

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.

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