications in this paper.

5. LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

The College is required to have an internal audit function undertaken each year as part of the Financial Memorandum.

6. HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Annual Plan 2019/20	Oct-19	Draft 19/08/19 2nd Draft 18/09/19 Final 27/11/19	2020/01	N/A	02/10/19 & 27/11/19	
Publicity and Communications	Feb-20	Draft 05/02/20 Final 14/02/20	2020/02	Good	26/02/2020	
Quality	Feb-20	Draft 14/02/20 Final 14/02/20	2020/03	Good	26/02/2020	
Investigation report	N/A	Draft 10/01/20 Final 14/02/20	N/A	N/A	N/A	The unallocated days included in the Annual Plan 2019/20 have been utilised to complete this review. There were 5 improvement points arising from the investigation and an action has been added to the College Audit Rolling Action Plan.
Staff Recruitment and Retention / Staff Development	May-20	Draft 03/05/20 Final 11/05/20	2020/04	Satisfactory	20/05/2020	
Cash and Bank / Treasury Management	May-20	Draft 11/5/20 Final 12/5/20	2020/05	Good	20/05/2020	
IT Network Arrangements	May-20	Draft 14/5/20 Final 15/5/20	2020/06	Good	20/05/2020	
Equalities	Oct-20	Draft Final	2020/08	Satisfactory	30/09/2020	
Follow-Up Reviews	Oct-20	Draft Final	2020/07	N/A	30/09/2020	
Credits Audit	Sep-20	TBC			Nov-20	
Bursary, childcare and hardship funds	Sep-20	TBC			Nov-20	
EMA audit	Sep-20	TBC			Nov-20	

Glasgow Clyde College

**Internal Audit Progress Report
2019/20 Annual Plan**

30 September 2020

Now, for tomorrow

**mha
HENDERSON LOGGIE**

Internal Audit Progress Report
September 2020

Progress with the annual plan for 2019/20 is shown below.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Annual Plan 2019/20	October 2019	Draft 19/08/19 2nd Draft 18/09/19 Final 27/11/19	2020/01	N/A	02/10/19 & 27/11/19	
Publicity and Communications	February 2020	Draft 05/02/20 Final 14/02/20	2020/02	**Good**	26/02/20	
Quality	February 2020	Draft 14/02/20 Final 14/02/20	2020/03	**Good**	26/02/20	
Investigation report	N/A	Draft 10/01/20 Final 14/02/20	N/A	N/A	N/A	The unallocated days included in the Annual Plan 2019/20 have been utilised to complete this review. There are 5 improvement actions arising from the investigation.
Staff Recruitment and Retention / Staff Development	May 2020	Draft 03/05/20 Final 11/05/20	2020/04	**Satisfactory**	20/05/20	
Cash and Bank / Treasury Management	May 2020	Draft 11/05/20 Final 12/05/20 Reissued 22/05/20	2020/05	**Good**	20/05/20	

mha
HENDERSON LOGGIE

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Equalities	October 2020	Draft 17/09/20 2nd Draft 22/09/20 Final 24/09/20	2020/08	**Good**	30/09/20	
IT Network Arrangements	May 2020	Draft 14/05/20 Final 15/05/20	2020/06	**Good**	20/05/20	
Follow-Up Reviews	October 2020	Draft 17/09/20 Final 23/09/20	2020/07	N/A see comments	30/09/20	13 Fully implemented 1 Partially implemented 2 Considered but not implemented 1 Not past agreed completion date 17 in total

mha
HENDERSON LOGGIE

Internal Audit Progress Report
September 2020

In addition, College management has requested that we undertake the following audits, which are required by the Scottish Funding Council but are not included in the "core" internal audit programme:

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Credits audit	September 2020 – Audit Committee November 2020					Fieldwork commenced 07/09/20
Bursary, childcare and hardship funds	September 2020 – Audit Committee November 2020					Fieldwork commenced 02/09/20
EMA audit	September 2020 – Audit Committee November 2020					Fieldwork commenced 02/09/20

mha
HENDERSON LOGGIE

Aberdeen

45 Queen's Road
Aberdeen
AB15 4ZN

T: 01224 322100

Dundee

The Vision Building
20 Greenmarket
Dundee
DD1 4QB

T: 01382 200055

Edinburgh

Ground Floor
11-15 Thistle Street
Edinburgh
EH2 1DF

T: 0131 226 0200

Glasgow

100 West George Street
Glasgow
G2 1PP

T: 0141 471 9870

Glasgow Clyde College

Internal Audit Annual Plan 2020/21

Internal Audit Report No: 2021/01

Draft issued: 17 September 2020
2nd Draft issued: 23 September 2020
Final issued:

mha
HENDERSON LOGGIE

Now, for tomorrow

Contents

mha
HENDERSON LOGGIE

1. Introduction

1.1   The purpose of this document is to present for consideration by management and the Audit Committee the annual operating plan for the year ended 31 July 2021. This would normally be based on a comprehensive Audit Needs Assessment (ANA) and three-year Strategic Plan, which would be prepared following discussion with Board members and managers throughout the College. Given that the College has invoked a one-year contract extension, which takes us beyond the ANA and Strategic Plan 2017 to 2020 (Report 2018/01, issued 2 November 2017) it was agreed that a full ANA should not be undertaken at this time. The draft plan is based on discussions with the Vice Principal, Resources and College Development and consideration by other members of the College Management Team, consideration of areas of higher risk and need from a review of the College's Strategic Risk Register and a review of previous internal audit coverage.

1.2   A copy of the extended Strategic Plan is included at Section 2 of this report.

1.3   At Section 3 of this report we have set out the outline scope and objectives for each audit assignment to be undertaken during 2020/21, together with the audit approach. These have been arrived at following discussion with the Vice Principal, Resources and College Development and consideration by other members of the College Management Team. The outline scopes will be refined and finalised after discussion with responsible managers in each audit area.

1.4   Separate reports will be issued for each assignment with recommendations graded to reflect the significance of the issues raised. In addition, audit findings will be assessed and graded on an overall basis to denote the level of priority that should be given to each report.

mha
HENDERSON LOGGIE

2. Strategic Plan 2017 to 2021

Proposed Allocation of Audit Days

	Category	Priority	Actual 17/18 Days	Actual 18/19 Days	Actual 19/20 Days	Planned 20/21 Days
Reputation						
Publicity and Communications	Gov	M			4	
Health and Safety	Gov	M		5		
Student Experience						
Curriculum	Perf	H/M	6			
Quality	Perf	M			5	
Student support	Perf	M	5			6
Student recruitment and retention	Fin/Perf	H		5		
Student welfare – Duty of Care	Perf	H/M		4		
Students Association	Gov	M				
Staffing Issues						
Staff recruitment and retention)	Perf	M/L			5	
Staff development)	Perf	H/M				
Payroll	Fin	M				5
Estates and Facilities						
Building maintenance)	Fin/Perf	M	3			
Estates strategy / capital projects)	Fin/Perf	H/M	3			
Space management	Perf	H				
Asset / fleet management	Perf	L				
Financial Issues						
Budgetary control	Fin	H		5		
Student fees and contracts / registry	Fin	M				
ESF funding	Gov/Fin	M		4		
General ledger	Fin	M				
Procurement and creditors / purchasing	Fin	M	5			
Debtors/ Income	Fin	M				
Cash & Bank / Treasury management	Fin	M			4	
Fraud Prevention, Detection and Response	Fin	M				6
Delivery of Efficiency Savings Plan	Fin	H				4

mha
HENDERSON LOGGIE

Proposed Allocation of Audit Days (Continued)

	Category	Priority	Actual 17/18 Days	Actual 18/19 Days	Actual 19/20 Days	Planned 20/21 Days
Commercial Issues						
Business Development	Fin/Perf	H/M	6			
International Activities	Gov/Fin/Perf	H/M				
Organisational Issues						
*Risk Management**	Perf	M				6
*Business Continuity**	Perf	M				
Corporate Governance	Gov	M				
Corporate Planning	Perf	M				
Performance reporting / KPIs	Perf	M		4		
Partnership Working (incl. Regional Engagement)	Gov/Perf	M		4		
Equalities	Gov	M			4	
Information and IT						
IT network arrangements	Perf	H/M			5	
Data protection	Gov	H	4			
FOI	Gov	L				
Systems development / implementation	Perf	M		5		
Digital / IT strategy implementation	Perf	M				5
Other Audit Activities						
Management and Planning)			5	5	5	5
External audit / SFC)						
Attendance at Audit Committee)						
Follow-up reviews		Various	3	3	3	3
Audit Needs Assessment						
Investigation	Fin				5	
Total			40	44	40	40
			====	====	====	====

Key

Category: Gov – Governance; Perf – Performance; Fin – Financial

Priority: H – High; M – Medium; L – Low

* these assignments will be linked

3. Outline Scope and Objectives

Audit Assignment:	Student Support
Priority:	Medium
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	6

Scope

The audit will review the support services available to students, concentrating on the role of Student Advice Centre and Learning Inclusion Team staff. This will include a follow-up on the action taken to address the areas for investigation or improvement identified as part of the Student Support Business Process Review undertaken in 2017/18 (report 2018/05, finalised 9 May 2018).

We will also look at how the framework of support has been adapted to the changing support needs of students post-COVID 19 and how the College is mainstreaming digital accessibility.

Objectives

The objective of our audit will be to obtain reasonable assurance that there is appropriate provision of adequate advice and support to new students, students experiencing financial or other hardship and students with disabilities or special needs.

To this end we will ensure that there are processes and controls in place to be reasonably assured that students are:

- orientated appropriately at the beginning of the year;
- identified and provided with support if struggling financially;
- identified and provided with support if struggling academically;
- given adequate support if they have a disability;
- assessed for digital exclusion based on the needs for their learning, and support targeted as appropriate; and
- made to feel part of the College community.

mha
HENDERSON LOGGIE

Audit Assignment:	Student Support (Continued)

Our audit approach will be:

We will assess whether the above objectives have been met through discussion with the Assistant Principal, Student Experience, Assistant Principal, Access and Continuing Learning and staff from the Student Advice Centres, Learning Inclusion Team and Student Funding Team. We will also meet with Student Officers in the Students' Association, and review of relevant documentation.

mha
HENDERSON LOGGIE

Audit Assignment:	Payroll
Priority:	Medium
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	5

Scope

This audit will consider the key internal controls in place over the College's spend on staff costs of approximately £36m per annum. Our audit will cover the procedures in place within both the Human Resources and Payroll teams. This will cover the payment of staff expenses, with a focus on the way in which the new policy and procedures are being embedded.

Objectives

The objective of our audit will be to obtain reasonable assurance that systems are sufficient to ensure:

- correct calculation of gross pay and deductions;
- correct calculation of employer national insurance and superannuation contributions;
- part-time lecturers, overtime and staff expenses payments are properly authorised;
- approval and checking of changes to employee standing data;
- starters and leavers are properly treated and enter and leave the system at the correct dates; and
- proper authorisation, processing and recording of payments.

Our audit approach will be:

From discussion with Human Resources and Payroll staff, and review of procedures documentation, we will identify the key internal controls in place within the College's human resources / payroll system and compare these with expected controls. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.

Compliance testing will then be carried out to ensure that the controls in place are operating effectively, concentrating on starters, leavers, variations to pay and staff expenses payments.

mha
HENDERSON LOGGIE

Audit Assignment:	Fraud and Bribery Prevention, Detection and Response
Priority:	Medium
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	6

Scope

The scope of this audit will be to carry out a review of the corporate-wide anti-fraud framework in place within the College and also the arrangements in place to ensure compliance with the Bribery Act 2010.

Objectives

Fraud
The objectives of this aspect of our audit will be to ensure that:

- anti-fraud policies and procedures exist within the College that are in line with best practice;
- clear leadership, roles and responsibilities have been set out for implementation of the anti-fraud framework;
- there is a process in place to assess the nature and extent of the College's exposure to potential external and internal risks of fraud;
- anti-fraud policies and procedures are embedded and understood throughout the College through appropriate training and communication;
- the College has put in place a process to monitor and review procedures designed to prevent fraud and make improvements where necessary;
- there are clear procedures for employees and Board of Management members to raise concerns or whistleblow if they believe there has been fraud or other wrongdoing within the College; and
- appropriate procedures are in place for the investigation and reporting of a fraud.

Bribery and Corruption
The objectives of this aspect of our audit will be to ensure that:

- anti-bribery and anti-corruption policies and procedures exist within the College that are proportionate to the bribery risks it faces and to the nature, scale and complexity of its activities. Where appropriate, standard clauses are used in contracts with third parties and employees;
- an appropriate individual or group has been assigned to deliver the message of zero tolerance to bribery and corruption and that there is an appropriate level of involvement of the Board of Management and senior management in the development of the bribery procedures;
- there is a process in place to assess the nature and extent of the College's exposure to potential external and internal risks of bribery on its behalf by persons associated with it;
- before a new employee or member of the Board of Management starts, or a new arrangement is entered into with a third party, risk-based due diligence is undertaken as appropriate;
- bribery prevention policies and procedures are embedded and understood throughout the College through internal and external communication, including an appropriate training programme; and
- the College has put in place a process to monitor and review procedures designed to prevent bribery by persons associated with it and make improvements where necessary.

mha
HENDERSON LOGGIE

Audit Assignment:	Fraud and Bribery Prevention, Detection and Response (Continued)

Our audit approach will be:

From discussions with members of the College Management Team and other responsible staff, and review of documentation, we will establish the anti-fraud, anti-bribery and anti-corruption strategies, procedures and monitoring arrangements in place within the College. These will then be evaluated to establish if they are in accordance with legislation and best practice guidance.

mha
HENDERSON LOGGIE

Audit Assignment:	Delivery of Efficiency Savings Plan
Priority:	High
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	4

Scope

Scottish Ministers expect every public body to deliver efficiency savings of at least 3% in each year of the spending review and to report publicly on the actions taken and the results achieved. This efficiency programme allows public bodies to demonstrate, where appropriate, how and to what extent they have used efficiencies to protect quality and level of services and maintained outputs and outcomes in the face of budget cuts. Efficiency information is submitted by the College to the Scottish Funding Council (SFC) via the Regional Strategic Body annually.

In addition, as part of the financial plan College's are increasingly required to deliver in-year cash releasing savings in order to meet financial targets. Therefore, we will also examine the College's approach for the identification and delivery of cash releasing savings.

The scope of the audit will be to review the College's approach for identifying, recording and reporting efficiency or cost savings.

Objectives

The objectives of our audit will be to ensure that:

- the definition of what constitutes a saving has been clearly set out;
- annual efficiency savings targets have been set;
- there is a mechanism in place for quantifying and reporting on progress made to achieve the agreed efficiency savings targets;
- the efficiency information submitted to the SFC via the Regional Strategic Body is robust; and
- the monitoring of delivery of the annual cash releasing savings required to achieve financial targets is robust.

Our audit approach will be:

From discussion with the Vice Principal, Resources and College Development, Assistant Principal, Finance and Infrastructure and other responsible College managers and staff, and review of relevant documentation, we will consider whether the above objectives have been met.

mha
HENDERSON LOGGIE

Audit Assignment:	Risk Management / Business Continuity
Priority:	Medium
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	6

Scope

Risk Management

The scope of this aspect of the audit will be to consider whether there are corporate procedures in place to adequately assess risk and minimise the possibility of unexpected and unplanned situations developing, which are in line with good practice.

Business Continuity

We will also undertake a review of business continuity planning to consider whether there are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment. This will include a specific focus around the work that has been undertaken to allow College operations to continue during the COVID-19 pandemic.

Objectives

Risk Management

The objective of this aspect of our audit will be to obtain reasonable assurance that:

- there is a process in place to provide reasonable assurance to the Board and to the Principal in relation to the declaration on risk required for the financial statements;
- the process in place applies good practice in risk management; and
- key risks have been identified and are being appropriately controlled, mitigated, reported and discussed at appropriate levels of management and the Board.

Business Continuity

The objective of this aspect of our audit will be to obtain reasonable assurance that:

- Business Continuity Plans are in place covering all of the College's activities and locations;
- the Business Continuity Plans are workable, properly communicated to members of staff, and have been adequately tested;
- the processes and procedures in place follow recommended good practice; and
- the work that has been undertaken to allow College operations to continue during the COVID-19 pandemic has, as far as possible, minimised the impact on the student experience.

mha
HENDERSON LOGGIE

Audit Assignment:	Risk Management / Business Continuity (Continued)

Our audit approach will be:

Risk Management
Obtain and review a copy of the College's risk management policies, procedures and Risk Registers and discuss the risk management arrangements in place with the Vice Principal, Resources and College Development and other key managers and staff.

The College's risk management arrangements will then be benchmarked against relevant good practice guidance.

We will consider whether all relevant key risks have been identified and included on the Risk Registers and ensure that these are monitored and adequately reported on.

Business Continuity
Obtain copies of Business Continuity Plans in place and consider whether they cover all of the College's activities and locations. Obtain and review specific plans in place to continue College operations during the COVID-19 pandemic.

Discuss the College's approach with the Vice Principal, Resources and College Development and other key staff, and review evidence of how plans have been communicated to staff and students and the extent to which plans have been tested.

An assessment of the key processes and internal controls will be performed with reference to relevant good practice guidance.

Audit Assignment:	Digital / IT Strategy Implementation
Priority:	Medium
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	5

Scope

The scope of the audit will be to carry out a review of the College's Digital / IT strategic planning arrangements.

Objectives

The specific objectives of this audit will be to obtain reasonable assurance that:

- The Digital / IT Strategy reflects the current business environment and business processes, as well as the College's strategy, Regional Outcome Agreement and future objectives.
- Management has undertaken an assessment of the performance of current internal business and IT capabilities in order to develop an understanding of the College's strategic drivers in terms of IT.
- Target business and IT capabilities and required IT services have been defined.
- The gaps between the current and target IT environments have been identified.
- The Digital / IT Strategy has been developed in cooperation with relevant stakeholders and defines how IT related goals will contribute to the College's strategic goals and Regional Outcome Agreement;
- The Digital / IT Strategy has been communicated to appropriate stakeholders and staff throughout the College; and
- Procedures have been established for monitoring implementation of the Digital / IT Strategy and responsibilities formally assigned.

Our audit approach will be:

Through discussions with the Head of ICT and other responsible staff, and review of relevant documentation, we will assess whether the Digital / ICT strategic planning process and monitoring controls accord with good practice. Applicable extracts from the Control Objectives for Information and Related Technology (COBIT) framework for information technology management and governance were used as a benchmark.

mha
HENDERSON LOGGIE

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Fieldwork Timing	TBC
Audit Committee Meeting:	October 2021
Days:	3

Scope

This review will cover reports from the 2020/21 internal audit programme and reports from earlier years that had either not already been subject to follow-up or where previous follow-up identified that recommendations were outstanding.

Objectives

To establish the status of implementation of recommendations made in previous internal audit reports.

Our audit approach will be:

- for the recommendations made in previous reports ascertain by enquiry, review of supporting documentation or sample testing, as appropriate, whether they have been completed or what stage they have reached in terms of completion and whether the due date needs to be revised; and

- prepare a summary of the current status of the recommendations for the Audit Committee.

mha
HENDERSON LOGGIE

AUDIT COMMITTEE MEETING

Date of Meeting	30 September 2020
Paper Title	College Assurance Framework Update
Agenda Item	20.36
Paper Number	20.36A
Responsible Officer	Janet Thomson, Vice Principal – Resources and College Development
Status	Disclosable
Action	For Discussion

1   REPORT PURPOSE

1.1   This paper provides an update on the College Assurance Framework.

2   RECOMMENDATION

2.1   The Committee are requested to DISCUSS the College Assurance Framework and the Assurance process going forward.

3   BACKGROUND

3.1   The Scottish Government issued an updated Audit and Assurance Committee Handbook and Scott Moncrieff prepared a summary of the main changes to the Audit Committee Handbook and their summary document was submitted to a previous Audit Committee. The main areas of change to the Handbook were:

●   Audit and Assurance Committees to refresh their remit to comply with the changes – this was done in discussion at the October 2019 Committee and members were content with the current remit.
●   An Assurance Framework to be developed/updated to consider whether there are any gaps or overlaps in assurances for the Committee . Please see attached Assurance Mapping Framework.
●   Consider any training for Committee on the new assurance framework and handbook – this will be offered via the Clerk to the Committee.

3.3   An assurance map is being developed following the "three lines of defence" model as advocated in the Handbook and is per the attached based on the annual Certificate of Assurance including the Financial Memorandum with the GCRB as below:-

●   First line: management assurance from "front line" or business operational areas;

- Second line: oversight of management activity, including effective management information, separate from those responsible for delivery, but not independent of the organisation's management chain; and
- Third line: independent and more objective assurance, including the role of Internal Audit and from external bodies.

3.5   The next steps on the Assurance Framework are intended to be undertaken on a workshop style basis with the Executive Management Team and other managers with the potential involvement of the Chair of the Committee and/or the external auditor.

4   RISK ANALYSIS

4.1   There are no specific risk implications in this paper.

5   LEGAL IMPLICATIONS/FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

5.1   The College needs to comply with the Audit Committee Handbook as part of its status as a public body.

6   HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

Glasgow Clyde College – Audit Committee

Draft College Assurance Map Framework – September 2020

GCRB Financial Memorandum/ Certificate of Assurance	First Line: *Management assurance from 'front line' or business operational areas*	Second Line: *Oversight of management activity, including effective management information, separate from those responsible for delivery, but not independent of the organisation's management chain*	Third Line: *Independent and more objective assurance, including the role of Internal Audit and from external bodies*
Certificate of Assurance - Schedule of Required Assurance Areas			
1. Ensure that appropriate financial systems are in place and applied and that procedures and controls are reviewed from time to time to ensure their continuing relevance and reliability, especially at times of major change.			
2. Ensure that proper financial procedures are followed and that accounting records are maintained in the form prescribed for published accounts: - ensure that the public funds for which you are responsible are properly managed and safeguarded; - ensure that assets for which you are responsible such as land, buildings or other property, including stores and equipment, are controlled and safeguarded; - ensure that the financial implications of any new policies have been considered; - ensure that delegation of responsibility is accompanied by clear lines of control and accountability together with reporting arrangements.			
3. Ensure that procurement activity is conducted in accordance with the applicable public sector procurement requirements.			
4. Ensure that effective management systems appropriate for the achievement of the body's objectives, including financial monitoring and control systems, have been put in place.			

GCRB Financial Memorandum/ Certificate of Assurance	First Line: *Management assurance from 'front line' or business operational areas*	Second Line: *Oversight of management activity, including effective management information, separate from those responsible for delivery, but not independent of the organisation's management chain*	Third Line: *Independent and more objective assurance, including the role of Internal Audit and from external bodies*
5. Ensure all risks relating to delivering business objectives, regularity, propriety or value for money are identified. In doing this, you have ensured that their significance was assessed and that systems appropriate to the risks are in place in all relevant areas to manage them.			
6. Ensure that arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual.			
7. Ensure that managers at all levels have a clear view of their objectives, and the means to assess and measure outputs, outcomes and performance in relation to those objectives.			
8. Ensure that all managers are assigned well defined responsibilities for making the best use of resources.			
9. Ensure that all managers have the information (particularly about costs), training and access to the expert advice which they need to exercise their responsibilities effectively.			
10. Ensure that the body achieves high standards of regularity and propriety in the consumption of resources. Regularity involves compliance with relevant legislation, relevant guidance issued by the Scottish Ministers – in particular the Scottish Public Finance Manual where it applies to your organisation – and the Financial Memorandum document defining the key roles and responsibilities which underpin the relationship between your organisation and the Scottish Funding Council. Propriety involves respecting the Parliament's intentions and conventions and adhering to values and behaviours appropriate to the			

GCRB Financial Memorandum/ Certificate of Assurance	First Line: *Management assurance from 'front line' or business operational areas*	Second Line: *Oversight of management activity, including effective management information, separate from those responsible for delivery, but not independent of the organisation's management chain*	Third Line: *Independent and more objective assurance, including the role of Internal Audit and from external bodies*
public sector.			
11. Ensure that you have a well communicated fraud policy, an up-to-date fraud response plan and effective avenues for reporting suspicions of fraud.			
12. Ensure that there are processes in place around compliance with an IT security policy and for dealing with potential breaches.			
13. Ensure that appropriate consideration has been given to business continuity planning and disaster recovery for key activities.			
14. Ensure that you have an up-to-date publication scheme, that it is sufficiently open and proactive in publishing information of interest to your stakeholders.			
15. Ensure that you have a people/HR strategy in place and that you measure levels of employee engagement (e.g. through a staff survey) and take action in response as required.			
Schedule of Compliance with the Financial Memorandum			
1. the requirements of the Scottish Public Finance Manual (SPFM) have been met (except where any special actions or derogations have been agreed with the Scottish Ministers) (Part 3 – para 2)			
2. the SPFM requirement for College to notify SFC (via the GCRB) of any item in the SPFM that requires prior approval from the Scottish Government (Part 3 – para 4)			
3. the requirement for overdrafts not to be used as a means of increasing borrowing (Part 3 – para 9)			
4. the requirement to seek SFC's prior written consent (via GCRB) before the College lends			

GCRB Financial Memorandum/ Certificate of Assurance	First Line: *Management assurance from 'front line' or business operational areas*	Second Line: *Oversight of management activity, including effective management information, separate from those responsible for delivery, but not independent of the organisation's management chain*	Third Line: *Independent and more objective assurance, including the role of Internal Audit and from external bodies*
any funds or give a guarantee, indemnity or letter of comfort (Part 3 – para 10)			
5. the Financial Memorandum's requirements relating to contingent liabilities (Part 3 – paras 10 - 12)			
6. the requirement to obtain SFC's prior written approval (via GCRB) before entering into any undertaking to incur any expenditure that falls out-with delegations set out in Appendix A of the Financial Memorandum (Part 3 - para 13)			
7. the requirement to obtain SFC approval (via GCRB) before incurring expenditure for any purpose that is, or might be considered, novel, contentious or repercussive or which has or could have significant future cost implications (Part 3 – para 14)			
8. the requirement to disclose information about frauds to GCRB (Part 3 – para 16)			
9. the requirement to establish appropriate documented internal delegated authority arrangements consistent with the Delegated Authority section of the SPFM and the Financial Memorandum (Part 3 – para 17)			
10. the requirement that any severance scheme is approved by SFC (via GCRB) (Part 3 – paras 21 -23)			
11. the requirement to seek approval in advance by SFC (via GCRB) for any external consultancy contracts with a value of more than £100,000 (Part 3 – para 24)			
12. the requirement to not make any investments of a speculative nature without the prior written approval of SFC (via GCRB) (Part 3 - para 29)			
13. the requirement for any contract without competition (non-competitive action) to have been approved in advance by SFC (via GCRB) for any amounts over £25,000 (Part 3 - para 31)			

AUDIT COMMITTEE

Date of Meeting	30 September 2020
Paper Title	College Strategic Risk Register
Agenda Item	20.37
Paper Number	20.37A
Responsible Officer	Janet Thomson, Vice Principal Resources and College Development
Status	Disclosable
Action	For Discussion

1   REPORT PURPOSE

1.1   This report considers the College's Strategic Risk Register which is updated regularly and reported to the Board of Management on a quarterly basis.

2   RECOMMENDATION

2.1   Committee Members are invited to discuss this paper.

3   BACKGROUND

3.1   The College's Strategic Risk Register is attached as at 23rd September 2020.

3.2   The Risk Register is significantly impacted by the COVID 19 virus implications and these are shown in the Risk category columns, The changes since last reported to the Board in June are highlighted in red.

3.3   The Risk Register has been updated to reflect the themes of the new agreed College Strategic Plan and these are also highlighted in red.

4   RISK ANALYSIS

4.1   The College Strategic Risk Register is a key part of the College's risk management framework.

5   LEGAL IMPLICATIONS/FINANCIAL IMPLICATIONS/REGIONAL OUTCOME AGREEMENT IMPLICATIONS

5.1   The College is required to have a risk register as part of the Financial Memorandum and the financial implications are detailed within the financial risks section of the College Strategic Risk Register. The College also submits it Risk Register to GCRB who review the Risk Registers of the three Glasgow Colleges as well as having their own Risk Register.

6   HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT?

6.1   N/A

GLASGOW CLYDE COLLEGE - STRATEGIC RISK REGISTER INCL. COVID 19 IMPACTS								Key of abbreviations : SFC = Scottish Funding Council, GCRB = Glasgow Colleges Regional Board, GCG = Glasgow Colleges Group, SDS = Skills Development Scotland, ESF = European Social Fund, JISC = Joint Information Steering Committee					as at 23rd September 2020			

					Score Before Mitigating Actions					Score After Mitigating Actions						
Risk Ref	New Risk Description	Risk Category	Link to Strategic Plan Themes	Risk Owner	Probability	Impact	Risk Score	Mitigating Actions	Probability	Impact	Risk Score	Risk Ranking after mitigating actions	Risk Timing - Short / Medium/ Long Term	Risk Score at last report to the Board	Risk Increasing/ Decreasing/ No Change
Financial Risks															
F1	**Failure to achieve surplus targets for commercial activity/Failure to achieve/maintain planned levels of non-SFC income**	Financial / COVID impacts	Theme 2 and 5 - Partner of Choice and Financial Resilience through Operational Excellence	Assistant Principal International and Business Development	5	5	25	i) Previous ambitious commercial income/surplus growth plan now into recovery plan for 2020/21 and future years by each sector area based on medium and long term impacts of COVID 19 virus. ii) Regular monitoring between Business Development Unit, External Funding Unit and Faculty Management of commercial activity/non-SFC activity and future replacement activity will be identified as far as can be estimated however significant impacts likely through 2020/21 at least. iii) Pipeline of activity being re-established as much as possible based on on line or on site delivery. iv) Costing templates completed for all commercial activity. Further monitoring of in year staff costs transfers of permanent staff costs ongoing. v) Increased engagement and marketing effort post COVID to try to maintain as much of business as possible and to open and grow new income streams e.g. for retraining. vi) Spread of activity across a range of activity areas to reduce risk of one large contract failure to overall surplus. vii) Review and develop market opportunities through business development strategy and grow new markets. viii) Keep informed of constitutional change implications of Brexit and impact on non-SFC activity for the College. Involvement in College sector Brexit forum. ix) Continued work with key partners to ensure successful projects delivered and funding maintained as much as possible.	5	5	25	F1	Short	20	Increased
F2	**Failure to reduce College cost base on managed basis to meet requirements of the five year financial forecast**	Financial/ Organisational/ COVID impacts	Theme 5 - Financial Resilience through Operational Excellence	Principal/ Vice Principals	5	5	25	i) Financial plan prepared which shows required cost reductions based on anticipated income reductions due to COVID impacts. ii) Cost reduction plan being implemented which requires reduction in staff levels and significant cuts in non-staff budgets across the College where possible. VS Reductions and academic management restructure now being implemented to later timescales. Commenced process of review of all areas to seek cost reductions, as well as seeking further efficiency through improved business processes. iv) Plan had first staff area change from October 2019 and through use of current VS scheme with required agreement with GCRB and SFC. v) Discussion on future potential changes being taken forward including academic management restructure. vi) Zero based budgeting for 19/20 onwards for non-staff costs.	4	5	20	F2	Medium	20	No change
F3	**Potential of funding for refusal of SFC to fund for VS scheme**	Financial/ Organisational	Theme 5 - Financial Resilience through Operational Excellence	Principal /Vice Principals	4	5	20	i) Detailed five year Financial plan prepared and FFR which show recovery after VS is funded and overall business case being prepared. present case to SFC. ii) Discussions within Glasgow Colleges Regional Board to share approach iii) Cost reduction plan being implemented which requires reduction in staff levels and significant cuts in non-staff budgets across the College where possible iv) Ensure stated teaching activity targets are met to meet SFC requirements.	3	5	15	F3	Medium	15	No change
F4	**Adverse Funding changes in 2019/20 2020/21(SFC/SDS/ESF)**	Financial / COVID Impacts	Theme 5 - Financial Resilience through Operational Excellence	Principal/ Vice Principals	4	5	20	i) Financial plans developed by College Senior Leadership and monitored within framework of available activity through Glasgow Regional funding for teaching, student support funds and capital. Portfolio planning key element of cost base and monitored on ongoing basis. Portfolio for 2020/21 2019/20 being monitored with on line activity where possible. ii) Continue to aim to inform and influence funding allocations through Principals' Forum, Glasgow Colleges Regional Board, MSPs, and other appropriate bodies. Initial SFC funding allocation for 2020/21 confirmed. announced. iii) Work with Colleges Scotland and Scotland's Colleges Partnership on lobbying regarding impact on ESF funding and development of future alternative resources iv) Projects progressed to address priority items as per College Capital masterplan based on affordability and potential for applications to Foundation v) College had been working to achieve Flexible Workforce Development Fund target levels for 2019/20 however now impacted by COVID 19 arrangements shutdown.	3	4	12	F4	Short	8	Increased
F5	**Failure to achieve contracted overall teaching delivery targets for any key partner (SFC/SDS/ESF)**	Financial/ Organisational/ COVID impacts	Theme 2 and 3 - Partner of choice and Unrivalled Student Experience	Vice Principal - Curriculum & External Relations	4	4	16	i) Annually plan and deliver portfolio to required quality standards, ensuring appropriate recruitment, retention and profile of students. ii) Discussions within Glasgow Colleges Group and with other partners to plan curriculum and make changes annually to meet market needs and Government and SFC guidance iii) Ensure stated teaching activity targets are met. iv) Work closely with relevant partners to ensure programmes implemented as planned v) Aim to ensure annually all relevant agency (e.g. SDS) milestones and documentation requirements achieved however no has COVID impacts due to shutdown. vi) College undertake effective competitor analysis, clear branding and focused marketing to maintain effective student recruitment. Again significant COVID impacts and need to consider impacts for reopening whenever that is planned.	3	4	12	F5	Short	8	No change

GLASGOW CLYDE COLLEGE - STRATEGIC RISK REGISTER INCL. COVID 19 IMPACTS

Key of abbreviations : SFC = Scottish Funding Council, GCRB = Glasgow Colleges Regional Board, GCG = Glasgow Colleges Group, SDS = Skills Development Scotland, ESF = European Social Fund, JISC = Joint Information Steering Committee

as at 23rd September 2020

						Score Before Mitigating Actions				Score After Mitigating Actions						
Risk Ref	New Risk Description	Risk Category	Link to Strategic Plan Themes	Risk Owner	Probability	Impact	Risk Score	Mitigating Actions	Probability	Impact	Risk Score	Risk Ranking after mitigating actions	Risk Timing - Short / Medium/ Long Term	Risk Score at last report to the Board	Risk Increasing/ Decreasing/ No Change

Organisational Risks

O1	Failure of College operational processes/ systems /ICT infrastructure (including risk of fraud and potential cyber attack)	Organisational/ COVID impacts	Theme 5 - Financial Resilience through Operational Execellence	Vice Principal - Resources & College Development & Vice Principal- Curriculum & External Relations	4	5	20	i) Monitoring systems in place across College and feedback from relevant staff. Any issues addressed as necessary and action taken. Need to ensure key systems not impacted by financially challenging budget in 2019/20. Many systems cloud based and using remote desktop for staff to access files while home working. Delivered laptops and wireless devices to staff and students who need them during shutdown period. ii) Business system improvement process in place iii) Infrastructure designed not to have single points of failure with all campuses operating a sophisticated dual-core network topology. iv) Virtualisation infrastructure which improves server resilience with two main data centres at different campuses. v) Member of JISC Information Security service which provides support to secure against cyber attack and regular ICT network penetration testing undertaken. vi) ICT backup procedures and Disaster Recovery planning. Penetration testing exercise completed. Cyber essentials plus status achieved. vii) Web filtering technology in place and uninterruptable power supply in place. viii) Fraud response plan in place	4	4	16	O1	Medium	16	Increased due to home working.
O2	Failure to achieve acceptably high standard quality of teaching delivery and support for students and suitable student experience	Organisational/ Financial/ COVID impacts	Theme 1 & 3 - Inspirational Learning & Teaching & Unrivalled Student Experience	Vice Principal - Curriculum & External Relations	5	5	25	i) Monitor of teaching KPIs across all subject areas and action taken to address areas of concern. ii) Quality mechanisms undertaken through annual cycle including self evaluation and internal and external verification processes. Lots of activity has been undertaken by quality with course teams on new arrangements for assessment during College closure. iii) Heads of Curriculum and Unit Managers monitor quality and delivery of service during year and follow up on any issues. iv) Faculty staff work with students association, class reps and student feedback mechanisms to monitor feedback on quality and follow up on any issues v) Development of classroom observation protocol as intimated in national bargaining vi) Make efficiencies in business processes to deliver quality of services vii) Monitor feedback from student focus groups on student experience viii) Enhance the monitoring of a range of KPI data on an ongoing basis to quickly identify any emerging negative trends in student performance.	4	4	16	O2	Medium	12	Increased due to new ways of working and assessing of teaching.
O3	Negative impact on employee relations (e.g. national bargaining, industrial action, local consultation)	Organisational / Reputational	Theme 4 - Employer of Choice	Principal/ Assistant Principal HR	4	5	20	i) Focussed work with Trade Unions, specific and regular meetings with senior management, ensuring good flow of information, and ongoing communications. ii) Regular direct communication with staff e.g. staff briefings, focus groups. iii) Representation made through Employers Association Group, Colleges Scotland, Principals Forum, and GCRB, within national bargaining process. iv) Emphasis being made nationally on imperative of financial sustainability and affordability issues particularly given increased staffing costs and challenges of the Glasgow Regional context. v) Discussion with unions on impact on College financial sustainability and organisational impacts. vi) Business continuity planning used to ensure all stakeholders appropriately communicated with in any potential industrial action. vii) Ensure transparency of consultation process to maximise opportunities for enhanced communications with Trade Unions	3	5	15	O3	Short	15	No change. Academic management structure timing delayed except for VS leavers.
O4	High Impact Disaster for College e.g. fire, long term power loss	Organisational/ COVID impacts	Theme 5 - Financial Resilience through Operational Execellence	Vice Principal - Resources & College Development	3	5	15	i) Health and safety risk assessments in place and required testing and audits completed on an annual cycle ii) Business Continuity Plan for College in place. iii) Estates condition survey completed and prioritising projects through estates based on affordability. iv) Business interruption insurance in place however under COVID will need to assess claim options.	3	4	12	O4	Medium	8	Increased
O5	Failure to achieve a sustainable fit for purpose College estate	Organisational/ Financial	Theme 1 & 5 - Inspirational Learning & Teaching& Financial Resilience through Operational Execellence	Vice Principal - Resources & College Development	4	3	12	i) Capital masterplan in place and related to estates condition survey which highlights required investment to maintain College estate. Funding for 2019/20 for very high priority items allocated by GCRB to College although there are logistical issues in spending the funds within the timeframe. ii) Work with GCRB and SFC to ensure fully informed of estates requirements. iii) Estates Strategy Review completed iv) Need to plan within very tight resources due to financially challenging budget for 2019/20 and items will be rephased as required.	3	3	9	O5	Long	9	No change
O6	Failure to recruit and retain an appropriately skilled and effective workforce	Organisational/ Reputational	Theme 1 & 5 - Inspirational Learning & Teaching & Employer of Choice	Assistant Principal HR	3	5	15	i) Recruitment and retention of staff for a few skills areas remains challenging and College continues to use a range of approaches as appropriate. ii) Maintain open channels of communication with trade unions, college managers and their staff, and effective attendance management process in place. iii) All new staff have an induction process and annual training programme undertaken. iv) Cover arranged as required for absence of key staff members. v) Appropriate CPD provided for staff to meet identified skills gaps vi) Need to manage to retain appropriate staff through challenge of restructures	2	4	8	O6	Medium	8	No change

GLASGOW CLYDE COLLEGE - STRATEGIC RISK REGISTER INCL. COVID 19 IMPACTS									Key of abbreviations : SFC = Scottish Funding Council, GCRB = Glasgow Colleges Regional Board, GCG = Glasgow Colleges Group, SDS = Skills Development Scotland, ESF = European Social Fund, JISC = Joint Information Steering Committee		as at 23rd September 2020						
						Score Before Mitigating Actions						**Score After Mitigating Actions**					
Risk Ref	New Risk Description	Risk Category	Link to Strategic Plan Themes	Risk Owner	Probability	Impact		Risk Score	Mitigating Actions		Probability	Impact	Risk Score	Risk Ranking after mitigating actions	Risk Timing - Short / Medium/ Long Term	Risk Score at last report to the Board	Risk Increasing/ Decreasing/ No Change
	Governance Risks																
G1	**Failure to meet all legislative and regulatory requirements and/or recommended guidance**	Governance/ Reputational/ COVID 19 Impacts	Theme 1 & 5 - Inspirational Learning & Teaching& Financial Resilience through Operational Excellence	Principal/ Clerk to the Board	4	5		20	i) Work within roles, responsibilities and legal implications of Legislation and associated related guidance. ii) Liaison with and maintaining ongoing dialogue with relevant bodies e.g. SFC, GCRB and Scottish Government. College ensure full knowledge and implementation of legislative, regulatory and guidance requirements including requirements of Financial Memorandum with GCRB. iii) Close involvement in ongoing discussions on COVID 19 implications with SFC and representative forums to contribute towards sector input to seek support for current and future resultant challenges iv) Individual managers required to keep up to date with legislation relating to their areas and implement appropriate controls v) Ensure Board have appropriate training on key guidance and legislation and take proactive role of Board in ensuring meet all requirements. vi) Modern Slavery statement in place vii) Safeguarding officers and safeguarding forum on each campus viii) Seek legal advice as required. ix) Data Protection Officer in place to advise on General Data Protection Regulation/ Data Protection matters.		4	4	16	G1	Medium	12	Increased
G2	**Failure to comply with Health and Safety and Safeguarding requirements**	Organisational/ COVID Impacts	Theme 1 & 5 - Inspirational Learning & Teaching& Financial Resilience through Operational Excellence	Assistant Principal HR	3	5		15	i) Glasgow Clyde College Health and Safety and Safeguarding Committee and Campus Forums meet regularly to monitor health and safety arrangements and any issues are raised. ii) Project Board and working groups ongoing Significant challenge for post COVID and what operating arrangements will be in place. iii) Health and Safety Officers working across the three campuses and ensure annual cycle of health and safety audits are completed iv) Regular reporting on Health and Safety to Organisational Development Committee as part of their remit requirements v) Full review of Health and Safety Policy and Procedures being undertaken		3	4	12	G2	Short	4	Increased
G3	**Failure to recruit, train and retain an appropriately experienced Board of Management**	Governance	Theme 2, 3 & 5 - Partner of Choice, Unrivalled Stuednt Eexperience & Financial Resilience through Operational Excellence	Clerk to the Board	3	4		12	i) Continue to maintain membership of Board of Management at suitable level with the correct level and mix of skills. Nominations committee now established. Succession planning taking place with the Nominations Committee considering future vacancies well in advance. ii) Annual self assessment for Board members and training provided as required. iii) Induction provided for all new Board members. iv) Ensure Board undertake an ongoing programme of training to meet CPD needs. v) Board member handbook in place and an annual review/update to be undertaken.		2	3	6	G3	Medium	6	No change

AUDIT COMMITTEE MEETING

Date of Meeting	30 September 2020
Paper Title	Audit Scotland: Briefing Notes
Agenda Item	20.41
Paper Number	20.41A
Responsible Officer	Janet Thomson, Vice Principal Resources & College Development
Status	Disclosable
Action	For Noting

1   **REPORT PURPOSE**

The purpose of this paper is to submit to the Committee, for noting, three briefing notes which recently been prepared by Audit Scotland. These are Audit Scotland Update to the College Finance Network dated 14 August, COVID 19 - How Public Audit in Scotland is Responding dated June 2020, and COVID 19 - Implications for Public Finances in Scotland August 2020.

2   **RECOMMENDATION**

2.1   Members of the Audit Committee are invited to note the attached Audit Scotland briefing notes which have been made available.

3   **BACKGROUND**

3.1   Audit Scotland have produced a COVID 19 Update note for the College Finance Network as at 14th August which is attached as Appendix A. This is a note which summarises an update on the impact of Covid-19 on Audit Scotland's work programme, including reporting on colleges. They have indicated that they will not be publishing an annual Colleges Overview Report for 2019/20. Their note highlights that as the financial position of colleges has changed so significantly as a result of the Covid-19 pandemic leading to significant sector deficits projected in 2019/20 and 2020/21 that "there would be limited value in providing detailed analysis of the 2018-19 financial position, as it no longer provides an indication of the direction of travel of college finances or bears as much relevance to the way colleges will be operating in future". They will continue to report on individual colleges through their annual audit reports.

3.2   The note to the College Finance Network also clarifies that the deadline for 2019/20 college financial statements is unchanged, with them having to be signed by 31 December 2020 and laid before the Scottish Parliament by 30 April 2021. Also it is noted that the Auditor General for Scotland and Accounts Commission has agreed that they intend to extend the current five-year external audit appointments for a further year and therefore Scott Moncrieff will remain the external auditor through to July 2021 to provide an element of stability and continuity in amongst all other changes.

3.3   It also states that the current situation highlights the importance of areas they have previously reported on, such as good governance, openness and transparency, financial controls and management, and effective long-term planning to deliver better outcomes for individuals and communities. The important role of colleges in skills provision and supporting Scotland's economic recovery is recognised and the challenges that Covid-19 presents to the financial sustainability of the sector.

3.4   Audit Scotland have also produced two COVID 19 briefing notes as at mid/late June and late August which are for the Scottish public sector and these are attached in Appendix B and C. The first of these is how Public Audit in Scotland is responding which covers some similar points to the Update Note in Appendix A plus some information on Audit Scotland's current and future potential work programme. It also summarises a range of risks and challenges as a result of the pandemic including the economic impact which will have long-term consequences for Scotland's public finances, the ability of public services to adapt in the longer term to Covid-19, the impact of increased costs and reduced income on public sector organisations' ability to manage their finances.

3.5   The COVID 19 briefing note in Appendix C is on Implications for Public Finances in Scotland and gives an interesting overview of their analysis what has happened within the terms of the overall Scottish public sector budget through COVID 19 and what may be areas of future risk. The report is in three parts and part 1 highlights the fiscal response in Scotland to Covid-19 to the end of July 2020 as well as UK Government related policies that apply in Scotland, part 2 sets out the emerging financial and performance risks that the Scottish Government is facing as a result of Covid-19 and its economic consequences and part 3 considers what this means for Audit Scotland's work in providing assurance and aiding scrutiny of the Scottish Government's response during the current crisis.

3.6   It indicates that two major UK Government fiscal announcements are anticipated in the autumn which will affect the Scottish budget in 2020/21 and subsequent years. The first of these is an autumn budget including the conclusions of the Chancellor's review of the UK fiscal framework and a new

set of fiscal rules which could have significant financial implications for Scotland. Secondly a comprehensive spending review is expected to set UK Government departments' resource budgets out to 2023/24, capital budgets until 2024/25, and devolved administrations' block grants for the same period. This will have implications for Scottish budgets through the block grant. The note states that "The current situation remains fast moving and very unpredictable, and the timings, content and number of fiscal events could change, depending on the progress of the pandemic and economic performance. How these develop over the course of this year and into the longer term will be of critical importance to Scottish finances.

3.7   The final pages of that note summarise the Scottish Government COVID 19 spending announcements to 31 July 2020 and there is a section on page 23 over to page 24 on Education. This has four areas of spending announcement totalling £140.2M however only a part of £5M of this has had any benefit to Colleges as it is broken down as follows:-

- Funding for university research £75M
- Living Classrooms, Virtual Nature School programme £0.2M
- Fund to help colleges and universities tackle digital exclusion £5M
- Additional £30M to recruit teachers and £30M for local authorities' education recovery hence £60M total.

4   RISK ANALYSIS

4.1   There are a range of risks highlighted within these briefing notes and the College need to continue to update its Strategic Risk Register to pick on the various ongoing and emerging risk areas.

5   LEGAL IMPLICATIONS/FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS

5.1   There are no specific legal implications however there are significant financial implications across a range of the College's income areas and there are potentially Regional Outcome Agreement implications in relation to the College's future financial sustainability due to the impacts of COVID 19.

6   HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT

N/A

College Finance Network
meeting Audit Scotland update
14 August 2020

Background

1. This paper provides an update on the impact of Covid-19 on Audit Scotland's work programme, including reporting on colleges, for discussion at the Finance Network meeting on 14 August 2020.

Colleges overview report

2. Audit Scotland's annual overview report on Scotland's colleges was due to be published in June 2020.

3. In April, following the introduction of lockdown measures in response to the Covid-19 pandemic, the Auditor General for Scotland (AGS) decided to pause our work on this audit. This decision reflected our recognition of the immediate pressures facing the Scottish Government, Scottish Funding Council (SFC) and colleges in responding to Covid-19 and our commitment to minimise the impact of audit in these circumstances.

4. We continued to keep our approach to reporting on colleges this year under review, taking into consideration the capacity of the Scottish Government and the SFC and how much the landscape has changed and continues to change. Stephen Boyle took up post as AGS on 1 July, and we have agreed with him that we will not publish a colleges overview report this year.

5. The financial position of colleges has changed significantly as a result of the Covid-19 pandemic. The SFC has reported that the 2019-20 sector adjusted operating position is expected to move from a near break-even position to a deficit of £12.3 million, and that the impact in 2020-21 is expected to be even more severe. There would be limited value in providing detailed analysis of the 2018-19 financial position, as it no longer provides an indication of the direction of travel of college finances or bears as much relevance to the way colleges will be operating in future.

6. We will continue to report on individual colleges through their annual audit reports, and Section 22 reports where appropriate. As in previous years, we will report progress against the recommendations in last year's colleges overview report in the SFC's annual audit report.

Review of Audit Scotland's work programme

7. Audit Scotland is currently reviewing its wider work programme to reflect the changing context of Covid-19 and the implications for public finances, public services and outcomes for citizens. The pandemic has introduced new risks, challenges and opportunities. It also highlights the importance of many long-standing issues we have previously reported on, such as good governance, openness and transparency, financial controls and management, and effective long-term planning to deliver better outcomes for individuals and communities.

8. We are at the early stages of reviewing our future work programme and are still to discuss proposals with the AGS and Accounts Commission. Potential themes for future work include:

- The economic and fiscal consequences of Covid-19

- Financial sustainability and delivery of strategic objectives

- Public service adaptation and innovation

- Collaborative leadership and joint working

- Governance and accountability

- Equalities

- Community engagement

- Digital approaches

9. As part of the review of our work programme, we are exploring options for reporting on colleges in future. We recognise the important role of colleges in skills provision and supporting Scotland's economic recovery and the challenges that Covid-19 presents to the financial sustainability of the sector.

10. We continue to monitor developments relating to further and higher education, including the publication of financial forecast information by the SFC, the SFC's review of coherent provision and sustainability, and the publication of the Scottish Government's Economic Recovery Implementation Plan.

11. We have regular engagement with Colleges Scotland, and Alan Ritchie and Iain Clark attended recent meetings in May and July 2020. Our next meeting is in early September. We welcome the opportunity to provide updates at Finance Network meetings, and will continue to keep colleagues updated as we refine our work programme and reporting plans.

12. The dynamic and uncertain nature of the Covid-19 pandemic means that Audit Scotland will need to remain flexible and agile. This means that our work programme may continue to change at short notice as new issues emerge, or current risks reduce or increase in significance.

Annual audit 2019/20

13. The deadline for 2019/20 college accounts is unchanged, and they must be signed by 31 December 2020 and laid by 30 April 2021. Auditors will be working closely with colleges to agree arrangements to enable audit work to take place. This includes discussing any issues or concerns about meeting the December deadline due to the impact of Covid-19.

14. The Auditor General for Scotland and Accounts Commission have agreed that they intend to extend the current five-year audit appointments for a further year. This decision reflects the need for stability and continuity given the longer-term impact of Covid-19 on audited bodies and the difficulty of running the necessary procurement exercise during the pandemic.

Conclusion

15. You can find more information on the impact of Covid-19 on the work of public audit in Scotland and how Audit Scotland is responding in this briefing paper.

16. I would welcome any feedback on Audit Scotland's approach and suggestions for the focus of future reporting on colleges.

Rebecca Seidel

Senior Manager, Audit Scotland

August 2020

Covid-19
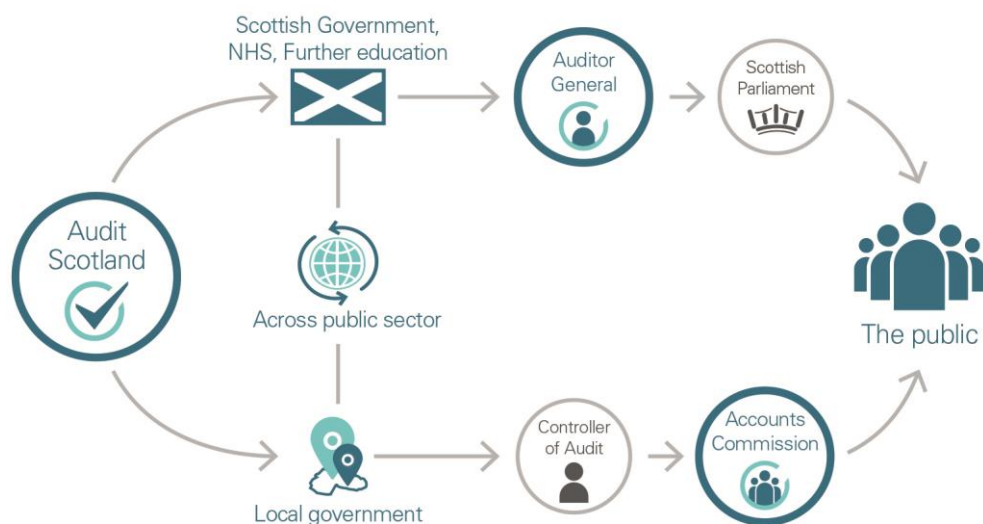
How public audit in Scotland is responding

AUDIT SCOTLAND

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.

About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

Contents

Introduction

1. This briefing paper considers the impact of Covid-19 on the work of public audit in Scotland and provides information on our strategy and considerations. It updates *Covid-19: What it means for public audit*, published May 2020, with more detail about the scope, timing and areas of focus of our audit work.

Covid-19 and public audit

2. Covid-19 has had and will continue to have a major impact on all our lives. The world has already changed in response to the global pandemic in ways that none of us would have thought possible even six months ago. Public audit has an important contribution to the recovery and renewal of public services. On behalf of the Auditor General for Scotland and the Accounts Commission, Audit Scotland is therefore planning a substantial programme of work on the Scottish public sector's response to Covid-19.

3. High-quality, independent and evidence-based audit supports accountability and learning about how the government and public bodies have responded to the crisis. Central to this will be providing transparency, supporting parliamentary scrutiny by the Public Audit and Post-legislative Scrutiny Committee and other relevant subject committees, and sharing good practice and innovation.

4. The response to Covid-19 has demonstrated some of the Scottish public sector's key attributes, such as agility and partnerships. However, not everything will have gone well and there will be important lessons for the future.

5. The pandemic also highlights the importance of many of the long-standing issues that we have highlighted in the past, such as good governance, openness and transparency, financial controls and management, and effective long-term planning to deliver better outcomes for individuals and communities. These issues are of even greater importance now than ever, given the pressures and challenges facing Scotland's public services.

6. The dynamic and unfolding nature of the Covid-19 pandemic means that Audit Scotland will need to remain flexible and agile. This means that our work programme may continue to change at short notice as new issues emerge, or current risks reduce or increase in significance.

How public bodies are responding to Covid-19

7. The response to Covid-19 has shone a spotlight on some of the strengths of the Scottish public sector, including its ability to adapt and change quickly when necessary and the way partners can pull together when presented with an urgent shared challenge.

8. A wide range of public bodies have focused their operating models to respond to the lockdown and continued to deliver the key public services that people depend on. Changes and developments previously considered impossible or laborious have been made in a matter of weeks.

9. Not everything will have gone well and there will be important lessons for the future. Some of those lessons will need to be learnt quickly if there is a second wave of infection, but there will also be longer-term lessons.

10. We know from our engagement with audited bodies that the pandemic is creating a range of risks and challenges, including:

- the economic impact, which will have long-term consequences for Scotland's public finances

- the ability of public services to adapt in the longer term to Covid-19

- the impact of increased costs and reduced income on public sector organisations' ability to manage their finances

- the impact of Covid-19 on different groups in society who have been disproportionately affected by the pandemic.

The annual audit

Annual audit deadlines

11. New extended audit timetables have now been agreed for NHS and local government bodies. A three-month extension applies for NHS audited accounts, which are to be published by 30 September. A two-month extension applies to local government, with accounts expected to be published by 30 November.

12. The deadline for the laying of central government bodies' accounts in the Scottish Parliament is unchanged, at the end of December. College accounts must be signed by 31 December and laid by 30 April.

13. The Scottish Government Consolidated Accounts and any Section 22 reporting are likely to be concluded and reported later than in previous years.

Accounts and wider performance reporting requirements

14. The format and content of financial statements remain unchanged this year. For health and central government bodies they must still be prepared in line with the requirements in the 2019/20 Government Financial Reporting Manual (FReM). Local government accounts must be prepared in accordance with the Code of Practice on Local Authority Accounting for 2019/20.

15. Minimum requirements have been introduced to the performance reporting and management commentary across the public sector this year because of Covid-19.

16. Central government bodies can omit the performance analysis section from the performance report in annual reports. Where relevant performance information has already been published elsewhere, bodies are encouraged to refer to those sources.

17. Local government bodies have been given greater flexibility and reduced reporting requirements for the management commentary in annual reports, which this year will focus on headline financial and other risks.

18. Full annual governance statements are still required this year across all sectors. This is important because they are essential accountability reports which, if anything, are even more important this year. Many public bodies have had to quickly change how they deliver services in response to Covid-19 and the lockdown. The widespread use of virtual working and the rapid introduction of new programmes and services to support businesses and individuals, create a range of potential financial risks and challenges to internal controls. As most of the expenditure associated with responding to the Covid-19 crisis only started in April, these costs will be considered as part of the audits of the 2020/21 accounts.

Timing of audit work and reporting

19. Auditors are working closely with audited bodies to agree arrangements to enable audit work to take place in line with the flexibility in the new timetables. Some bodies aim to meet the original deadlines; auditors will do their best to accommodate this, but they are managing competing priorities and pressures on resources and it will not always be possible.

20. We cannot guarantee that all audit deadlines will be met this year. Neither we nor audited bodies yet know the full impact of conducting an audit remotely. The early indications are that it takes longer, and it is not yet clear whether we will be able to complete all aspects of an audit remotely. We are also likely to face a range of complex technical issues and decisions, and more modified audit opinions are possible this year. The health and wellbeing of our staff remains our priority and, like all organisations, many of our colleagues are juggling domestic and caring responsibilities.

21. We continue to be pragmatic, flexible and consistent. We will apply our audit judgements fairly and consistently and, while reporting deadlines can be adjusted, the quality of the audit must be maintained. Where we need to issue a modified opinion we will do so, acknowledging and explaining the circumstances that make it necessary.

22. The Auditor General and the Controller of Audit will continue to prepare statutory reports to highlight areas of significant public interest arising from auditors' reports in line with the new audit reporting timetables.

Intention to extend audit appointments

23. Covid-19 will have implications beyond the immediate challenge of this year's final accounts. As this year's audits will be reported later than normal, planning for and potentially reporting next year's annual audit work will also be affected.

24. The Auditor General for Scotland and Accounts Commission have agreed that they intend to extend the current five-year audit appointments for a further year. This decision reflects the need for stability and continuity given the longer-term impact of Covid-19 on audited bodies and the difficulty of running the necessary procurement exercise during the pandemic. Audit Scotland's independent Audit Quality and Appointments team is engaging with appointed auditors over the practical consequences of that decision.

Performance audits, overviews and briefing papers

25. We are currently reviewing our work programme to reflect the changing context of Covid-19 and its implications for public finances, public services and outcomes for citizens. We are committed to a series of Covid-19 related audits that currently includes:

- An early overview of the Scottish Government's financial response to the pandemic, to be published this summer. This will set out anticipated implications for public spending and funding of the Covid-19 response, and give our initial assessment of the Covid-19 related risks to Scottish public finances and the performance of public services. It will also outline our approach to auditing the Scottish Government's response.

- A short paper on fraud risks associated with Covid-19 that public bodies should be alert to. We plan to publish this in August as a complement to our report on the National Fraud Initiative in July.

- The NHS overview report, which we intend to publish early in 2021, will consider the NHS' response to Covid-19. Topics likely to feature include: the financial impact of Covid-19; governance and risk management arrangements; the availability of essential equipment; and innovative practices that NHS boards and partners have adopted that might help transform health and social care for the future.

- The local government overview report in spring 2021 will report on how Scotland's 32 councils responded to Covid-19 and how services are changing and adapting.

- The digital progress in local government performance audit, due in late 2020, will consider how digital technology has enabled councils to respond to Covid-19; emerging good practices; and potential longer-term implications for councils and how they operate.

- The education outcomes audit, which is currently paused, will be refocused during 2021 to look at the impact on Scotland's education system.

26. In undertaking this work we will look at opportunities to share learning and good practice, especially where public bodies have made major changes at speed.

27. Given the dynamic nature of Covid-19 and the significant uncertainties about its long-term impact, we will keep this work under review and adapt our programme to reflect changing circumstances.

Potential themes and areas of interest for future audit work

28. It will be crucial to look at how public money is used to rebuild the economy and repair the damage to communities over the longer term. Public audit has a key role in reporting on how Covid-19 has affected the quality and effectiveness of public services. The over-arching audit question will be whether the Scottish Government's investment in its Covid-19 recovery plan delivers a fairer, more just and equal society, with better outcomes for Scotland's people.

29. We are focusing on how we can best use our unique national and local audit perspective to contribute to learning across the whole public sector. We want to ensure that the intelligence we gather through our audit work and our wider engagement with public bodies produces useful insights into the innovative ways Scotland's public services responded to Covid-19. This could contribute to wider lessons learned, and inform thinking as Scotland moves towards recovery and renewal.

30. We will use a range of approaches to reporting our Covid-19 work, including thematic briefing papers, round table discussions and blogs. We will engage and coordinate our activity with Scotland's public sector improvement agencies to maximise the impact of our work. We are also liaising with the National Audit Office, Audit Wales and the Northern Ireland Audit Office.

31. The pandemic highlights the importance of many long-standing issues we have previously reported on, such as good governance, openness and transparency, financial controls and management, and effective long-term planning to deliver better outcomes for individuals and communities. As we consider the impact of Covid-19 on our work programme, we also remain committed to maintaining a strong focus on other important strategic challenges facing the public sector such as climate change and the need to reshape Scotland's health and social care system.

32. We are at the early stages of reviewing our future work programme but key topics under consideration include:

- **The economic and fiscal consequences of Covid-19** – the impact on the Scottish economy, public finances and public services is likely to be severe and long term. We expect these areas, including support for the economy and employment, to feature in our work programme for years to come.

- **Collaborative leadership and joint working** – how public bodies work together to respond to the pandemic, and what new leadership challenges will be required as we move from response into recovery.

- **Financial sustainability and delivery of strategic objectives** – the impact of increased costs and reduced income will make it difficult for some public bodies to manage their finances. Some services and sectors will struggle to deliver on their previous strategic objectives because of the impact of Covid-19 on the economy and society. We will support transparent reporting to enable effective scrutiny of decisions and their future implications.

- **Public service adaptation in response to Covid-19** – physical distancing has profoundly affected the way we live and will do until a vaccine is available. Audit work on public sector adaptation presents an opportunity to highlight evolving good practices in service change.

- **The equality impact of Covid-19** – low earners, younger people, women, the BAME community, people with a disability, those living in more deprived areas, and lone parents are among those most affected by Covid-19. This will be a focus of our work, particularly on how Scotland uses its new social security powers.

- **Community engagement** – we will look at how citizens and communities are being involved and engaged in the debate about difficult decisions that need to be made about public services and how they might change.

- **Cyber security, digital resilience and data** – technology and digital infrastructure have enabled public services to respond to the pandemic, but this raises their exposure to cyber-attacks, as well as issues around data management, protection and privacy.

- **Governance and accountability (including fraud, error and litigation)** – public bodies have made significant changes to their governance arrangements in response to the pandemic. The design of new government support schemes, and reduced capacity to monitor existing schemes, exposes the public sector to an increased risk of fraud and error. We will review the effectiveness of those arrangements as part of our core audit work.

Covid-19:
How public audit in Scotland is responding

If you require this publication in an alternative
format and/or language, please contact us to
discuss your needs: 0131 625 1500
or **info@audit-scotland.gov.uk**

For the latest news, reports
and updates, follow us on:

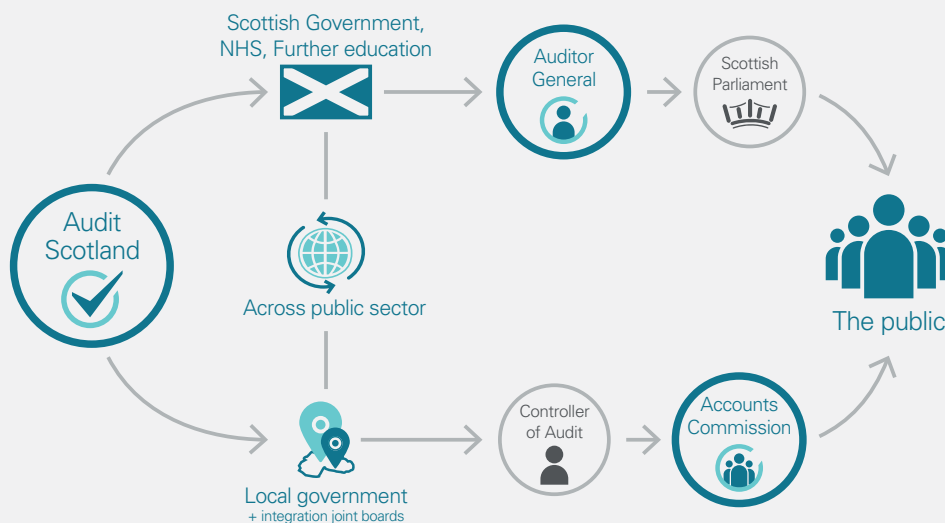**AUDIT** SCOTLAND

AS.3.0

Covid-19

Implications for public finances in Scotland

AUDIT SCOTLAND

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.

- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

Scottish Government, NHS, Further education

Auditor General

Scottish Parliament

Audit Scotland

Across public sector

The public

Local government
+ integration joint boards

Controller of Audit

Accounts Commission

About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

Contents

Team

The core team for this briefing consisted of
Richard Robinson, Fiona Diggle, Lucy Carter
and Daniel Melly, with support from other
colleagues and under the direction of
Mark Taylor.

Introduction

1. The public health crisis caused by Covid-19 has had a significant and profound effect on every aspect of Scottish society. At the heart of this are the personal tragedies of the thousands of people who have died or lost loved ones.

2. The pandemic has had wide consequences for public health in Scotland, including the impact on both physical and mental wellbeing. For many, this means dealing with increased financial uncertainty alongside health concerns. Public services have been drastically affected, requiring immediate changes to the way that services are provided to people in Scotland. For the economy, the lockdown has disrupted businesses and household incomes, leading to an economic downturn of a scale not seen in recent times.

3. The impact on the public finances is unprecedented. The crisis has required the Scottish and UK governments to respond quickly, providing substantial additional funding for public services and support for individuals, businesses and the economy.

4. The pandemic is not over, and it is unclear how the impact of the virus will develop over time. It is likely that further financial measures will be needed and that the effects on individuals, public services and the economy will last many years into the future.

5. For the Scottish Government the challenges of managing public finances within this environment are significant and varied. The levels of spending required to meet future demands for services and necessary government interventions is unclear, as are the levels of funding and revenues available to support it.

6. The fast-changing nature of government spending and funding related to the pandemic makes keeping track of how money is being spent a complex and difficult task. Alongside this, the financial and performance risks that the Scottish Government must manage are also developing quickly.

7. This briefing brings together our analysis of the latest position of how public money is being spent and funded in Scotland, before considering the key financial and performance risks facing the Scottish Government. It has three sections:

- Part 1 highlights the fiscal response to Covid-19 to the end of July 2020, setting out the tax and spending commitments made by the Scottish Government and how these have been funded, as well as summarising the UK Government policies that apply in Scotland.

- Part 2 sets out the emerging financial and performance risks that the Scottish Government is facing as a result of Covid-19 and its economic consequences.

- Part 3 considers what this means for Audit Scotland's work in providing assurance and aiding scrutiny of the Scottish Government's response during the current crisis.

8. Public audit has a key role in providing scrutiny of how well public money is being spent to support people in Scotland. Audit Scotland will continue to audit public finances and the performance of services throughout the pandemic. More information is provided in *Covid-19: How public audit in Scotland is responding.*

Part 1
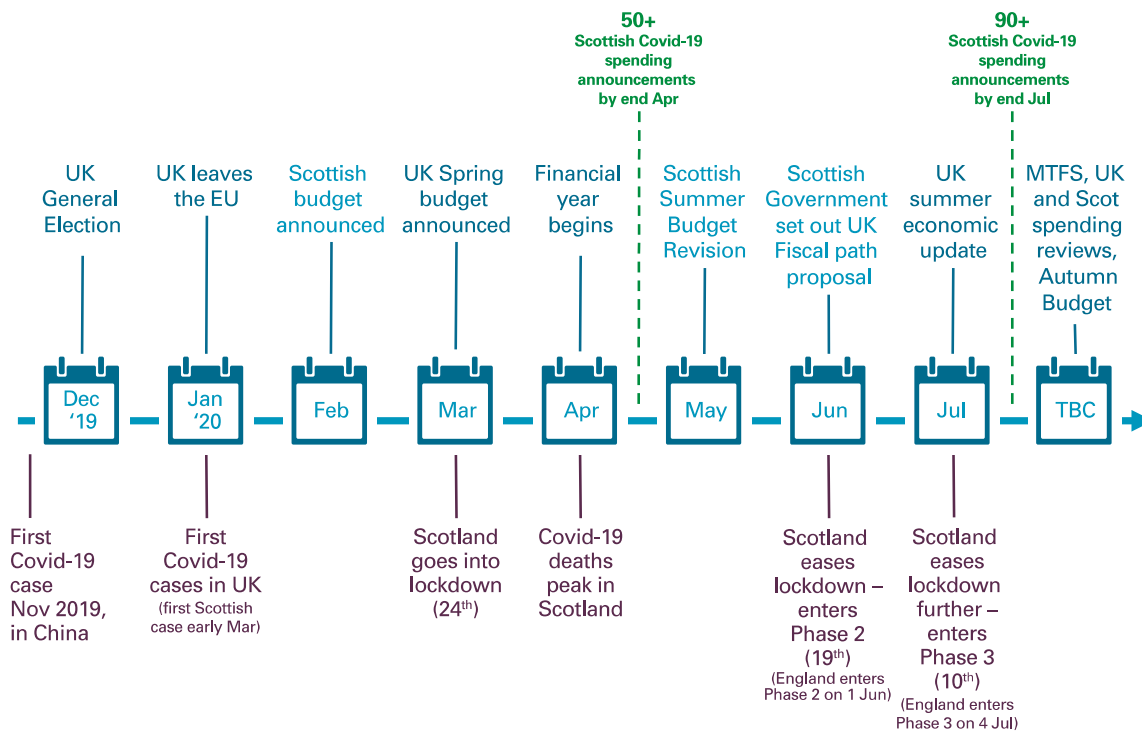## The fiscal response to date

The impact on Scottish public finances is unprecedented

9. The Covid-19 pandemic has been the biggest fiscal and policy challenge facing the Scottish Government over the past two decades of devolution. Expected devolved public spending has increased by around 15 per cent since the 2020/21 Scottish budget was first agreed in February 2020 and is subject to significant and continuing revision.[1] Before the pandemic hit, the budget had faced unusual uncertainty with the UK budget being delayed due to the general election, and remains subject to unprecedented uncertainty, volatility and complexity (Exhibit 1).

Exhibit 1
Fiscal events and Covid-19 timeline
The Scottish and UK governments have had to respond quickly to the emerging pandemic.

50+ Scottish Covid-19 spending announcements by end Apr

90+ Scottish Covid-19 spending announcements by end Jul

UK General Election — Dec '19 — First Covid-19 case Nov 2019, in China

UK leaves the EU — Jan '20 — First Covid-19 cases in UK (first Scottish case early Mar)

Scottish budget announced — Feb

UK Spring budget announced — Mar — Scotland goes into lockdown (24th)

Financial year begins — Apr — Covid-19 deaths peak in Scotland

Scottish Summer Budget Revision — May

Scottish Government set out UK Fiscal path proposal — Jun — Scotland eases lockdown – enters Phase 2 (19th) (England enters Phase 2 on 1 Jun)

UK summer economic update — Jul — Scotland eases lockdown further – enters Phase 3 (10th) (England enters Phase 3 on 4 Jul)

MTFS, UK and Scot spending reviews, Autumn Budget — TBC

Source: Audit Scotland analysis

10. The speed at which financial changes have had to be made due to Covid-19 is highlighted by the fact that the Scottish budget, announced 6 February, included no reference to the pandemic. The UK budget, on 11 March, included spending of £12 billion to tackle Covid-19.[2] Significant additional spending was announced later in March once the UK entered lockdown, including the Coronavirus Job Retention and Self-Employment Income Support Schemes, forecast to cost £65 billion this

[1] Barnett consequentials related to Covid-19 as share of original consolidated budget for 2020/21.
[2] Chancellor delivers Budget 2020 – press release, HM Treasury, 11 March.

year.[3] The Scottish Government announced spending of over £2.5 billion in March, including £2.2 billion of business support and £350 million for supporting communities.

11. Since then, both the UK and Scottish governments have made over 150 spending and tax announcements to respond to and manage the changing picture. The Scottish Government introduced a Summer Budget Revision on 15 May, adding an extra £4 billion to the Scottish budget at that point. The UK Government's summer economic update on 8 July announced spending of £30 billion to support economic recovery across the UK.[4]

Responding to the pandemic comes when the Scottish budget is already increasingly complex, volatile and uncertain

12. As a result of the new tax, social security and borrowing powers devolved to Scotland in recent years, the Scottish Government now has more choice over tax and spending. While this creates opportunities for the Scottish Government, it means the Scottish budget has become increasingly complex, and subject to more volatility and uncertainty.

13. At the start of 2020/21, nearly 60 per cent of the Scottish budget was funded by the block grant from the UK Government, driven by UK fiscal policy and spending decisions. The Scottish budget is also linked to Scotland's economic performance relative to the rest of the UK. This affects tax revenues from the devolved taxes and the corresponding Block Grant Adjustments (BGAs) which reflect the performance of the equivalent UK taxes. We explain this process in Part 1 of *Scotland's new financial powers, Operation of the Fiscal Framework 2018/19.*

14. The Scottish Government is required to maintain a balanced budget, matching its spending to available funding each year. This can be challenging because funding can fluctuate significantly within the year:

- The total grant from the UK Government (the block grant) increases or decreases through the Barnett formula, based on UK department spending announcements. The total Barnett consequentials for any year are usually not confirmed until late in the year.

- Revenues for the fully devolved taxes (Land and Buildings Transaction Tax [LBTT] and Scottish Landfill Tax) impact on the budget in real time, as does spending on demand-led social security benefits. BGAs for the devolved taxes and social security are also updated in-year.

- Revenues are fixed for the year when it comes to the largest of the devolved taxes, Scottish income tax (SIT). The forecasts for SIT and its corresponding BGA are locked in for the course of the year, and a reconciliation between the forecast and outturn applies to the budget three years later once tax receipts are known.

15. In 2020/21, maintaining a balanced budget will be more difficult than in previous years because of increased volatility in some tax revenues and funding, and significantly increased demands on Scottish Government spending due to the Covid-19 pandemic.

The Scottish Government has announced over 90 spending and tax measures to tackle the pandemic, which total £5.3 billion

16. Between 18 March and 31 July, the Scottish Government has announced over 90 spending and tax measures to help support business, public services and individuals during the pandemic. A summary of all Scottish Government

---

[3] Coronavirus policy monitoring database, OBR, 14 July 2020.
[4] Policy paper: A Plan for Jobs 2020, UK Government, 8 July 2020.

announcements made as at 31 July is provided in Exhibit 2, with more details in the Appendix. These announcements include:

- grants to businesses and charities (for example, the Small Business Support Grant)

- additional resource spending to support public bodies' day-to-day services

- capital spending (such as digitisation and construction projects)

- loans (for example, for farmers, housebuilders and private landlords)

- tax cuts and reliefs (such as business rates relief and temporarily raising the zero-rate threshold for LBTT).

Exhibit 2
Scottish Government spending announcements as at 31 July 2020

Spending announcements	£m
Business support	**3,272**
• **£1.202 billion for the £10,000 Small Business Support Grant and the £25,000 Retail Hospitality and Leisure Support Grants**	
• **£875 million to cover the cost of business rates relief**	
• **£824 million for 14 other grant and loan schemes** for a range of businesses including small and medium sized enterprises (SMEs), creative, tourism and hospitality businesses, farmers, housebuilders, private landlords, oil, gas and energy businesses, the fishing industry and zoos.	
• **£230 million 'Return to work'** package to support construction, low carbon projects, digitisation and business support.	
• **£31 million for the tourism and cultural sectors** including hotels and self-catering businesses, cultural and sporting events and venues and museums.	
• **£110 million for the third sector** including charities, voluntary organisations, community-controlled housing associations and social enterprises that are supporting local responses.	
Public Services	**2,019**
Health and social care	
• As of 16 June, the Scottish Government had committed to directly passing on £780 million Barnett consequentials for health and social care. On 15 May the Scottish Summer Budget Revision outlined how £620 million of this would be allocated.	
Local authorities	
• As of 23 June, Parliament had approved £489 million additional funding for Local Government and communities. This included crisis grants, funding free school meals and council tax reduction schemes, as well as funding to support the return to school.	
Other support for public services includes funding for transport operators, homebuyers, university research and employment support.	
Other support for individuals	**45**
• In addition to the support for vulnerable individuals provided through local government and third sector grants, specific Scottish Government support packages for individuals include the Unpaid Carers Allowance supplement, hardship payments for students and discretionary housing payments for tenants.	
Total	**5,336**

Source: Audit Scotland using Scottish Government funding announcements; Summer Budget Revision, Scottish Government, 15 May 2020; Local Government Finance Circular No.12/2020, 24 June 2020; and information provided by the Scottish Government

The Scottish Government currently expects to spend around £4.8 billion on Covid-19 related measures in 2020/21

17. The Scottish Government expects that additional spending on Covid-19 related measures will be at least £4.8 billion in 2020/21. The expected spending in-year is different to the total cost of the announcements in Exhibit 2, page 7 because:

- spending against some announcements depend on demand; any underspends can be used for other purposes. For example, lower than expected take-up for some business grants has meant that around £54 million can be reallocated to other support funds. This includes a £10 million fund for performing arts venues.[5]

- some announcements will be spent over more than one year. For example, the £100 million fund for school attainment is due to be spent over 2020/21 and 2021/22, and the energy transition fund is due to be spent over the next five years, with just over half of the £62 million fund committed for 2020/21.

18. The Scottish Government is required to manage spending against a balanced budget. The Summer Budget Revision is the latest balanced budget approved by the Scottish Parliament. £4.0 billion of the £4.8 billion expected additional in-year spending is set out in the Summer Budget Revision.

19. The Scottish Government will produce an Autumn Budget Revision later in the year which will incorporate changes since the Summer Budget Revision in a revised balanced budget for approval. Currently, the Scottish Government expects spending for announcements made since the Summer Budget Revision to be £571 million of day-to-day spending and £230 million of capital spending in 2020/21. These amounts will continue to be reviewed as the Autumn Budget Revision is prepared.

20. The Scottish Government has shared available information with us about how much of the Covid-19 spending announced in the Summer Budget Revision has already been committed as at the end of July – that is paid out or transferred to other public bodies. This indicates that of revised total spending of £4.11 billion now expected in relation to these measures, £3.53 billion (86 per cent) has been committed to date (Exhibit 3, page 9).

[5] Lifeline support for Performing Arts Venues, Scottish Government, 3 July 2020.

Exhibit 3
Actual Scottish Government spend to date against announcements incorporated in the Summer Budget Revision – snapshot at end of July
Scottish Government data suggests most of the funding in the Summer Budget Revision has been spent.

£ million

■ Spend to date   ■ Available to spend
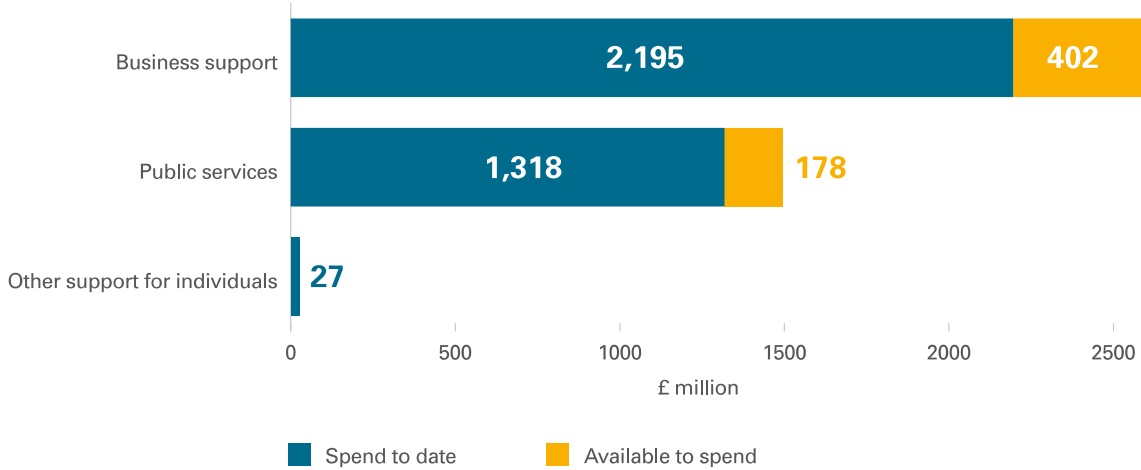
Note: Based on information provided by the Scottish Government on 28 July 2020. Spending here includes spending committed to programmes, and spending transferred to other public sector bodies. For example, the £75 million spending for academic research has been passed from the Scottish Government to the Scottish Funding Council for onward transmission to the sector.

Source: Audit Scotland analysis based on information provided by Scottish Government

21. As at the end of July, comprehensive information on the amounts paid out to third parties by public bodies was not available to us. In some key areas the current levels of actual spending reported include:

- 89,000 grants valuing over £998 million (out of nearly £1.2 billion) have been awarded through two Business Grant Schemes[6]

- £160 million of grants have been distributed through the funds for the Pivotal Enterprises Resilience Fund, the Creative, Tourism and Hospitality Enterprises and Hardship Fund and the Newly Self-employed Hardship Fund.[7] Originally worth £144 million at the time of the Summer Budget Revision, this has since increased to £184 million

- all £620 million of the Health and Social Care spending included in the Summer Budget Revision has now been committed.

Additional spending has been funded for the most part by Barnett consequentials

The Scottish Government has spent Barnett consequentials broadly in line with the UK, targeting some aspects to meet specific needs in Scotland
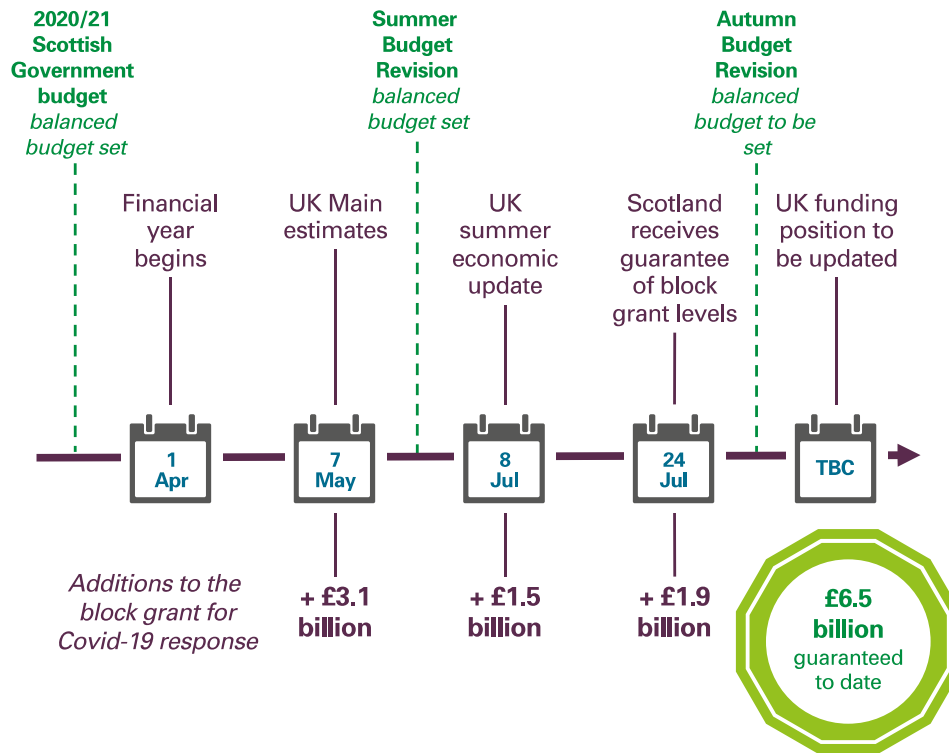
22. Most of the Scottish Government's spending and tax measures in response to Covid-19 have been funded by Barnett consequentials from the UK Government (Exhibit 4, page 10).

[6] Coronavirus (COVID-19): business support fund grant statistics, Scottish Government, 4 August 2020.
[7] Letter from Cabinet Secretary for the Economy, Fair Work and Culture to Convener of Committee on Economy, Energy and Fair Work, 6 August 2020.

Exhibit 4
Timeline for additions to the Scottish block grant in response to Covid-19

Source: Audit Scotland analysis

23. The Scottish Government decides how it spends Barnett consequentials. Our analysis suggests the Scottish Government's spending announcements broadly reflect those made by the UK Government. For example, £1.2 billion of Barnett consequentials for business support grants have been passed directly to fund business support in Scotland and £780 million so far has been passed directly to health and social care services.[8,9]

24. In total, the UK Government has committed at least £6.5 billion additional funding for the Scottish Government since the UK Spring budget.[10] There are often timing differences between the confirmation of UK funding and Scottish spending announcements. For example, in May 2020 the Scottish Government anticipated £518 million of funding in the Summer Budget Revision that had not yet been added to the block grant. The UK Government then confirmed Barnett consequentials of £1.532 billion on 8 July 2020 in its summer economic update.

25. Since then, the UK Government has confirmed a further £1.915 billion of funding. The majority of this is funding for health services but also includes an additional £800 million not attached to any specific spending announcement. This is the first time the UK Government has provided guarantees of block grant levels in advance of spending commitments being made, and it is unclear how this guarantee will align with eventual Barnett consequentials. The funding position will be updated when UK Supplementary Estimates are confirmed later in 2020/21.

26. At the time of publication, the Scottish Government had not announced specific spending plans for all funding recently confirmed by the UK Government. In many of the areas concerned (such as supply of Personal Protective Equipment and the

[8] Budget Revision, Scottish Government, 15 May 2020.
[9] Official report, Scottish Parliament, 16 June 2020.
[10] UK Government news, 24 July 2020.

Test and Protect programme) activity is well under way, with costs already being incurred by the Scottish Government. The Scottish Government's spending position will be set out in the Autumn and Spring Budget Revisions later in the year.

27. The Scottish Government has taken a different approach to the UK Government for some of its detailed measures, including:

- In addition to UK-wide business rates relief and the £1.2 billon for business support grants, the Scottish Government's £185 million business support fund provides support for SMEs, creative, tourism and micro hospitality companies as well as newly self-employed people.[11]

- The Scottish Government's package of support for the fishing industry is £22.5 million, compared to UK Government funding of £10 million based on its own support measures.[12]

- the UK Government temporarily raised the threshold for Stamp Duty to £500,000, the Scottish Government temporarily raised the zero-rate threshold for Land and Buildings Transaction Tax to £250,000 and added £50 million to the First Home Fund.[13]

Some planned spending has been reprioritised to support Covid-19 programmes

28. In addition to using Barnett consequentials to fund its spending commitments, the Scottish Government has identified a total of £855 million from the 2020/21 budget that could be redeployed for Covid-19 related spending.[14] Of this, £255 million was confirmed in the Summer Budget Revision, including:

- **Repurposing funding:** £124 million of passenger subsidies for bus, rail and ferry operators repurposed to cover operators' revenue losses due to reduced services and passenger numbers in lockdown.

- **Transferring funding:** Due to anticipated reduced demand for energy efficiency projects, £105 million of Financial Transactions funding for domestic energy efficiency loans was transferred to fund emergency loans for housebuilders (£100 million) and private sector landlords (£5 million).

- **Delayed spending:** Following a re-planning exercise (resulting in a delay to the introduction of planned changes to some disability assistance benefits), £26 million for the Social Security Programme (mainly for staffing costs) was redeployed to provide additional funding for the Unpaid Carers Allowance supplement and the Scottish Welfare Fund.[15]

29. Following the Summer Budget Revision, the Cabinet Secretary for Finance identified £600 million from the 2020/21 budget that could be redeployed for Covid-19 support, including £450 million of capital and financial transactions.[16] To date, £230 million of capital and financial transaction investment has been reallocated to fund the 'Return to work' package (Exhibit 2, page 7).[17]

---

[11] Help for businesses, Scottish Government, 20 May 2020.
[12] Support for Scottish seafood industry worth £22.5 million, Scottish Government, 17 April 2020.
[13] Help for homebuyers and employment support, Scottish Government, 9 July 2020.
[14] Letter from the Cabinet Secretary for Finance to the UK Chief Secretary to the Treasury, 24 June 2020.
[15] Budget Revision, Scottish Government, 15 May 2020.
[16] Letter from the Cabinet Secretary for Finance to the UK Chief Secretary to the Treasury, 24 June 2020.
[17] Official report, Scottish Parliament, 16 June 2020.

The Scotland Reserve has been used to support the Scottish Government's response but remaining budget flexibility is limited

30. The Scottish Government can use the Scotland Reserve or borrow to help manage the budget. The Fiscal Framework sets out the rules and limits that apply to the borrowing and reserves powers. Audit Scotland has published briefing papers in the past setting out how the Fiscal Framework is operating.[18]

31. Before the pandemic hit, the Scottish Government had planned to use its borrowing and reserve powers to support its spending in the 2020/21 budget (Exhibit 5):

- The 2020/21 budget committed to drawing down £168 million from the Scotland Reserve.

- £207 million of resource borrowing, against a limit of £300 million available, has been used to account for forecasting error relating to 2017/18 Scottish Income Tax. This resource borrowing power can only be used to cover forecast errors.

- The Scottish Government had committed all £450 million of available capital borrowing in the budget.

32. Any additional drawdowns from the Scotland Reserve to meet spending needs in year are limited to £69 million for day-to-day spending and £56 million to support capital spending. £93 million of borrowing is available to manage the impact of any further forecasting errors in year.

Exhibit 5
Scotland Reserve use and borrowing 2020/21, £ million
The use of reserves and borrowing in the 2020/21 budget limits what is available to spend in response to Covid-19.

	Resource	Capital	Financial Transactions	Total
The Scotland Reserve				
Reserves closing balance 2019/20	218	81	135	434
Drawdown – set out in 2020/21 budget	131	5	32	168
Drawdown – Summer Budget Revision	18	7	0	25
Total drawdown 2020/21	149	12	32	193
Planned closing balance 2020/21	69	69	103	241
Remaining drawdown allowed in 2020/21	**69**	**56***		**125**
Borrowing powers (for use only to cover forecast error for devolved taxes and social security)				
Borrowing – set out in 2020/21 budget	**207**	**450**		**657**
Remaining borrowing allowed in 2020/21	**93****	**0**		**93**

Notes: *£100 million draw down limit for capital applies to both general capital and financial transactions. **£93 million resource borrowing available to cover budget reductions due to forecasting errors. Further borrowing powers are available for up to £300 million in the case of a Scottish specific economic shock and/ or for cash management.

Source: Scottish Government, Audit Scotland analysis

[18] *Scotland's new financial powers: Operation of the Fiscal Framework 2018/19,* Audit Scotland, October 2019.

33. The Scottish Government has requested additional flexibilities to borrowing and reserves rules to help manage the pandemic. To date, we understand that the UK Government has not formally responded in writing to this request, but the Chief Secretary to the Treasury has stated that the flexibilities are not needed.[19] If the flexibilities as requested are agreed at a future point, it could increase the overall budget in 2020/21 by up to £620 million, with an overall increase in revenue spending, and a decrease in capital. Any additional amounts would require to be repaid in future years.

UK Government measures in reserved areas include business loans and income support affecting nearly 900,000 jobs

34. In addition to the Scottish Government's Covid-19 response, there are also UK Government funded schemes that apply to Scotland:

- Four separate loan schemes for businesses to support small- and medium-sized businesses, large businesses, and innovative companies.

- Statutory Sick Pay Rebate Scheme.

- Covid-19 Corporate Financing Facility (Bank of England purchasing short-term debt from large companies).

- The Coronavirus Job Retention (including the job retention bonus) and Self-Employment Income Support Schemes.

- The Kickstart Scheme which creates work placements for those aged 16-24 who are receiving Universal Credit.

- Schemes to support work search, skills and apprenticeships.

- Reduced VAT for hospitality, accommodation and attractions until January 2021 and the Eat Out to Help Out scheme for August 2020.

35. Scottish people, public bodies and other organisations have also received support from, and can apply to, several UK-wide support mechanisms, including Ministry of Defence supported testing facilities, UK-wide charity funds, UK Research and Innovation funding and loans for universities that lose income from international students.[20,21] In addition, some programmes have been planned on a UK-wide basis, including coordination around Personal Protective Equipment (PPE).[22]

36. As at 30 June 2020, the UK Government has reported total spend on the Self-Employed Income Support Scheme in Scotland as £449 million, supporting 155,000 jobs,[23] and that 736,500 Scottish jobs have been supported through the Job Retention Scheme.[24] Loans and support worth more than £2.3 billion have been given to more than 65,000 firms in Scotland since the outbreak.[25] The UK Government has not yet published a breakdown of spend in Scotland for any of the other schemes.

[19] Scotland 'does not need more fiscal power', UK Government minister insists, The Scotsman, 25th July 2020.
[20] COVID Support Force: The MOD's contribution to the coronavirus response, UK Government, 23 March 2020.
[21] Government to protect UK research jobs with major support package, UK Government, 27 June 2020.
[22] Press release: Government sets out plan for national effort on PPE, UK and Department of Health Social Care, 10 April 2020.
[23] Self-Employment Income Support Scheme (SEISS) Official Statistics, HMRC, 15 July 2020.
[24] Coronavirus Job Retention Scheme Official Statistics, HMRC, 15 July 2020.
[25] Coronavirus support measures help every region and nation in the UK – press release, HM Treasury, 6 August 2020.

Scottish public finances will face continuing and significant change during the remainder of 2020/21 and beyond

37. The change to the UK and Scottish budgets so far has been significant. Fiscal events later in 2020/21 are likely to change the budgets further and will reflect both governments' ongoing response to the Covid-19 pandemic.

38. The main fiscal events for the Scottish Government will be the Scottish Autumn and Spring Budget Revisions, and the 2021/22 budget. The Scottish Government medium-term financial strategy, and the NHS medium-term financial framework, are expected to be published later this year and should set the Scottish Government's approach to the recovery from Covid-19 in the medium term. The Scottish Government is also expected to publish its Scottish Capital Spending Review and Infrastructure Investment Plan later in 2020.

39. Two major UK Government fiscal announcements are anticipated in the autumn which will affect the Scottish budget in 2020/21 and subsequent years:

- An autumn budget is expected to include the conclusions of the Chancellor's review of the UK fiscal framework and a new set of fiscal rules. Forecasts suggest that the UK Government is on track to miss at least one of its current three rules in 2020/21.[26] Any changes could be significant for Scotland:

  - if the Chancellor loosened the current rules, this could allow more borrowing and spending, potentially increasing the Scottish block grant. There are also Scottish budget implications if the UK Government reduces tax rates for taxes that are devolved in Scotland, such as Scottish Income Tax.

  - if the Chancellor reduces borrowing and spending to meet current or tighter rules, this would potentially reduce or restrict the block grant.

- A comprehensive spending review is expected to set UK Government departments' resource budgets out to 2023/24, capital budgets until 2024/25, and devolved administrations' block grants for the same period. The Chancellor has said there will need be difficult choices over areas of spending and departments have been asked to identify opportunities to reprioritise and deliver savings. This introduces uncertainty around UK spending plans and will have implications for Scottish budgets through the block grant.

40. The current situation remains fast moving and very unpredictable, and the timings, content and number of fiscal events could change, depending on the progress of the pandemic and economic performance. How these develop over the course of this year and into the longer term will be of critical importance to Scottish public finances.

---

[26] Fiscal sustainability report, OBR, 14 July 2020.

Part 2
Emerging risks

Covid-19 has brought significant risk to Scottish public finances and the performance of public services

41. Responding to the pandemic and the public health, economic and social problems it brings has been hugely difficult for people and governments around the world. Decisions have had to be made quickly by the Scottish Government as the situation has developed, impacting on the lives of us all. The crisis will have continuing and long-lasting effects that will affect government in Scotland for years to come.

42. Covid-19 will also have significant consequences for public spending programmes and services now and well into the future. With increasing pressures on public revenues and spending, and the Scottish budget subject to ever more volatility, uncertainty and complexity, it will be challenging to match spending to the available funding in the coming years. This will need to be done in a way that minimises the disruption to individuals, public bodies and services, ensures value for money is maintained and avoids unintended consequences.

43. In this section we analyse the emerging risks to the Scottish Government's management of the public finances and the performance of public services that have arisen from the pandemic. At this stage we do not comment on how well the Scottish Government is managing these risks. The response to the pandemic is continuing, and it is likely that many of the risks highlighted in this briefing will extend into the medium and long term.

Ensuring measures are effective, help people through the pandemic and provide value for money

The Scottish Government's priority has been reacting to an urgent public health crisis

44. Over a short period of time, the onset of the Covid-19 pandemic has led to a significant public health crisis, profoundly affecting people's lives. The Scottish Government's immediate priority has been responding to this urgent crisis quickly.

45. Covid-19 tax and spending measures have varied purposes, but broadly aim to support people, public health and the economy. From a public health viewpoint, this includes public spending to help slow the spread of the virus, to build enough capacity in the NHS to treat people affected, and to supply frontline staff with the equipment and support they need. From a social and economic perspective, interventions intend to support people through the consequences of the lockdown and an economic downturn, including business support and support for individuals and families.

There are immediate risks to people, public services and the economy, with some groups in society disproportionately affected

46. Because the impact on people has been immediate, public-spending measures had to be brought in swiftly. For example:

- the Scottish Government constructed the NHS Louisa Jordan Covid-19 treatment facility to ensure that the NHS could cope with increased demand for Covid-19 infections.

- NHS National Services Scotland increased supplies of PPE, from three million masks per year to 70 million masks since 1 March 2020.[27] [28]

- UK Government and Scottish Government interventions have helped to slow increases in unemployment in Scotland to date. The Office of the Chief Economic Advisor for Scotland estimates without the Job Retention Scheme, unemployment levels could have reached around 14 per cent.[29]

47. In its *Equality and Fairer Scotland Impact Assessment: Evidence gathered for Scotland's route map* report, the Scottish Government has gathered evidence on how different sections of society may be disproportionately affected by the pandemic. It notes a variety of different risks facing different people, including the prevalence of the virus among older people, and the specific difficulties people with disabilities may face in accessing food and other essential supplies.[30] These include the way the pandemic is felt by different communities and socio-economic groups.

48. The Scottish Human Rights Commission (SHRC) has highlighted where it considers specific areas and rights need to be considered:

- while school closures have a direct effect on children's education, the absence of school meals impacts on the human right to food[31]

- 46 per cent of Covid-19 deaths registered to date relate to deaths in care homes. SHRC has considered how the impact of Covid-19 in care homes relates to human rights duties, including in relation to the human right to life.[32]

49. The pandemic is still in progress, and the risks to health and the economy will change over time. The Scottish Government will need to consider what further financial measures should be implemented in response to changing circumstances, taking into account how these will affect different groups in society.

Risks will continue to people's health and wellbeing outcomes over the longer term

50. Directing efforts towards treating the pandemic and away from existing or planned programmes will likely result in negative consequences for some people. The impact of this is difficult to monitor and assess. For example, the NHS in Scotland has seen a significant drop in urgent cancer referrals, and screenings for breast cancer were paused from March until mid-July. There is also a backlog of postponed non-Covid-19 planned healthcare arising indirectly from the pandemic, with the Scottish Government announcing that the NHS Louisa Jordan will now be used to help address this.

51. The mental, physical and financial impact of the pandemic on people is likely to persist over the longer term. Ultimately, this could inhibit progress towards improving people's outcomes as set out in the National Performance Framework. There are 11 National Performance Framework outcomes which the public sector and its partners work towards – achieving these outcomes for people in Scotland relies on progress being made in areas such as tackling poverty, improving health and building an inclusive economy. More information on this is set out in our *Planning for Outcomes* briefing published in June 2019.

---

[27] Coronavirus (COVID-19): report on Personal Protective Equipment supplies, Scottish Government, June 2020
[28] Coronavirus (COVID-19): PPE distribution statistics, Scottish Government, 12 August 2020.
[29] Monthly Economic Brief, Office of the Chief Economic Advisor, Scottish Government, June 2020.
[30] Equality and Fairer Scotland Impact Assessment: Evidence gathered for Scotland's route map through and out of the crisis.
[31] Covid-19: Implications for the human right to food in Scotland, SHRC, June 2020.
[32] Covid-19: Care homes and human rights, SHRC, 14 July 2020.

Responding to the pandemic will affect the Scottish Government's wider aims and objectives, and public services will need to adapt

52. The implementation of restrictions has already led to some delays in both infrastructure spending and in implementing planned policies. The Scottish Government has delayed the expansion of early learning and childcare hours, as well as several new benefits, such as the Job Start payment and the Child Disability Payment. Managing the economic and social impact of such delays will remain important as the pandemic continues.

53. Budget decisions often involve trade-offs; choosing to prioritise spending toward the pandemic may mean that funding is not available to the same extent for planned spending programmes. The Scottish Government has announced some budget reprioritisations to commit funding to Covid-19 costs, but to date these have been relatively minor in the context of the overall budget. Further or deeper reprioritising of the budget may be required, and the Scottish Government must look across all the services they fund, to consider what is essential for meeting priorities and making the wider changes to services, society and outcomes envisaged.

Scottish Government responses need to work alongside UK Government and local government measures

54. Ensuring the effectiveness and value for money of Covid-19 financial measures is made more difficult, not just by the speed and frequency of Scottish Government decisions, but also because of the interplay with local government interventions and UK Government decisions which apply to Scotland. Having a clear picture of how Scottish Government and UK Government initiatives are working together to help people in Scotland is needed to properly understand the effectiveness of Covid-19 spending over time.

Keeping Scottish public finances on a sustainable footing

The economic impact of Covid-19 has been significant and will have long-term consequences for the public finances

55. Covid-19 has had a major impact on the Scottish and wider UK economy. In the three months to May, UK GDP has fallen by 19.1 per cent,[33] and Scottish GDP in May was 22.1 per cent below its February level.[34] How, and over what time frame the economy will recover is still uncertain, but the Office of Budget Responsibility assume there will be some permanent scarring and structural changes to the economy over the medium term in two out of their three scenarios.

56. While the Scottish and the UK economies have both faced a severe shock, Scottish budgets are directly affected by relative economic performance across the UK. Under the Fiscal Framework, the Scottish budget increases or decreases based on how devolved tax takes are faring compared to the equivalent tax in the rest of the UK:

- For the fully devolved taxes (LBTT and Scottish Landfill Tax) adjustments to the Scottish budget for relative performance are made, and must be managed, during and shortly after the financial year.

- Revenues for Scottish and UK income tax are known later, in 2022; until then, budgets will be adjusted for pre-pandemic tax outturns (Exhibit 6, page 18).

57. Similarly, the cost of devolved benefits to Scottish budgets will be determined by the relative impact across different parts of the UK. There has been a marked increase in Universal Credit claims since the pandemic, which will increase the number of people eligible for any benefits linked to these. For example, the Scottish Child Payment is planned to be introduced by the end of this year. This is

[33] GDP Monthly Estimate, UK: May 2020, Office for National Statistics, July 2020.
[34] GDP Monthly Estimate, Scotland: May 2020, Scottish Government, July 2020.

a Scottish-specific benefit, with no comparator in the rest of the UK, so any additional costs as a result of increased eligibility must be met solely by the Scottish Government.

Exhibit 6
Scottish income tax and the Covid-19 impact

Tax outturn year	When published	Budget adjustment required (£m)	Year adjustment applied to	Figures impacted by Covid-19
2017/18	Jul 2019	-204 (actual)	2020/21	✖
2018/19	Sep 2020	-555 (forecast)	2021/22	✖
2019/20	Summer 2021	-211 (forecast)	2022/23	✓ Potential minor impact, but not reflected in latest forecasts
2020/21	Summer 2022	Not yet forecast	2023/24	✓ Potential impact will be reflected in SFC forecasts published at the same time as the 2021/22 Scottish budget

Note: Budget adjustments relate to prior year's Scottish Income Tax outturns. We do not yet have forecasts for how Covid-19 has affected expected revenues.

Source: Audit Scotland based on Scottish Fiscal Commission figures in Scotland's Economic and Fiscal Forecasts, February 2020

Overall budgets will be determined by the UK Government's fiscal policy and Scottish tax and social security policies

58. The size of the Scottish budget available to spend on Covid-19 measures is largely dependent on UK fiscal policy. Barnett consequentials flow to the Scottish budget if UK spending is funded through increased taxes or borrowing. So far, the UK Government has funded most of the extra Covid-19 spending by borrowing.

59. To date, the overall effect of UK Government's policy decisions has been to increase the Scottish budget. Individual Barnett consequentials can also be negative, reducing the Scottish budget or offsetting funding increases with reductions elsewhere. This happens where UK spending measures are funded by reprioritising spending in a devolved area.

60. The Scottish budget is also affected by UK policy decisions related to taxes and social security powers that are devolved, for example:

- When the UK Government increased the Stamp Duty Threshold, the Scottish Government had to decide whether to change increased the threshold for its corresponding devolved tax, LBTT. The Scottish Government chose to increase its threshold, but by a smaller amount than the UK Government.

- The Job Retention Scheme and other interventions have reduced the increase in unemployment and Universal Credit take-up, meaning fewer people will be eligible for Scottish benefits policies that are linked to Universal Credit eligibility.

61. The effect of the pandemic on future devolved revenues and social security powers is still unknown. The Scottish Fiscal Commission will produce forecasts of the impact of Covid-19 on these powers alongside the Scottish budget. This, and the equivalent OBR forecasts for the rest of the UK will be important in determining the size of future budgets.

The financial impact of responding to Covid-19, increased costs and reduced tax revenues must be managed alongside existing pressures

62. Fluctuating levels of funding and continuing heightened levels of demand for services due to Covid-19 present risks to managing a balanced budget. These new budget pressures exist alongside other spending risks. These include pre-existing pressures on public finances, and other external events such as EU withdrawal, for which the effect on public finances is not yet fully known.

63. Before the pandemic, we highlighted the steps that the NHS in Scotland were putting in place through reform and medium-term planning to put the NHS on a sustainable footing.[35] The public health crisis puts additional pressure on the NHS to continue with these steps while also dealing with unprecedented demand and costs associated with Covid-19.

Fiscal flexibilities can help short-term budget management but can't insulate the Scottish public finances from the pandemic's effects

64. As shown in Exhibit 5, page 12 the Scottish Government 2020/21 budget already planned to use much of the flexibility available from the tools set out in the fiscal framework. It will be difficult to manage the additional uncertainty and volatility as a result of Covid-19 through the remaining support available. The Scottish Government has requested additional flexibilities to borrowing and reserves rules to help manage the pandemic (paragraph 33).

65. Using borrowing and reserves to meet immediate spending pressures may help to balance the budget, but it also brings fiscal risks to manage over the medium term. The Scottish Government normally uses some of its Scotland Reserve balance to support the annual budget; if more of the reserve is used in-year this might not be possible. Higher levels of borrowing will also increase the repayments due to be met from future budgets. This will be alongside managing any adjustments arising from tax outturns.

66. The Scottish Government has requested extending the repayment period for borrowing from 3-5 years to 10 years, which would reduce the annual pressure in the medium term.[36] It has also requested that any negative reconciliations to budgets relating to devolved taxes should also be spread over longer time period.[37]

67. If available funding including the use of borrowing and reserves is not enough to meet the costs of the Scottish Government's response to the pandemic, further reprioritisation of spending will be required. Some areas of the Scottish budget are harder to change quickly, such as those relating to key services and payroll costs. Understanding where the budget can flex quickly while minimising disruption to services is important to managing change through the budget.

---

[35] NHS in Scotland, Audit Scotland, October 2019.
[36] Letter from the Cabinet Secretary for Finance to the Chief Secretary to the Treasury, 24 June 2020.
[37] Letter from the Cabinet Secretary for Finance to the Chief Secretary to the Treasury, 22 May 2020.

Taking robust and transparent decisions

Decision-making is happening in a fast-moving environment

68. Scottish Government responses need to work alongside UK Government and local government measures. The frequency of spending decisions by the UK and Scottish governments and individual public bodies, such as NHS boards, local authorities and the police has made tracking how interventions are working together more complex. In such a fast-moving environment, it is inevitably more difficult to demonstrate how each measure has been chosen and how overall spending is being managed.

The rationale for tax and spending decisions and how programmes will work together must be clear

69. The Scottish Government's publication of a Summer Budget Revision was a positive step in maintaining transparency in spending during the pandemic. The challenge is to continue this transparency to aid scrutiny in future, as UK Government and Scottish Government spending and funding changes continue to be announced. The Cabinet Secretary has stated these will be captured in further formal budget revisions. An Autumn Budget Revision is expected in September.

Looking after public money properly

Protecting people and public money from error and fraud is critical

70. The Covid-19 pandemic has brought significant challenges across the Scottish public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time.

71. Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched, and controls and governance are changing. Our briefing *Covid-19: Emerging fraud risks* published in July 2020, sets out more detailed information on a range of fraud risks emerging from the Covid-19 crisis, and what public bodies might do to help reduce these risks.

72. Additional risks will continue to emerge as criminals identify new ways to target public money and services. Public bodies and auditors should stay alert to new scams and approaches by fraudsters, and regularly review their controls and governance arrangements to ensure they remain fit for purpose.

Responding to the crisis places huge strains on public servants

73. Frontline workers across health and social care services have faced massive challenges in maintaining care during the pandemic, and public servants across the country have had to adjust to new ways of working alongside the disruption and restrictions we all face.

74. The workload of the Scottish Government has also increased significantly over a sustained and continuing period, as it deals with the virus alongside managing the normal business of government. Inevitably, this stretches the capacity of the public servants working within this environment.

Part 3
The public audit response

A substantial programme of public audit work is planned in response to the pandemic

75. Covid-19 will continue to have a major impact on all our lives. The world has already changed in response to the global pandemic in ways that no one would have thought possible even six months ago. Public audit has an important contribution to the recovery and renewal of public services. On behalf of the Auditor General for Scotland and the Accounts Commission, Audit Scotland is therefore planning a substantial programme of work on the Scottish public sector's response to Covid-19.

76. High-quality, independent and evidence-based audit supports accountability and learning about how the government and public bodies have responded to the crisis. Central to this will be providing transparency, supporting parliamentary scrutiny by the Public Audit and Post-legislative Scrutiny Committee and other relevant subject committees, and sharing good practice and innovation.

77. Our briefing paper *Covid-19: How public audit in Scotland is responding* published in June 2020, considers the impact of the pandemic on the work of public audit in Scotland. It provides information on our strategy and considerations, outlining the scope, timing and potential areas of focus of our audit work.

Audit Scotland's response will continue to be flexible

78. The Auditor General, the Accounts Commission and Audit Scotland are currently reviewing our work programme to reflect the changing context of Covid-19 and its implications for public finances, public services and outcomes for citizens. We will be engaging with stakeholders on this in the weeks and months ahead.

79. We will respond to the risks to public services and finances from Covid-19 that we have identified in Part 2 of this briefing paper across our range of audit work including our annual audits of the Scottish Government and other public bodies, and our programme of performance audits. We will use a range of approaches to report our Covid-19 work, including thematic briefing papers, round table discussions and blogs, alongside published audit reports.

80. The dynamic and unfolding nature of the Covid-19 pandemic means that we will need to remain flexible and agile. Our work programme may continue to change at short notice as new issues emerge, or current risks reduce or increase in significance. The First Minister has confirmed there will be a public inquiry into Scotland's response to the coronavirus pandemic, and we will ensure that our work will add value alongside the work of this and any other inquiries.

Appendix
Scottish Government Covid-19 spending announcements to 31 July 2020

Theme	Name of fund	£m
TOTAL		**5,336**
Total business support		**3,271.8**
Business		**3,130.6**
	Business support grants (total cost)	1,202
	Business rates relief (total cost)	875
	Pivotal Enterprise Resilience Fund	120
	Newly Self-Employed Hardship Fund	30
	Creative, Tourism & Hospitality Enterprises Hardship Fund	34
	Bridging bursaries fund	1
	Scottish Water Support for Business Water and Sewerage Bills	60
	SME Housebuilders Emergency Loan Fund	100
	The Private Rent Sector Landlord Covid-19 Loan Scheme	5
	Support for reopening zoos	2.6
	Total support for seafood and fishing industry (3 funds)	22.5
	Return to work package	230
	Community and Renewable Energy Scheme and Low Carbon Infrastructure Programme	5.5
	Energy Transition Fund	62
	Support and economic stimulus for Scottish newspaper industry through additional marketing spend	3
	Investing in Scotland's entrepreneurs and innovators	38
	Agriculture loan scheme	340
Charity		**110**
	Wellbeing fund (Communities fund)	50
	Supporting Communities Fund (Communities fund)	40
	Third Sector Resilience Fund (Communities fund)	20

Appendix. Scottish Government Covid-19 spending announcements to 31 July 2020 | 23

Paper 20-41C

Tourism and cultural sector (in addition to business support grants)		**31.2**
	Events sector	10
	Museums Resilience Recovery fund	4
	Music venues	2.2
	Tourism	15

Total public services		**2,018.8**
Health services	**(as of 16 June)**	**780**
Local authorities	**(as of 23 June)**	**488.6**
	UK Government Consequentials	155
	Scottish Welfare Fund (Communities Fund)	45
	Increased demand for social security benefits and Council Tax Reduction costs (Communities fund)	50
	Food fund (Communities fund)	30
	Free school meals	27.6
	Community justice coordinators	0.4
	Death registration service to work weekends and bank holidays	0.6
	Local Authority Hardship fund (Communities Fund)	50
	School attainment	100
	Digital inclusion for children and young people	30
Transport		**310**
	Rail and ferry services	234.3
	Active Travel infrastructure	10
	Bus operators	46.7
	Emergency funding for Glasgow Subway and Edinburgh Trams	9
	Pop-up bus priority infrastructure	10
Education (in addition to local authority funding confirmed on 23 June)		**140.2**
	Funding for university research	75
	Living Classrooms, Virtual Nature School programme	0.2
	Fund to help colleges and universities tackle digital exclusion	5

	Additional £30 million to recruit teachers and £30 million for local authorities' education recovery	60
Other		**300**
	Employment support and training	100
	Homebuyers – LBTT threshold and £50m for First Home Fund	200
Individuals		**45.7**
	Unpaid Carers Allowance Supplement – extra funding	19.2
	Extra hardship payments for students	5
	Early access to Higher Education Hardship Funds	11.4
	Connecting Scotland – for clinically high-risk people	5
	Women in prostitution	0.1
	Additional Discretionary Housing Payments for tenants	5

Source: Audit Scotland using Scottish Government funding announcements; Summer Budget Revision, Scottish Government, 15 May 2020; Local Government Finance Circular No.12/2020, 24 June 2020; and information provided by the Scottish Government

Covid-19

Implications for public finances in Scotland

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

For the latest news, reports and updates, follow us on:

AUDIT SCOTLAND