G

AUDIT COMMITTEE REPORT

Subject: Audit Scotland – Covid-19 Advice for Audit and Risk Committees	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Hazel Robertson	**Date:** 14 September 2020

Purpose:
To provide members with a self-assessment of the impact of Covid-19 on audit and risk

Linked to Strategic Goal: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland

Executive Summary:

Audit Scotland have issued a guidance document for audit and risk committees in the context of Covid-19. This report presents our self-assessment against the questions posed in the report.

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. This guide has been prepared for auditors and public bodies and provides audit and risk committee members with suggested questions to help them effectively scrutinise and challenge in the key areas.

The full report is available by clicking on this link.

There is no intention for our external auditors to review this in detail as part of their audit this year, however they have indicated that they would likely mention our self-assessment in their report.

Appendix 1 of this report contains the full assessment. This will be relevant for both the Finance and General Purposes Committee and the Audit Committee to consider. Many of the questions in the report have been considered and addressed by the College.

Areas where we may wish to undertake further work are highlighted in the table below.

Topic	Potential additional work	For consideration by:
Internal audit	Commission any work on Covid-19 plans/risk assessment	Audit Committee
Learning	Capture learning and opportunities	Finance & GP Committee
Governance arrangements	Additional meetings have been convened over the summer to deal with required business. Some members have connectivity issues. External review has been delayed Discuss whether any additional measures required	Board

Risk appetite	We have not reconsidered our risk appetite in the light of Covid-19. We are due to review risk policy in any case.	Board workshops to consider
Financial planning scenarios	Update in the light of BREXIT and increasing budget uncertainty	Finance & GP Committee and Board

Additionally, Finance &GP Committee should note that manual financial controls have all been enabled electronically. The most significant area is in relation to the purchase to pay process. We are already due to have an internal audit in this area in the autumn of 2020. We will need to ensure that the scope of the audit is adequate to cover the change in processing arrangements.

Recommendation:
Members to note that the majority of the areas identified by the Audit Scotland guide have been built into our approach to dealing with Covid-19. Some areas for improvement have been identified and will be addressed (as required) in the coming months.

Previous Committee Approvals:
nil

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

APPENDIX 1 Self Assessment

COVID-19 Guide for Audit & Risk Committees	
14/09/2020	
Internal controls and assurance – questions to consider	**Borders College assessment**
What changes to internal controls have been required due to Covid-19?	Manual processes requiring a physical signature have been adapted to accept approval via email
What new controls have been established to account for the distribution of any additional funds received?	No additional controls required
To what extent has your organisation assessed the impact of working remotely on the control environment and working practices?	Assessment has been at operational level, not formally documented. Staff have been provided with desks, chairs and IT equipment and services, to enable them to work effectively.
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?	Yes, no change to timescales, audits can be performed remotely
How is management supporting internal audit to balance its 'routine' programme of work and that required to respond to Covid-19-related audit work?	We have not commissioned any internal audit work arising from COVID19
What impact has Covid-19 had on the annual reporting and accounting process?	Delay in starting preparation of the performance report, however this will be recoverable.
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?	As part of the Finance Development Network, we have developed common assumptions for financial planning, and participated in a response to the College Principals Group and SFC. This allowed a common approach to be taken to financial planning.
How have IT services performed during the pandemic?	We have had some low level outages. Creation of a WhatsApp Group for our wider leadership team proved a very effective way of providing early warning systems for outtages. No material difficulties, We have implemented new technology processes for enrolment and induction.
To what extent has management assessed the impact of Covid-19 on overall staff capacity?	We have used Great Places to Work survey twice to guage employee issues as a result of COVID19. We have used the wider leadership team to help plan our organisational response. We have had fortnightly meetings with staff side. We have made use of the furlough scheme for staff who have not been able to perform their roles due to COVID19.
What is your organisation doing to support its staff during the pandemic?	All teams have implemented regular MSTeams meetings to keep In touch. The Incident Management Team has met as required to coordinate the Colleges response to the pandemic and the IMT have issued regular communications. Guidance materials are available. Risk assessments have been completed,, both organisational and individual.
What opportunities and risks have arisen as staff are deployed across departments?	We have been able to use support staff to provide additional support for lecturing staff and to enhance our approach to support for individual students. This helped to defray the risk of students not completing.
How is your organisation capturing the learning and opportunities that arise from new ways of working?	No formal capture process

Financial management and reporting - questions to consider	Borders College assessment
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?	Yes
How is management assessing the financial impact of Covid-19 on income and expenditure?	The mid year forecast highlighted the potential for a deficit of cicrca £218k. We are tracking all COVID19 specific spend using a project code.
What information has been used in determining the value of assets and liabilities?	Only change is in the valuation of asset held for sale, which has been impaired based on offer which takes account of market forces.
What commitments and guarantees have been made to third parties, and how are these being monitored?	No formal commitments or guarantees however we have been prioritising prompt payment of local and small businesses.
What impact has Covid-19 had on savings plans?	2019/20 savings plans achieved. 2020/21 plans increased to £772k. Plans are low and medium risk.
What impact has Covid-19 had on transformational activity?	COVID19 has accelerated our digital delivery plans - we have implemented on line induction. We have not been able to complete the installation of digital spokes according to our original timeline, it has had to be pushed out. Finance system upgrade was delayed and more complex process.
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?	Finance staff have coped very well with the various demands placed on them, including the upgrade of our finance system being undertaken remotely. Strict deadlines have been in place to assist with prioritisation of workload.
Governance – questions to consider	**Borders College assessment**
What impact has Covid-19 had on governance arrangements?	Board and Committee meetings have been held virtually. This has had benefits as well as issues. Generally attendance has been high and good use of comment boxes as welll as VC chat. A small number of Board members have had connectivity issues and have came in via voice call only.
Are governance arrangements being reviewed regularly to ensure they remain fit for purpose?	Addditional meetings have been convened as required. We have used workshop sessions as a very effective way of engaging Board members on development of our Strategic Ambition.
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?	Yes, additional meetings have been called as required, eg on financial plan and on organisational restructure.
What barriers, if any, have affected your organisation's ability to continue to provide services for individuals and communities during the pandemic?	Students who need to undertake practical assessments have been unable to complete due to the lock down. These students are being prioritised in the beginnning of academic year 2020/21. We have recorded details of students who have not been able to complete due to COVID19. BDU have continued to engage with local employers and deliver bespoke training as required.
What impact has Covid-19 had on your organisation achieving its stated objectives?	Borders College has continued to progress achievement of our strategic objectives and annual priorities
What impact has Covid-19 had on collaborative working?	COVID19 has increased collaborative working across the sector and with strategic partners.

Risk management – questions to consider	Borders College assessment
Are there new expenditure or procurement streams, or delivery methods arising from Covid-19 that introduce new risk?	No issues with supply of hygiene and PPE products. Currently considering options for re-tender of catering contract (expires July 2021). Replacement modular building in NSB has been delayed to Oct 2020.
Has your organisation's risk register been updated to reflect new risks arising from Covid-19?	Yes was updated and reviewed by Board
Is there a need for management's risk appetite framework to be reviewed to ensure it is appropriate in this rapidly evolving environment?	This has not been considered. Intention to revise risk appetite in the light of new strategic ambition
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?	Forecast overspend of circa £218k in 2019/2020 and increase in savings targets to £772k in 2020/21. Savings targets are assessed as low or medium risk. Effectively we are bringing forward targets into 2020/21.
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?	Increasing budget uncertainty was covered in our budget modelling, optimistic, perssimistic and most pessimistic scenarios. No attempt was made on additional modelling of BREXIT as there is not sufficient infomration to inform modelling.