

Board of Management Audit and Assurance Committee

Date of Meeting	Wednesday 13 May 2020
Paper No.	AAC4-G
Agenda Item	6.1
Subject of Paper	Auditor General Report: Section 22
FOISA Status	Disclosable
Primary Contact	Paul Clark, College Secretary/Planning
Date of production	6 May 2020
Action	For Noting

1. Recommendations

1.1 To note the report (dated April 2020) by the Auditor General, for the Public Audit Committee, made under Section 22 of the Public Finance and Accountability (Scotland) Act 2000

2. Purpose of report

2.1 The purpose of this report is to provide the Board with a copy of the Section 22 Report from the Auditor General in relation to the fraud investigation. The Principal will provide an update review of the investigation and related College actions.

3. Context

3.1 The context for this paper is the previously discussed fraud investigation, which the external auditor reported in the College's independent audit for 2018-19 which was, as usual, forwarded to the Auditor General.

3.2 The report identifies the nature, extent, and value of the fraud perpetrated against the College.

3.3. The report highlights that the fraud was identified by the College and that the employee concerned has been charged following an internal staff disciplinary exercise and a Police Scotland investigation.

3.4 The report states that: " The annual audit report notes that for the purposes of the annual accounts audit, the value of the identified fraud is not material in the year under audit or in total" and that full disclosure of the fraud was made by the College, and all regulatory bodies informed.

3.5 The report refers to the steps taken by the College including the forensic review of the incident, the subsequent improvement actions, the review of Finance and IT functions by the external auditor, and the ongoing co-operation with Police Scotland.

3.6 The report refers to their instruction to the external auditor to keep the matter under review pending outcome of criminal proceedings and review of the College's Finance and IT functions.

3.7 The Auditor General anticipates a further report "once legal proceedings are concluded".

4. Impact and implications

4.1 Any "Section 22" Report carries with it a threat to the reputation of the College, however this report is not critical of the College at present, and appears to be a very brief interim statement of the factual position.

4.2 There remains the stated intention of a further Section 22 Report, which may present a risk to the College's reputation.

Appendices:

Appendix 1: Auditor General Section 22 Report on the Fraud Investigation: April 2020

The 2018/19 audit of City of Glasgow College – Draft in confidence

Report on a fraud investigation

AUDITOR GENERAL 

Prepared for the Public Audit and Post-Legislative Scrutiny Committee by the Auditor General for Scotland
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000

April 2020

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Contents

Introduction	4
Background	4
Conclusion	4

Introduction

1. I have received the audited financial statements and the independent auditor's report for City of Glasgow College for 2018/19. I am submitting these financial statements and the independent auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report that I have prepared under section 22(3) of the Act.
2. The purpose of this report is to draw Parliament's attention to an alleged fraud perpetrated against City of Glasgow College. The report outlines the nature of the fraud and the action which has taken place following its discovery. At the time of writing this report, Police Scotland has formally charged a college employee with fraud. The matter is therefore subject to criminal proceedings, and my reporting on this is necessarily limited to what is already in the public domain through the College's annual audit report.

Background

3. The 2018/19 annual audit report for the City of Glasgow College refers to an alleged fraud perpetrated against the college from 2016 to 2019. The report outlines how IT equipment, including laptops and mobile phones, appears to have been purchased and subsequently removed from the college by a member of staff. The present value of IT equipment which cannot be accounted for is estimated to be £600,000 (exclusive of VAT).
4. The college identified the fraud during the 2018/19 financial year. An employee was charged with [criminal charge] in [month / year] following an internal staff disciplinary exercise and a Police Scotland investigation.
5. The annual audit report notes that for the purposes of the annual accounts audit, the value of the identified fraud is not material in the year under audit or in total. Nevertheless, the college has made full disclosure of the alleged fraud within its annual accounts and has informed regulatory bodies, including Glasgow Colleges' Regional Board (GCRB), the Scottish Funding Council (SFC), the Scottish Government, and the Office of the Scottish Charity Regulator (OSCR).
6. Subsequent to the alleged fraud, the college asked its internal auditors to conduct a forensic review of the incident. Based on the findings from this review, the college's external auditor concluded that the College Board's arrangements for the prevention and detection of fraud and other irregularities require improvement. The external auditor also noted that certain updates have now been made to the college's Financial Regulations and Fraud Prevention Policy.
7. In addition to the internal audit review, the external auditor has commenced a review of the Finance and IT function within the college, taking account of the issues arising from the internal audit. This review is expected to be completed by March 2020.
8. The college is liaising both with Police Scotland over recovery of the missing IT equipment, and with the college's insurers with respect to recovery of the potential losses resulting from the missing IT equipment.

Conclusion

9. The college has been the subject of an alleged fraud which is the subject of criminal proceedings.
10. I have asked the external auditor to keep this matter under review pending the outcome of both the criminal proceedings and their own review of the Finance and IT function. I anticipate producing a further report once the legal proceedings are concluded.

The 2018/19 audit of City of Glasgow College

Report on significant findings

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