

## AUDIT & RISK COMMITTEE

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Meeting of 17 April 2019

## AUDIT & RISK COMMITTEE

### NOTICE

There will be a meeting of the Audit & Risk Committee on Wednesday 17 April 2019 at 1030 hours in the Boardroom, G10, at Aberdeen City Campus.

AGENDA		
Agenda Item		Paper
01-19	Apologies for Absence	
02-19	Declaration of any Potential Conflicts of Interest in relation to any Agenda Items	
03-19	Minute of Previous Meeting – 21 November	X
04-19	Matters Arising from the Previous Meeting	
	<b>Matters for Decision</b>	
05-19	Reports on Internal Audit Reviews <ul style="list-style-type: none"> <li>• IT Systems</li> <li>• Purchasing and Procurement</li> <li>• Aberdeen Skills and Enterprise Training Limited (ASET)</li> <li>• Corporate Governance</li> <li>• Follow-up of Previous Recommendations</li> </ul>	X
06-19	Revision of Accounting Policies	X
	<b>Matter for Discussion</b>	
07-19	Strategic Risk Register	X
	<b>Matters for Information</b>	
08-19	Annual Procurement Report	X
09-19	National Fraud Initiative	X
10-19	<b>Summation of Business and Date of Next Meeting</b>	
	<b>Reserved Item of Business</b>	
	<b>Matter for Information</b>	
11-19	Internal Audit Contract Award	
12-19	<b>Summation of Reserved Item of Business</b>	
13-19	<b>Any Other Business</b>	

## Agenda Item 03-19

### **AUDIT & RISK COMMITTEE**

Draft Minutes of the meeting of the Audit & Risk Committee held on 21 November 2018 at 1305 hours in G10, Aberdeen City Campus.

<b>Agenda Item</b>	
	<p><b>Present:</b>          David Anderson – Vice Chair          Abdul Elghedafi          Ian Gossip - Chair          Andrew Russell          Anne Simpson          Adrian Smith</p> <p><b>In attendance:</b>          Peter Smith, Vice Principal Finance &amp; Resources          Pauline May, Secretary to the Board          Zoe Burn, Minute Secretary          Sarah Croft – EY          Graham Gillespie – Wylie &amp; Bisset          Steven Reid – EY</p> <p><b>In attendance for Agenda Item 44-18 only:</b>          Martin Dear          John Henderson          Ken Milroy, Regional Chair          Liz McIntyre, Principal &amp; Chief Executive</p>
32-18	The annual meeting between Committee Members and the External and Internal Auditors without the presence of College Management was held.
33-18	<p><b>Apologies:</b>          Apologies were presented for Ann Bell.</p>
34-18	<p><b>Declaration of any Potential Conflicts of Interest in relation to any Agenda Items</b>          Mr Gossip and Mr Adrian Smith declared potential conflicts of interest by virtue of their roles as Directors of ASET.</p>
35-18	<p><b>Minutes of Previous Meeting – 26 September 2018</b>          The minutes were approved as a true and accurate record, subject to the removal of the word 'qualified' from the minute of Agenda Item 26-18.</p>
36-18	<p><b>Matters Arising from the Previous Meeting</b>          Members noted the matters arising report. It was confirmed that, as recorded on 26 September 2018, due to the meeting not being quorate, all absent Members had since ratified the 'Matters for Decision' taken at the meeting.</p>

	<b>Matters for Decision</b>
37-18	<p><b>Annual Report of the Audit &amp; Risk Committee to the Regional Board</b>  The Committee noted a paper providing Members with an opportunity to reconsider the draft Annual Report, which had been updated to incorporate changes agreed at the previous meeting of the Committee and to now include the external auditors opinion on the College's consolidated Financial Statements.</p> <p>Mr Peter Smith tabled a version of the Repot which had been updated further following the issue of the meeting's papers and highlighted further minor changes.</p> <p>The Committee approved the submission of the Annual Report to the meeting of the Regional Board scheduled for December 2018, subject to:</p> <ul style="list-style-type: none"> <li>• corrections of the date of the reporting period from "2017" to "2018", and EY being in their second year of appointment under paragraph 7.1,</li> <li>• correction of the external auditors reporting period from "2017" to "2018" under paragraph 13.1.</li> </ul>
	<b>Matters for Discussion</b>
38-18	<p><b>Audit Certificate of Year-end Returns</b>  Members considered reports on audit certification of the academic year end returns submitted to central authorities by the College for AY2017-18.</p> <p>In relation to Appendix 1, the Student Activity Data Return, the rejection of the recommendation noted under Action Plan was highlighted and explained by Mr Peter Smith. Members were advised that the College was currently seeking clarification from the SFC regarding this issue.</p>
39-18	<p><b>Draft Internal Audit Assignment Plans 2018-19</b>  The Committee noted the 16 draft Assignment Plans prepared by the College's internal auditors. Members confirmed that they did not have any queries in relation to the proposed internal audit work.</p> <p>It was agreed that a summary detailing the scheduling of the audits throughout AY2018-19 should be made available on the Committee's Collaborative Space on COLIN.</p>
40-18	<p><b>Any Other Business</b>  Members were advised that the date for the upcoming joint Audit Committee Event with RGU and the University of Aberdeen had been confirmed as 09 January 2019. Ms May advised that an Outlook Invitation would shortly be issued to all Committee Members.</p>
41-18	<p><b>Summation of Business and Date of Next Meeting</b>  The Secretary gave a summation of the business conducted. The next meeting of the Audit &amp; Risk Committee is scheduled to take place on 17 April 2019 at 1030 hours at the Aberdeen City Campus.</p>
	<b>Reserved Items of Business – Matter for Decision</b>
	Mr Dear, Mr Henderson, Mr Milroy and Ms McIntyre as Member of the Finance & Resources Committee joined the meeting at this time.

	<b>Financial Statements for the Year to 31 July 2018</b>
44-18	
45-18	<p><b>Summation of Reserved Items of Business</b></p> <p>The Secretary gave a summation of the reserved business conducted</p>

<b>Agenda Item</b>	<b>Actions from Audit &amp; Risk Committee 21/11/18</b>	<b>Responsibility</b>	<b>Deadline</b>
37-18	Required corrections to be made to Annual Report by the Committee to the Regional Board	P. Smith	05 December 2019
39-18	Scheduled of AY2018-19 Internal Audits to be made available on the Committee's Collaborative Space on COLIN	P. May	As soon as possible
45-18			

**Signed:**.....

**Date:** .....

<b>AUDIT &amp; RISK COMMITTEE</b> <b>Meeting of 17 April 2019</b>	
<b>Title:</b> Reports on Internal Audit Reviews	
<b>Author:</b> Peter D Smith, Vice Principal Finance & Resources	<b>Contributor(s):</b> Wylie and Bisset
<b>Type of Agenda Item:</b>	
<b>For Decision</b>	<input checked="" type="checkbox"/>
<b>For Discussion</b>	<input type="checkbox"/>
<b>For Information</b>	<input type="checkbox"/>
<b>Reserved Item of Business</b>	<input type="checkbox"/>
<b>Purpose:</b> To enable the Committee to consider reports on internal audit reports, together with recommendations and management responses.	
<b>Linked to Strategic Goal:</b>	
<b>5. Optimise the use of our available resources to deliver financial and environmental sustainability.</b>	
<b>Linked to Annual Priority:</b>	
<b>Executive Summary:</b> The College's Internal Programme for AY2018-19 is scheduled to be undertaken in three stages. The reports from the first five internal audit reviews, undertaken in Stage 1 are attached and summarised as follows:	
IT Systems (Appendix 1) <ul style="list-style-type: none"><li>• Overall Conclusion – Strong</li><li>• Number of Recommendations – none</li><li>• Number of Areas of Good Practice Identified – 17</li></ul>	
Purchasing and Procurement (Appendix 2) <ul style="list-style-type: none"><li>• Overall Conclusion – Strong</li><li>• Number of Recommendations – 2</li><li>• Number of Areas of Good Practice Identified – 9</li></ul>	
Aberdeen Skills and Enterprise Training Limited (ASET) (Appendix 3) <ul style="list-style-type: none"><li>• Overall Conclusion – Strong</li><li>• Number of Recommendations – none</li><li>• Number of Areas of Good Practice Identified – 24</li></ul>	

**Corporate Governance (Appendix 4)**

- Overall Conclusion – Strong
- Number of Recommendations – none
- Number of Areas of Good Practice Identified – 17

**Follow-up of Previous Recommendations (Appendix 5)**

- Overall Conclusion – Substantial
- 15 recommendations reviewed, of which: 8 had been fully implemented and 7 partially implemented, with actions identified to complete the latter.

**Recommendation:**

It is recommended that the Committee consider the internal audit reports recommendations, and approve management responses, with any amendments, as necessary.

**Previous Committee Recommendation/Approval (if applicable):**

None

**Equality Impact Assessment:**

**Positive Impact**

**Negative Impact**

**No Impact**

**Evidence:**

# North East Scotland College

## Internal Audit 2018-19

IT Systems  
February 2019

Overall Conclusion

Strong

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North East Scotland College  
IT Systems

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*The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.*

*This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.*

*We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.*

## Overview

### Purpose of review

The purpose of this review was to ensure that the College has adequate IT controls in place and that these are operating effectively. This review aimed to provide assurance to the Board of Management, via the Audit & Risk Committee, that the IT control arrangements are appropriate and are being managed effectively. Our review also sought to provide assurance that there are appropriate security arrangements in place and there is appropriate storage of backup information. We also reviewed data protection arrangements in place.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

### Scope of review

Our objectives for this review were to ensure:

- There are appropriate policies in place to provide governance and control over the College's IT systems.
- There are appropriate solutions in place to control access to the College's information systems.
- There are appropriate solutions in place to aid in securing the College's IT network which are being monitored effectively.
- There are appropriate Disaster Recovery and Business Continuity plans in place for the College's IT systems that are being tested.
- There are appropriate solutions in place for the storage of the College's backup information.
- The College's IT Systems are compliant with the General Data Protection Regulations.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

## Limitation of scope

There was no limitation of scope.

## Background Information: IT Systems

The College operates on a Microsoft platform that uses Microsoft Identity Management (MIM) which synchronises identities between directories, databases and apps enabling administer self-service password, group and certificate management whilst increasing admin security with policies, privileged access and roles.

The College use NESSUS, a new software package, which is used for checking vulnerabilities within the system and provides a detailed report on the following:

- Severity broken into categories, Critical, High, Medium and Low;
- Vulnerability, this could be security patch or out of date software needing upgraded;
- Solution pulls data from large database on best possible solution or fix.

RM IT staff (previous IT providers) were transferred under Transfer of Undertaking Protection of Employment (TUPE) regulations to the College on 1 September 2018. This has proven to be an asset for the IT Department through retaining knowledge of the system, flexibility and professionalism of the team and subsequently providing Value for Money.

The Information Security Lead was appointed in June 2018 to drive Cyber Security awareness and promoting safe online system for both users and staff who have access to the College network. The College are working towards obtaining Cyber Essentials Plus by 1 April 2019, the College are being supported by HE/FE Shared Technology and Information Systems (HEFESTIS is a not-for-profit Shared Service College) that provides shared services to institutions and where applicable to sector owned bodies.

The College has a shared Chief Information Security Officer (CISO) with HEFESTIS who assists the College through cyber security and information security testing and training. The CISO is the senior-level executive within an organisation responsible for establishing and maintaining the enterprise vision, strategy, and program to ensure information assets and technologies are adequately protected. The CISO directs staff in identifying, developing, implementing, and maintaining processes across the enterprise to reduce information and information technology (IT) risks. They respond to incidents, establish appropriate standards and controls, manage security technologies, and direct the establishment and implementation of policies and procedures. The CISO is also usually responsible for information-related compliance (e.g. supervises the implementation to achieve ISO/IEC 27001 certification for an entity, or a part of it).

The IT Department is currently training and supporting work experience students who wish to pursue a career in IT or Cyber security with the help of HEFESTIS.

The Director of IT within the College is planning to leave before the end of the financial year, after 30 years of having a key role in getting the department to the position it is today. The position has been advertised and the College has received a good response, the Director of IT has completed an internal handover to the team and this will be available to the new person once appointed.

## Work Undertaken

### Policies

Policies are high-level documents which represent the corporate philosophy of the College. To be effective, policies must be clear and concise. Management must create a positive control environment by assuming responsibility for formulating, developing, documenting, promoting, and controlling policies covering general goals and directives. Management should take the steps necessary to ensure that employees affected by a specific policy, receive a full explanation of the policy and understand its intent. In addition, policies may also apply to third parties who will need to be bound to follow the policies through contracts or statements of work.

Whilst on site, we carried out a review of the policies in place to confirm they were in line with best practice above. We found the policies were up to date and followed best practice.

## Control Access

Access control is a security technique which regulates who can view or use resources in a computing environment. There are two types of access control: physical and logical. Physical access control limits access to campuses, buildings, rooms, and physical IT assets. Logical access control limits connections to computer networks, system files and data.

Whilst on site we carried out physical access controls visually. This was carried out following the best practice above. We carried out logical access controls testing and found the College to have robust controls in place.

## Network Monitoring

Network monitoring is the use of a system which constantly monitors a computer network for slow or failing components and this notifies the network administrator (via email, SMS or other alarms) in cases of outages or other trouble. Network monitoring is part of network management. While an intrusion detection system monitors a network for threats from the outside, a network monitoring system monitors the network for problems caused by overloaded or crashed servers, network connections or other devices.

Whilst reviewing the College's network we found that the controls in place followed the best practices above. The College has installed a VPN (Virtual Private Network) that extends a private network across a public network and enables users to send and receive data across shared or public networks as if their computing devices were directly connected to the private network. On reviewing the network, we found that the wireless is segregated and secure and has password controls in place.

## Business Continuity Plans (BCP)

BCP in support of business operations/provisioning IT service, is an element of an internal control system established to manage availability and restore critical processes/IT services in the event of interruption. The purpose of this continuous planning process is to ensure that cost-effective controls to prevent possible IT disruptions and to recover the IT capacity of the College in the event of a disruption are in place.

We reviewed and compared the College's BCP with the best practice above and found that the BCP was robust and would be useful to assist and provide guidance if a disaster or event occurred.

## General Data Protection Regulation (GDPR)

Enterprises regulated by GDPR should perform a compliance audit on a regular basis; the goal is to provide management and the Board with a level of assurance that GDPR related compliance controls are operating effectively. The policies and procedures for managing, and more importantly, for protecting personal data. The GDPR audit should also include a review of tools and technology used to input, process, transmit and store information regulated by GDPR.

We carried out a check on policies around the deletion and retention of data to ensure that they complied with the regulation. We found that the College had robust working practices around the retention and deletion of data and these are managed by the Data Protection Officer (DPO) and the Information Security Lead.

## Conclusion

### Overall conclusion

**Overall Conclusion: Strong**

We can provide a strong level of assurance over the IT controls in place at the College and that they are working effectively. We can also provide a strong level of assurance over the security arrangements in place and the storage of backup information. We can also provide a strong level of assurance of the data protection arrangements in place. We also note that the College is moving towards obtaining the cyber essentials plus accreditation in April 2019.

### Summary of recommendations

Grading of recommendations				
	High	Medium	Low	Total
IT Systems	0	0	0	0

As can be seen from the above table there were no recommendations made which we have given a grading of high.

## Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The College's business critical equipment is protected with appropriate environmental controls in place. The College servers are kept off site in a shared data storage area.
2.	The College's IT Department test the backup and restore procedure weekly to ensure that in the event of a disaster they can recover the system.
3.	The College has robust solutions in place to ensure that data is backed up and secure. This means that in the event of a disaster the College can bring the system back to resume essential jobs.
4.	The College has a robust Disaster Recovery Plan in place that provides guidance of the recovery steps should a disaster occur.
5.	Throughout the College, there are anti-virus and anti-malware in place to give protection against viruses and malware to maintain a safe environment for staff and users to work in.
6.	The College has a patch management strategy in place for managing patches or upgrades for software applications and technologies. The College also carries out on regular basis vulnerability scan using Nessus scanner.
7.	The College has carried out penetration testing via a third party and have put in place an action plan to have this carried out every year once the College has achieved Cyber Essential Plus in April 2019.
8.	The College has change management procedures in place to track all hardware and software changes to the system.
9.	The College has controls in place to monitor the network and alert the IT Department when there is suspected activity or failure within the network.
10.	The College has robust controls in place to add and disable users accounts to ensure that data and information is not lost.

# 1 EXECUTIVE SUMMARY

**The following is a list of areas where the College is operating effectively and following good practice.**

11.	The College has controls in place for recycling and disposal of IT equipment. The College also has robust controls in place for the access of restricted areas like the Data Centre and server rooms.
12.	The College has controls in place to allow users to securely connect to the network remotely.
13.	USBs can be used by students in the College and these are scanned for viruses. The College is using one drive cloud storage and is trying to move away from USB.
14.	The College wireless network has controls in place to ensure that the system and data are protected. The wireless networks are separate from the main network.
15.	The College has a robust and clear set of policies and procedures to ensure that the IT infrastructure and system is secure and maintained. Staff and students are aware and understand their limitations within the system.
16.	The College has data retention and deletion controls in place to ensure data is correctly controlled.
17.	The IT staff within the College are receiving specialised training on areas such as IT Security and Microsoft packages. This will ensure staff have a full understanding of the College systems and kept up to date with the latest IT updates.

## 2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

### IT Systems

Benchmarking	High	Medium	Low	Total
Average number of recommendations in similar audits	1	3	2	6
Number of recommendations at North East Scotland College	0	0	0	0

From the table above it can be seen that the College has a lower of recommendations compared to those colleges it has been benchmarked against.

## 3 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	4 February 2019
Closing meeting	7 February 2019
Draft report issued	21 February 2019
Receipt of management responses	26 February 2019
Final report issued	28 February 2019
Audit & Risk Committee	17 April 2019
Number of audit days	4

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

## 4 KEY PERSONNEL

North East Scotland College  
IT Systems

We detail below our staff who will undertake the review together with the College staff we spoke to during our review.

<b>Wylie &amp; Bisset LLP</b>			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Senior	Neil Hall	IT Auditor	neil.hall@wyliebisset.com

<b>North East Scotland College</b>			
Key Contact	Scott Matthew	Director of IT and Technical Services	s.matthew@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

## APPENDICES

# A GRADING STRUCTURE

For each area of review we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

# A GRADING STRUCTURE

For each recommendation we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Committee and addressed by senior management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

### Purpose of review

The purpose of this review is to ensure that the College has adequate IT controls in place and that these are operating effectively. This review aims to provide assurance to the Board of Management, via the Audit & Risk Committee, that the IT control arrangements are appropriate and are being managed effectively. Our review will also seek to provide assurance that there are appropriate security arrangements in place and there is appropriate storage of backup information. We will also review data protection arrangements in place.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

### Scope of review

Our objectives for this review are to ensure:

- There are appropriate policies in place to provide governance and control over the College's IT systems.
- There are appropriate solutions in place to control access to the College's information systems.
- There are appropriate solutions in place to aid in securing the College's IT network which are being monitored effectively.
- There are appropriate Disaster Recovery and Business Continuity plans in place for the College's IT systems that are being tested.
- There are appropriate solutions in place for the storage of the College's backup information.
- The College's IT Systems are compliant with the General Data Protection Regulations.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

### Limitation of scope

There is no limitation of scope.

### Audit approach

Our approach to the review will be:

- Discussions with relevant staff involved to establish the current arrangements in place.
- Review of IT security, access control and user policies for adequacy.
- Review of the College's strategy for identifying and addressing system vulnerabilities in a secure and timely manner.
- Review of the College's anti-malware/virus software including web protection.
- Review of the College's network security appliances and monitoring.
- Review of the College's data leakage prevention controls and monitoring.
- Review of the College's network access controls including user account controls, remote access, third party access
- Review of the College's IT disaster recovery and business continuity planning including the College's backup strategy.
- Review of the College's IT strategy and reporting mechanisms.
- Review of the IT departments communication techniques.
- Sample testing of controls where applicable.
- Review of the storage of backup information.
- Discussion with key personnel to discuss the current arrangements in place for the management of any personal data held by the Association.

- Review of documented policies and procedures to confirm that they are appropriate, comply with the Data Protection Act and reflect current practice.

### Potential key risks

The potential key risks associated with the area under review are:

- There are no/inadequate policies in place to provide governance and control over the College's IT systems.
- There is a lack of/inadequate controls in place to control access to the College's information systems.
- Security solutions in place to protect the College are ineffective and/or not being monitored appropriately.
- Disaster Recovery and Business Continuity procedures are ineffective, un-tested and not in line with the College's Business Impact Analysis.
- There are no appropriate solutions in place for the storage of the College's backup information.
- The College's IT Systems are not compliant with the General Data Protection Regulations.
- Privileged users do not understand roles and responsibilities.

# North East Scotland College

Internal Audit 2018-19

Purchasing & Procurement  
February 2019

Overall Conclusion

Strong

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Purchasing & Procurement

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## Overview

### Purpose of review

The purpose of this assignment was to conduct a high-level review of the procurement process in place, from identifying procurement needs, through to appraising options and contracting suppliers. We also sought to provide assurance that the College is complying with legislative requirements. We also reviewed the controls the College has in place to mitigate the risk of fraud.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

### Scope of review

Our objectives for this review were to ensure:

- An agreed procurement strategy and appropriate policies and procedures are in place to guide staff on making purchasing decisions.
- Staff have been trained in procurement and receive appropriate procurement support.
- Agreed procurement procedures are being consistently followed, leading to value being achieved from purchases.
- There are agreed contracts in place with favourable terms, with key suppliers.
- Supplier performance is monitored effectively, and use has been made of performance measures and service level agreements.
- Access to the finance system is secure and access rights are tailored to the individual's role within the College.
- Changes to suppliers' bank details are verified with a known contact prior to being processed through the system.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

## Limitation of scope

There was no limitation in scope.

## Background

The Vice Principal: Finance & Resources is responsible for purchasing and procurement within the College. The day to day operations of purchasing and procurement are managed by the Purchasing Manager. The College use the PECOS system for all purchases. This system is administered by the Purchasing Manager, who is responsible for providing training to staff members on the system. Staff members are not set up on the system until they have received training from the Purchasing Manager. The PECOS system allows for authorisation procedures to be set at levels where a purchase cannot be actioned unless it has received the appropriate level of authorisation. The PECOS system is used for purchase orders and invoicing. The Purchasing Manager is responsible for ensuring the purchase orders are processed while the invoicing is carried out by accounts payable who report to the Purchasing Manager.

Procurement within the College is guided by the Financial Regulations, Procurement Policy and several procedures that are in place such as the Sealed Bid Tender Procedure and the Raise & Process Purchase Orders Request Procedure.

The College are following the Procurement (Scotland) Reform Act 2014 and have a Procurement Strategy and Register of Contracts in place. The College complete their annual Procurement report confirming they are adhering to the Act, the last report was completed for the financial year 2018. All tender processes within the College are either issued on the Public Contracts Scotland website or sought through National Frameworks such as APUC (Advanced Procurement for Universities and Colleges Ltd) and Crescent Purchasing Consortium (CPC) as required by the Procurement (Scotland) Reform Act 2014.

The College are also a member of APUC, who provide advice and guidance on procurement if required. APUC also issue information to the Purchasing Manager on any changes in procurement legislation and provide training if required. The Vice Principal: Finance & Resources is also a Board member at APUC.

# 1 EXECUTIVE SUMMARY

The current purchasing and approval limits within the College are:

- Up to £1,000 –requires budget holder approval and no quotations are required.
- Up to £2,000 – requires Director of Curriculum approval and no quotations are required.
- Up to £10,000 – requires a bid summary to be completed and 3 quotes from suppliers.
- Over £10,000 – requires approval of Principal and a bid summary to be completed and procurement if required or 3 quotes from suppliers.

The Financial Regulations were recently reviewed and updated in January 2019. As a result, the purchasing and approval limits will change to:

- Route 1A: for purchases less than £4,000 and where no contracted supplier exists the staff member must contact the Purchasing Manager prior to purchase. For purchases less than £2,000 the Budget Holder can authorise these. While purchases valued at £2,000 to £3,999 must also be countersigned by the Senior Management Team.
- Route 1B: for purchases valued at £4,000 to £24,999 a minimum of 3 written quotations must be received. The purchase must then be authorised by the Budget Holder, the Senior Management Team and the Vice Principal: Finance & Resources.
- Route 2A: for purchases valued at £25,000 to £49,999 the purchase must be tendered via a quick quote through the Public Contracts Scotland framework. The Principal must then authorise the final purchase.
- Route 2B: Purchases valued at £50,000-£181,302 (Goods & Services) and £50,000-£4,551,413 the purchase must be completed through an open tender on the Public Contracts Scotland framework. The Principal can then authorise purchases up to £100,000 while the Finance and Resources Committee can authorise purchases to the value of £250,000 and all purchases over this must be approved by the Regional Board.
- Route 3: Goods & Services purchased over £181,302 and Works of £4,551,413 must be completed as an open tender through Public Contracts Scotland and OJEU. The Finance & Resources Committee can approve purchases up to £250,000 while the Regional Board must approve all purchases over this.

## Work Undertaken

Our work for this review included the following:

- Discussions with relevant staff members regarding the process in place for purchasing and procurement and evaluating this for appropriateness.
- Obtaining and reviewing the Procurement Strategy, Procurement Policy and Procurement and Purchasing Procedures.
- Discussions with staff and obtaining evidence for the procurement training undergone by staff.
- Undertaking sample spend of 20 purchases to ensure that they all received the appropriate level of approval.
- Undertaking sample testing of all 9 procurement exercises completed in 2018 to ensure that the College adhered to their procurement process and that agreed contracts are in place.
- Undertaking sample testing of spend with 5 suppliers to ensure that the spend was covered by the contract and the College were charged at the agreed rate.
- Reviewing the monitoring of contractor/supplier performance by the College.
- Reviewing system access to PECOS and ensuring that access is controlled, and staff members only have the access required to complete their roles.
- Undertaking sample testing of 10 change in suppliers bank details forms to ensure the College are completing the required checks prior to the change in details being processed. We didn't identify any issues which would lead us to believe that any fraud issues arose and were confident that sufficient controls are in place in this area.

## Conclusion

### Overall conclusion

**Overall Conclusion: Strong**

We can provide a strong level of assurance over the controls in place regarding the College's procurement process. We can also provide a strong level of assurance that the College is complying with legislative requirements and have controls in place to mitigate the risk of fraud. However, we have raised 2 low grade recommendations for improvement. Please see section 3 for further information.

### Summary of recommendations

Grading of recommendations				
	High	Medium	Low	Total
Purchasing & Procurement	0	0	2	2

As can be seen from the above table there were no recommendations made which we have given a grading of high.

## Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1. The College has a process in place to ensure that contracts are monitored. The largest contract worth 20% of College spend is for facilities management. The contract is held by Mitie and the College has a dedicated Facilities Client Services Manager in place who monitors compliance with the contract and ensures that KPIs are being met. The Purchasing Manager and managers responsible for contracts also monitor the smaller contracts through meetings with suppliers and reports.
2. Our sample testing of spend with contracted supplied found that all spend was covered by the nature of the contract and the agreed rate.
3. The College has a dedicated Purchasing Manager in place that ensures the process for purchases and procurement is being followed. From our sample testing we found that all purchases are processed through the PECOS system and are appropriately authorised and include a bid summary of the order where required.
4. The Purchasing Manager is responsible for providing training to all staff members who require access to the PECOS system. The staff members are only set up on the system following the training. This ensures that all staff members with access to the PECOS system have had training. The Purchasing Manager has also developed a 'PECOS Tip Card' and how to guides to ensure staff have access to further information should it be required. The Purchasing Manager provides additional training or advice when required.

# 1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

- |    |   |
|----|---|
| 5. | <p>The personnel responsible for procurement in the College are vastly experienced and knowledgeable.</p> <p>The Purchasing Manager has worked with the College in this role for 23 years. The Purchasing Manager attends regular training events and forums to ensure they are fully briefed on the latest procurement requirements. The Purchasing Manager is also a member of College's East which is a procurement forum made up of College procurement managers. The Purchasing Manager is also a member of the Procurement Strategy Group within APUC. The purpose of the Procurement Strategy Group is to review procurement within the sector, upcoming changes, ways to improve the procurement process and procurement updates from other Colleges.</p> <p>The Vice Principal: Finance &amp; Resources is also a member of the Board at APUC.</p> |
| 6. | <p>The College has robust Financial Regulations, Procurement Policy and Procedures in place. These are available to all staff through the College intranet.</p> <p>We note that the Procurement Policy was due for review in January 2019, however, the Vice Principal: Finance &amp; Resources revised the Financial Regulations that were approved by the Regional Board in January 2019. Following the approval of the Financial Regulations, the Procurement Policy will be reviewed and updated in line with the Financial Regulations.</p>  |
| 7. | <p>The College are complying with the Procurement Regulations (Procurement Reform (Scotland) Act 2014) and have a detailed Procurement Strategy in place. The Procurement Strategy was approved by the Regional Board on the 15<sup>th</sup> November 2018 and covers the academic years 2018-2021. The College also have a Register of all contracts in place which are recorded through the Hunter System. The Register of Contracts is monitored by the Purchasing Manager.</p> <p>In line with Procurement Regulations, the College submit an annual Procurement Report detailing their adherence to the Procurement Strategy.</p>  |

# 1 EXECUTIVE SUMMARY

**The following is a list of areas where the College is operating effectively and following good practice.**

- |    |   |
|----|---|
| 8. | From our sample testing on change of suppliers bank details, we can provide assurance that the College's procedures are being followed and appropriate checks are being carried out and authorised before the change is processed on the Sun system.  |
| 9. | The Purchasing Manager is responsible for setting up and monitoring users on the PECOS system. The Purchasing Manager restricts staff members access based on their requirement to perform their roles. The users are then only able to access the functions of the system that they require, for example most users are only able to raise purchase orders while budget holders also have some authorisation rights. |

## 2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

### Purchasing & Procurement

Benchmarking	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	2	3
Number of recommendations at North East Scotland College	0	0	2	2

From the table above it can be seen that the College has a lower of recommendations compared to those colleges it has been benchmarked against.

### 3 DETAILED RECOMMENDATIONS

Performance Management			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>A number of contracts within the College are managed by the Department Head who require the contract, such as Learning Opportunities Services with Aberdeen Foyer, Nursery Contract with Busy Bee and Janitorial Security with ISS Pegasus.</p> <p>During our review, we were informed that although these contracts are managed by the Department Head, there is no annual report on performance provided to the Purchasing Manager to confirm if the suppliers are adhering to the contracts and meeting KPIs. We do note that the Purchasing Manager is informed where there are any issues with the contract and works with the supplier and Department Head to resolve these.</p> <p>There is the risk that suppliers could under perform with the contract and the Purchasing Manager is not made aware of these.</p>	Low	We recommend that where contracts are managed by a Department Head or Manager outwith the Purchasing Manager, the responsible individual completes an annual performance report on the contractor to ensure that all KPIs and contracts are being adhered to.
Management response			Responsibility and implementation date
<p><b>Agreed.</b> The College department head or manager responsible for managing a College contract will carry out an annual contract performance review and pass a Contract Performance Report back to Purchasing to ensure that all KPI's and contract conditions are adhered to.</p>			<p><i>Responsible Officer:</i> Department Head/Manager responsible for managing contracts held by the College</p> <p><i>Implementation Date:</i> 01/04/2019</p>

### 3 DETAILED RECOMMENDATIONS

Procurement Procedures			
Ref.	Finding and Risk	Grade	Recommendation
2.	<p>The College has developed a Sealed Bid Tender Procedure to ensure compliance with regulations. This sets out the procedure that must be followed for competitive tendering which is required for all purchases over £20,000 or for purchases from a supplier that are over £50,000 during a 4-year period.</p> <p>During our testing we review all 9 procurements completed in 2018 and tested against the Sealed Bid Tender Procedure. Our testing found:</p> <ul style="list-style-type: none"> <li>➤ That there was no evidence held of the Purchasing Manager informing the unsuccessful tenderers of the result. We note that this information could be saved in the procurement folder.</li> <li>➤ There was no evidence of the signed contract for 1 procurement.</li> <li>➤ All 9 contract award authorisation forms were not saved and saved in the procurement folder.</li> </ul> <p>There is the risk that the College has not informed unsuccessful tenders of the result of the procurement and that information could go missing if it is not scanned and saved in a central location.</p>	Low	We recommend that the College ensure they store all information electronically in a central location, this should include all contract award authorisation forms, signed contracts and evidence such as emails/letters of the unsuccessful tenderers being informed of the result of the procurement.
Management response			Responsibility and implementation date
<b>Agreed.</b> All tender Information relating to each tender undertaken will be stored electronically in a central location			<i>Responsible Officer:</i> Purchasing Manager  <i>Implementation Date:</i> 01/03/2019

## 4 OBSERVATIONS

The following is a list of observations from our review

1. Under the Procurement (Scotland) Reform Act 2014, the College are required to publish their Procurement Strategy on their website. During our visit we found that the College had not updated the website to include the Procurement Strategy 2018-21 but rather had the old Procurement Strategy published. We note that once this was highlighted the Purchasing Manager informed the relevant department who published the correct Procurement Strategy.

## 5 AUDIT ARRANGEMENTS

North East Scotland College  
Purchasing & Procurement

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	4 February 2019
Closing meeting	11 February 2019
Draft report issued	21 February 2019
Receipt of management responses	28 February 2019
Final report issued	28 February 2019
Audit & Risk Committee	17 April 2019
Number of audit days	4

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

# 6 KEY PERSONNEL

North East Scotland College  
Purchasing & Procurement

We detail below our staff who will undertake the review together with the College staff we spoke to during our review.

<b>Wylie &amp; Bisset LLP</b>			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Senior	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Assistant	Liam Donnachie	Internal Audit Assistant	liam.donnachie@wyliebisset.com

<b>North East Scotland College</b>			
Key Contacts:	Pete Smith	Vice Principal - Finance	pe.smith@nescol.ac.uk
	Colin Brodie	Purchasing Manager	c.brodie@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

## APPENDICES

# A GRADING STRUCTURE

For each area of review we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

# A GRADING STRUCTURE

North East Scotland College  
Purchasing & Procurement

For each recommendation we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Committee and addressed by senior management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

### Purpose of review

The purpose of this assignment is to conduct a high-level review of the procurement process in place, from identifying procurement needs, through to appraising options and contracting suppliers. We will also look to provide assurance that the College is complying with legislative requirements. We will also review the controls the College has in place to mitigate the risk of fraud.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

### Scope of review

Our objectives for this review are to ensure:

- An agreed procurement strategy and appropriate policies and procedures are in place to guide staff on making purchasing decisions.
- Staff have been trained in procurement and receive appropriate procurement support.
- Agreed procurement procedures are being consistently followed, leading to value being achieved from purchases.
- There are agreed contract in place with favourable terms, with key suppliers.
- Supplier performance is monitored effectively, and use has been made of performance measures and service level agreements.
- Access to the finance system is secure and access rights are tailored to the individual's role within the College.
- Changes to suppliers' bank details are verified with a known contact prior to being processed through the system.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

### Limitation of scope

There is no limitation in scope.

### Audit approach

Our approach to the review will be:

- Discussions with the relevant staff to establish the current procurement arrangements in place at the Trust.
- Evaluation of these arrangements to assess their adequacy and whether they comply with current guidance and good practice.
- Review of the procurement system objectives.
- Evaluation of procurement system capabilities to assess whether the system is being fully utilised.
- Sample test of transactions and processes where applicable.
- Review of staff training arrangement with regard to system and procurement procedures.
- Review of the system access controls in place.
- Sample test of changes to supplier bank details to ensure the correct checks have carried out prior to the details being updated.

### Potential key risks

The potential key risks associated with the area under review are:

- An agreed procurement strategy and appropriate policies and procedures may not be in place to guide staff on making purchasing decisions.
- Staff may not have been trained in procurement, or may not receive appropriate procurement support.
- Agreed procurement procedures may not be consistently followed, leading to poor value being achieved from purchases.
- There may be no agreed contracts, or there are contracts in place with unfavourable terms, with key suppliers.
- Supplier performance may not be monitored effectively, and no use has been made of performance measures and service level agreements.
- Individuals gain unauthorised access to the finance system and are able to process erroneous and/or fictitious orders/payments.
- Changes to supplier details are made without reconfirming with the supplier which could increase the risk of details being falsely altered which increases the risk of fraud and could result in a loss to the College.

# North East Scotland College

## Internal Audit 2018-19

Aberdeen Skills and Enterprise Training Ltd  
February 2019

**Overall Conclusion**

Strong

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Aberdeen Skills and Enterprise Training Ltd

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*The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.*

*This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.*

*We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.*

## Overview

### Purpose of review

The purpose of the review is to ensure that Aberdeen Skills & Enterprise Training Limited ('the Company') has adequate internal systems and procedures and that these are being complied with. This review will seek to provide annual assurance to the Board of Management, via the Audit and Risk Committee, that the Company's internal controls environment is efficient and effective.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

### Scope of review

Our objectives for this review were to ensure:

- Compliance with UK Immigration & Visas legislation.
- Efficient and effective procedures and controls are in place for key finance processes.
- Adequate segregation of duties are in place.
- There is adequate management oversight of finance processes.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

### Limitation of scope

There were no limitations of scope.

## Background

Aberdeen Skills and Enterprise Training (ASET) is a wholly owned subsidiary of North East Scotland College (NESCOL). ASET is an Oil and Gas Training Academy which provides courses to Companand delegates throughout the World in the Oil, Gas, Marine, Electrical, Emergency Response, Transportation and Health & Safety industries. Over 70 different courses are provided by ASET ranging from Oil and Gas Technician Training to Health and Safety Training. ASET operates courses over two campuses, Altens and Clinterty with the financial procedures and general administration being housed in Altens.

The Finance Team at ASET is headed by a Management and Financial Accountant and a Finance Assistant. We can confirm that the Company ensures sufficient segregation of duties in place regardless of the Finance Team's smaller size. The role of each staff member is clearly outlined for each financial procedure that is carried out. Furthermore, independent members of staff are also well equipped to provide cover in the event of sickness or absence.

As ASET is a subsidiary of NESCOL, they have adopted the College's Financial Regulations Policy. This policy is followed by ASET when carrying out financial processes and procedures. NESCOL review and update the Financial Regulations Policy on an annual basis with the last review being undertaken in January 2019. Through our review of ASET, we can confirm that the Company is following these comprehensive regulations as required.

ASET provides training for overseas students each year and as such, are required to be compliant with UK Immigration and Visa Legislation. This includes the collection and processing of all necessary paperwork for foreign students. In the current year ASET have had no foreign students, we confirmed through review that the 4 students from the prior year (17/18) had their leaving documents processed and did in fact, leave the country, as required.

The Company maintains 3 bank accounts which are used for holding current account finances, foreign currency and savings account finances with RBS. All 3 accounts are reconciled on a monthly basis by the Finance Assistant and checked and signed for accuracy by the Financial and Management Accountant.

Debtors monitoring is handled by the Chief Executive's PA/Credit Controller. We reviewed the debtors monitoring process and believe this to be performing strongly.

A monthly financial report is produced by the Management and Financial Accountant and delivered to the Board. This report contains financial statements for the period, as well as some comparative figures against prior year performance and budgets. The monthly management accounts are accompanied by a narrative report that ensures the numerical data in the management accounts is properly explained and any variances are addressed.

ASET's assets and inventory is maintained and monitored by the Training and Health and Safety Manager. The Training and Health and Safety Manager maintain a live register of the company's assets. The Training and Health and Safety Manager carries out quarterly sample checks on inventory to ensure these are still present and no theft has occurred.

ASET holds £3,312 worth of foreign currency on site. This is for cash advances for staff members who are travelling abroad for work related purposes. Only one cash advance for US Dollars has been requested so far in 2018/19 for \$1500, of which \$1300 was returned.

## Work Undertaken

Our work for this review included the following:

- Discussions with relevant management and staff to establish the financial control arrangements in operation at the Company;
- Performed walkthrough testing of key financial areas highlighted from discussions;
- Performed sample testing on key controls of financial areas and assessed the effectiveness of these;
- Reviewed documentation to confirm that policies and procedures are in place and comply with good practice;
- Reviewed information and reports provided to the Board of Management to assess the adequacy of this information.

## Conclusion

### Overall conclusion

**Overall Conclusion: Strong**

From our review of the Company we can conclude that there are strong controls in place. We can provide a strong level of assurance that the key financial processes are operating efficiently and effectively. We can also provide a strong level of assurance that the Company is compliant with UK Immigration and Visa Legislation.

### Summary of recommendations

Grading of recommendations				
	High	Medium	Low	Total
Aberdeen Skills and Enterprise Training Ltd	0	0	0	0

As can be seen from the above table there were no recommendations made which we have given a grading of high.

## Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	ASET produce and report management accounts on a monthly basis. We found these to be a detailed numerical analysis. The management accounts are accompanied by a separate narrative report which explains issues such as variances.
2.	ASET have a clear segregation of duties in place when considering the size of the Finance Team. This is backed up by the clear procedure documents set out.
3.	ASET have adopted the Colleges financial regulations. The regulations adopted are robust and reviewed on an annual basis with the last review being in January 2019. The financial regulations are in line with good practice and contain all sections we would expect to see.
4.	ASET have in place a robust set of procedures for their key financial functions. We can confirm that staff were aware of the procedures in place are being correctly followed.
5.	ASET currently have 3 partially integrated systems (Coursebooker, PECOS, Sun Accounts) in that they can speak to each other through text file downloads and uploads.  ASET are planning on upgrading their coursebooking system to a bespoke system and note no integration will be lost.  ASET are also upgrading their purchasing system PECOS to a P2P system which will be full integrateable to SUN Accounts
6.	From our testing we noted no issues with transactions and can confirm all transactions were processed in line with ASETs financial procedures.

# 1 EXECUTIVE SUMMARY

The following is a list of areas where the Company is operating effectively and following good practice.

## Budgetary & Financial Controls

7. Monthly management accounts are prepared and reported to the ASET Board in a timely manner.
8. There is on-going monitoring of performance against budget as part of the monthly management accounts.
9. Authority forms are maintained for the Company's management team and provide adequate detail of authority levels. Levels of delegated authority within the Company are considered to be appropriate to the Company.

## Income Collection & Credit Control

10. There is a fully documented procedures manual providing details of the income collection and credit control processes at the Company.
11. There is appropriate management authorisation of invoicing and refunds to ensure that only genuine transactions are processed.
12. There is an appropriate segregation of duties amongst staff to ensure that those responsible for raising invoices are independent of those responsible for debt collection.
13. Debtors are monitored on a daily basis to ensure that customers with older debts are chased on a regular basis.

# 1 EXECUTIVE SUMMARY

The following is a list of areas where the Company is operating effectively and following good practice.

## Purchasing & Procurement

14. There is appropriate authorisation and accurate recording of purchases with adequate controls in place for the authorisation and processing of purchase order requests.
15. BACS runs are checked for accuracy by two independent officers in line with the Company's procedures and subsequently authorised by the Management & Financial Accountant.
16. Supplier statements are reconciled to the sales ledger and reviewed by the Management & Financial Accountant on a sample basis.
17. Credit card purchases are appropriately reviewed and authorised. Sufficient back up documentation is agreed to the credit card statements.

## Fixed Assets, Estates Management & Inventories

18. An accurate up to date fixed asset register is maintained.
19. All items of equipment/inventory with a value greater than £200 are asset tagged on delivery and entered onto the inventory system by the Operations Manager. The inventory system is audited on a sample basis by the management team on a monthly basis to ensure records are accurate.

# 1 EXECUTIVE SUMMARY

North East Scotland College  
Aberdeen Skills and Enterprise Training Ltd

20. Controls are in place for the safeguarding of fixed assets including CCTV cameras and physical security for laptops.

21. There is adequate insurance cover held by the Company to cover the Company's assets.

## Payroll

22. Payroll is accurately calculated and appropriately authorised.

23. There are adequate storage arrangements to ensure that access to human resources/payroll records is restricted.

## UK Visas Immigration

24. From our sample testing of Tier 4 sponsored students, this is students who are from outside of the European Economic Area, we are satisfied that all necessary paperwork is being collected and stored by the Company.

## 2 AUDIT ARRANGEMENTS

North East Scotland College  
Aberdeen Skills and Enterprise Training Ltd

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit and Risk Committee meeting.

Audit stage	Date
Fieldwork start	4 February 2019
Closing meeting	8 February 2019
Draft report issued	21 February 2019
Receipt of management responses	26 February 2019
Final report issued	28 February 2019
Audit and Risk Committee	17 April 2019
Number of audit days	4

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

# 3 KEY PERSONNEL

North East Scotland College  
Aberdeen Skills and Enterprise Training Ltd

We detail below our staff who will undertake the review together with the College staff we have spoken to during our review.

<b>Wylie &amp; Bisset LLP</b>			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Senior	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Senior	Liam Donnachie	Internal Audit Assistant	liam.donnachie@wyliebisset.com

<b>North East Scotland College</b>			
Key Contact	Sharon Scott	Management & Financial Accountant	sh.scott@aset.co.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

## APPENDICES

# A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

# A GRADING STRUCTURE

North East Scotland College  
Aberdeen Skills and Enterprise Training Ltd

For each recommendation we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit and Risk Committee and addressed by senior management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

### Purpose of review

The purpose of the review is to ensure that Aberdeen Skills & Enterprise Training Limited ('the Company') has adequate internal systems and procedures and that these are being complied with. This review will seek to provide annual assurance to the Board of Management, via the Audit and Risk Committee, that the Company's internal controls environment is efficient and effective.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

### Scope of review

Our objectives for this review are to ensure:

- Compliance with UK Immigration & Visas legislation.
- Efficient and effective procedures and controls are in place for key finance processes.
- Adequate segregation of duties are in place.
- There is adequate management oversight of finance processes.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

### Limitation of scope

There is no limitation of scope.

### Audit approach

Our approach to the review will be:

- To conduct interviews to establish the controls in operation for each of our areas of audit work.
- Review financial regulations in place within the Company to confirm that these are complete, appropriately reviewed, and comply with regulatory requirements.
- Conduct walkthrough testing of key financial areas, these being: cash and bank; purchasing and payments; income; payroll; credit card; fixed assets.
- Sample testing key controls in place for the financial areas above to verify the effectiveness of each control.
- Review level of integration of key systems to assess for level of efficiency.
- Review segregation of duties in place and confirm that these cover all finance processes.
- Review the level of financial reporting in place and consider whether the reporting arrangements are robust.
- Review month end process to confirm that there is a clear process in place which is being adhered to.
- Sample test month end reconciliations to ensure completeness and appropriately reviewed.
- Review security arrangements around fixed assets.
- Review the controls in place to ensure compliance with UK Immigration and Visas Legislation.

### Potential key risks

The potential key risks associated with the area under review are:

- The Company is not complying with UK Immigration & Visas legislation.
- Ineffective or inefficient procedures and controls may be in place for key finance processes.
- Inadequate segregation of duties may compromise the control environment in relation to key finance processes.
- Inadequate management oversight of financial processes compromises control effectiveness.

# North East Scotland College

## Internal Audit 2018-19

Corporate Governance  
February 2019

Overall Conclusion

Strong

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Corporate Governance

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## Overview

### Purpose of review

The purpose of this review was to ensure that the College's governance arrangements are adequate. This review sought to provide assurance to the Board, via the Audit & Risk Committee, that the arrangements in place are fit for purpose and comply with the Code of Good Governance for Scottish Colleges.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

### Scope of review

Our objectives for this review were to ensure:

- Board and Sub-Committee terms of reference are clear and not overlapping.
- Board and Sub-Committees have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.
- Members are provided with sufficient, high quality management information in their areas of responsibility.
- Board and Sub-Committees are appropriately attended, and members are sufficiently engaged.
- The Board and Sub-Committees have effectively assessed their performance and the balance of skills required within the Board and sub-committees.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

## Limitation of scope

There was no limitation of scope.

## Background

The College is currently governed by a Regional Board and has 6 sub-committees and a Governance Steering Group. The 6 Sub-Committees:

- Audit & Risk Committee;
- Finance & Resources Committee;
- Human Resources Committee;
- Curriculum & Quality Committee;
- Remuneration Committee; and
- Selection and Appointments Committee.

The College committee structure was reviewed in April 2017 at the Boards mid-year strategy event, and the revised structure implemented for the beginning of 2017/18 academic year. As a result, the terms of reference, programmes of business and the frequency and scheduling off meetings were all reviewed and updated. The College took the decision in October 2018 following the retirement of the then Vice Chair of the Regional Board to appoint two Vice Chairs. The two Vice Chairs are: Vice Chair: Senior Independent Member and Vice Chair: Equality & Diversity Champion. The main reason for this change was to improve succession planning as the two Vice Chairs have different terms of office.

The Regional Board and Sub-Committees are governed by the College Governance Manual, Terms of Reference, the Code of Conduct and Financial Regulations. The Regional Board are assisted by the Head of Strategy & Planning (who is Secretary to the Board) and the Corporate Governance Steering Group whose responsibility is to “support the Regional Board in maintaining a high standard of governance”.

The Code of Good Governance for Scotland Colleges details the standards of good governance for College Boards and provides the information for compliance which Scottish Colleges must follow. The Code of Good Governance for Scotland's Colleges purpose is to:

- Lead the College and set its strategic direction and values;
- Ensure effective management and financial controls; and
- Deliver high quality of learning and outcomes.

The College is required to report their compliance with the Code of Good Governance for Scotland's Colleges within their annual financial statements. The College completed a review of compliance with the Code of Good Governance for Scotland's Colleges during 2018 to ensure they had evidence of compliance. The report was reported to the Audit & Risk Committee and found that the College is fully compliant with the Code.

## Work Undertaken

Our work for this review included the following:

- Discussions with key personnel to establish the current arrangements for corporate governance, which were then documented;
- Evaluating these arrangements to confirm their adequacy by testing that arrangements are in line with good practice and the Code of Good Governance for Scotland's Colleges;
- A review of the Remits of the Regional Board and Sub-Committees Terms of Reference to ensure these are clear and do not overlap.
- A review of the reports provided to the Regional Board and Sub-Committees to ensure they are clear, concise and user friendly.
- A review of the attendance of Regional Board and Sub-Committee meetings to ensure it was actively monitored and there were no issues with attendance.
- A review of the appraisal process in place at the College to ensure it is robust and fit for purpose.
- An analysis of the completed governance questionnaires provided to Board members to assess their view on governance within the College. (Results included see page 5)
- A review of the compliance check completed by the College on the Code of Good Governance for Scotland's Colleges to ensure this is accurate.

# 1 EXECUTIVE SUMMARY

## Tables of Results from Questionnaire

Questions	Responses - Yes	Response - No
1. Do you feel that roles and responsibilities for Board members are clearly defined?	7	-
2. Do you believe that you receive sufficient management information at committee meetings?	7	-
3. Do you believe that sufficient training and induction is provided to Board/committee members?	7	-
4. Is there a programme of work in place for the Board and any sub-committees which you are on?	7	-
5. Do you believe that attendance at meetings is properly monitored?	7	-
6. Is there an annual review of the performance of the Board? Alternatively, do you believe that this would be beneficial?	7	-

# 1 EXECUTIVE SUMMARY

7. Do you believe that there is the correct skills mix on the management committee and sub-committees?	7	-
8. Is the risk register discussed on a regular basis?	7	-
9. Is there any weaknesses in the current set up with regards corporate governance and risk management?	-	7

## Conclusion

### Overall conclusion

**Overall Conclusion: Strong**

We can provide a strong level of assurance over the governance arrangement in place at the College. We can also provide a strong level of assurance that these arrangements are fit for purpose and comply with the Code of Good Governance for Scottish Colleges.

### Summary of recommendations

Grading of recommendations	High	Medium	Low	Total
Corporate Governance	0	0	0	0

As can be seen from the above table there were no recommendations made which we have given a grading of high.

## Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	<p>All Board members are subject to an annual review completed by the Chair of the Regional Board. While the Regional Chair is also subject to an annual review by the Vice Chair. This reviews the Board members performance and highlights any training needs they may have.</p> <p>The College keep a Regional Skills Matrix which is updated on an annual basis. All Board members completed a self-assessment in May 2018 in advance of the appointment of new members to the Board in August 2018. This was then discussed with the Chair of the Regional Board and the Head of Strategy &amp; Planning to ensure they were targeting people with the required skills. An example of this was legal knowledge and a new member was appointed with legal knowledge.</p>
2.	All new Board Members receive a formal induction upon appointment. We note that from our sample questionnaire of Board Members that all feel there is a strong induction and training process.
3.	13/16 Board members have completed the required College Development Network National Induction Training. However, the 3 Board members yet to complete the training have been booked on the courses either in February 2019 or April 2019. Board members have also completed various training events throughout the year and the Head of Strategy & Planning maintains a Continuous Professional Development log documenting the training events that Board members have attended.
4.	The College has a robust Succession Plan in place. This is a framework for the planned succession of members to ensure continuity in the Board (This includes varying the length of terms of office to either 2 or 4 years). This ensures that there are the appropriate skills and experience on the Board while helping new members get up to speed.

# 1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

5.	The Head of Strategy & Planning keeps a register of attendance at each meeting. The College aims to ensure all meetings are quorate and where this is not possible, the meetings are rearranged. However, we do note that the September 2018, Audit & Risk Committee was not quorate due to a late call off just prior to the meeting. As a result, the Chair decided that the meeting should proceed but that any matters for decision should be ratified with absent members. We can confirm that all matters were ratified with absent members.
6.	We received 7 responses to our questionnaire issued to Board members. The overall opinion of Board members is that the College has a strong Board in place who have a diverse skill set. The Board members highlighted that they believe the College has a thorough induction process in place, the information received is of high quality and that the Board is focused on continuous improvement.
7.	The information provided to the committees is clear, concise and user-friendly to aid the committees in fulfilling their duties. Our questionnaire issued to Board members confirmed that they were happy with the information and that is received in a timely manner, is of high quality and helps aid decision making.
8.	The timing with the Regional Board and Sub-Committee meetings is approved by the Regional Board in advance of the new academic year, the 2018/19 schedule of meetings was approved on the 20 <sup>th</sup> June 2018. The College also prepare a programme of work for the Regional Board and Sub-Committees. This is then reviewed and monitored throughout the year by the Head of Strategy & Planning in conjunction with the Chair of the Board and Chair of each Sub-Committee, the Principal and the Senior Management Team.
9.	The Regional Board and the Sub-Committees have clear Terms of Reference and the duties are all discharged. There is also no overlap between the duties of committees.

# 1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

10.	The College keep a detailed Register of Interest document which is published on the College website. This is updated on an annual basis or when required throughout the year. This is stated in the Governance Manual and is in line with the Code of Good Governance.
11.	The College has a clear structure in place which is governed by a comprehensive Governance Manual that conforms with the Scottish College Code of Good Governance. The Governance Manual was formally reviewed in October 2017. As a result of the review of the Financial Regulations, which were approved in January 2019 and the structure change to appoint two Vice Chairs, the College are currently reviewing the manual to ensure it is updated in line with the changes. The Head of Strategy & Planning notes that they are hopeful that the updated Governance Manual will be presented to the Regional Board at the meeting on the 13 <sup>th</sup> March 2019.
12.	The College is required to state within the annual Financial Statements that they are compliant with the Code of Good Governance for Scotland's Colleges. In 2018, the Audit & Risk Committee completed an exercise to confirm their compliance. This found that the College were fully compliant with the code. During our audit, we reviewed the compliance check for accuracy and evidence and can confirm that the College is compliant with the Code of Good Governance for Scotland's Colleges. This is also confirmed by the Governance Effectiveness review completed by external consultants in 2017.
13.	The College has robust governance policies in line with the Code of Good Governance including the following: <ul style="list-style-type: none"><li>➤ Equality &amp; Diversity;</li><li>➤ Gifts &amp; Hospitality;</li><li>➤ Fraud &amp; Corruption; and</li><li>➤ Whistleblowing.</li></ul>

# 1 EXECUTIVE SUMMARY

**The following is a list of areas where the College is operating effectively and following good practice.**

14.	The College has a Governance Steering Group in place who's aim is to "support the Regional Board in maintaining a high standard of governance". This Group looks to discuss and review the current requirements and best practices regarding Corporate Governance.
15.	The College's Governance Manual includes detailed Terms of Reference for the Board and each of its standing committees. This is published on the College website. We can confirm that these are clear and concise and there is no overlap between the committees.
16.	The College has a robust set of Financial Regulations in place that are reviewed on an annual basis and approved by the Regional Board. The Financial Regulations clearly state the Financial Roles and Responsibilities of the Regional Board and Sub-Committees.
17.	The College has an Anti-Bribery and Corruption statement within the Governance Manual and an Anti-Bribery Policy which is in line with the Code of Good Governance for Scotland's Colleges.

## 2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

### Corporate Governance

Benchmarking	High	Medium	Low	Total
Average number of recommendations in similar audits	0	2	3	5
Number of recommendations at North East Scotland College	0	0	0	0

From the table above it can be seen that the College has a lower of recommendations compared to those College it has been benchmarked against.

## 3 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	4 February 2019
Closing meeting	11 February 2019
Draft report issued	21 February 2019
Receipt of management responses	26 February 2019
Final report issued	28 February 2019
Audit & Risk Committee	17 April 2019
Number of audit days	3

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

## 4 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

<b>Wylie &amp; Bisset LLP</b>			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Senior	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Assistant	Liam Donnachie	Internal Audit Assistant	liam.donnachie@wyliebisset.com

<b>North East Scotland College</b>			
Key Contact	Pauline May	Head of Strategy & Planning	p.may@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

## APPENDICES

# A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

# A GRADING STRUCTURE

For each recommendation we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Committee and addressed by senior management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

### Purpose of review

The purpose of this review is to ensure that the College's governance arrangements are adequate. This review will seek to provide assurance to the Board, via the Audit & Risk Committee, that the arrangements in place are fit for purpose and comply with the Code of Good Governance for Scottish Colleges.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

### Scope of review

Our objectives for this review are to ensure:

- Board and Sub-Committee terms of reference are clear and not overlapping.
- Board and Sub-Committees have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.
- Members are provided with sufficient, high quality management information in their areas of responsibility.
- Board and Sub-Committees are appropriately attended, and members are sufficiently engaged.
- The Board and Sub-Committees have effectively assessed their performance and the balance of skills required within the Board and sub-committees.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

### Limitation of scope

There is no limitation of scope.

### Audit approach

Our approach to the review will be:

- Discussions with the Clerk to the Board, and any other relevant individuals, to establish the current governance arrangements in place at the College.
- Evaluation of these arrangements to assess their adequacy and whether they comply with current guidance and best practice.
- Review of governance documentation to assess whether it is fit for purpose and in line with current guidance and best practice.

### Potential key risks

The potential key risks associated with the area under review are:

- Board and Sub-Committee terms of reference may be unclear or overlapping.
- Board and Sub-Committees may not have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.
- Members may not be provided with sufficient, high quality management information in their areas of responsibility.
- Board and Sub-Committees may be poorly attended, or members not sufficiently engaged.
- The Board and Sub-Committees may not have effectively assessed their performance and the balance of skills required within the Board and sub-committees.

# North East Scotland College

## Internal Audit 2018/19

### Follow Up Review

### February 2019

**Overall Conclusion**

Substantial

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*The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.*

*This report has been prepared solely for North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.*

*We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.*

## Purpose of Review

The purpose of the review was to assess whether the College has appropriately implemented the internal audit recommendations made in 2017/18 and earlier years. Our review considered whether any issues are outstanding beyond the agreed implementation deadline.

Our review considered a sample of outstanding internal audit recommendations to provide the Board of Management, via the Audit and Risk Committee, with independent assurance that we are satisfied that the recommendations have been fully implemented by the College and can therefore be removed from the audit action plan. The sample covered 100% of high priority recommendations, 50% of medium priority recommendations and 10% of low priority recommendations.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

## Scope of Review

Our objectives for this review were to ensure:

- The College has appropriately implemented any outstanding internal audit recommendations made in prior years.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

## Limitation of Scope

There was no limitation of scope.

## Conclusion

### Overall Conclusion: Substantial

We can conclude that the College has endeavoured to implement recommendations as far as possible. In areas where recommendations have not been fully implemented, the College are still considering these in line with ongoing business and development.

## Summary of Recommendations

Grading of Recommendations	High	Medium	Low	Total
Appendix A – Not Implemented Recommendations	-	-	-	-
Appendix B –Partially Implemented Recommendations	-	4	3	7
Appendix C – Fully Implemented Recommendations	2	5	1	8

# 1 EXECUTIVE SUMMARY

Summary of Implementation				
Audit Area	Total	Not Implemented	Partially Implemented	Fully Implemented
Departmental Review – Business and Community (March 2017)	1	-	-	1
Virtual Learning Environment (February 2018)	1	-	-	1
Complaints Handling (March 2014)	1	-	1	-
Freedom of Information (May 2018)	1	-	-	1
GDPR (August 2018)	5	-	4	1
Departmental Review – Engineering, Science & Technologies (March 2017)	1	-	-	1
Human Resources (May 2018)	1	-	1	-
Income Collection and Credit Control (February 18)	1	-	-	1
Value for Money – Transport (May 2018)	3	-	1	2
<b>Total</b>	<b>15</b>	-	<b>7</b>	<b>8</b>
<b>Percentage of Total</b>	<b>100%</b>	-	<b>47%</b>	<b>53%</b>

## 2 AUDIT ARRANGEMENTS

The table below details the dates of our fieldwork and the reporting of the audit area under review.

Audit Stage	Date
Fieldwork start	4 February 2019
Closing meeting	8 February 2019
Draft report issued	21 February 2019
Receipt of management responses	28 February 2019
Final report issued	1 March 2019
Audit & Risk Committee	17 April 2019
No of audit days	3

## 2 AUDIT ARRANGEMENTS

North East Scotland College  
Follow Up Review

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

<b>Wylie &amp; Bisset LLP</b>			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Lead Auditor	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Auditor	Liam Donnachie	Internal Audit Assistant	liam.donnachie@wyliebisset.com

<b>North East Scotland College</b>			
Key Contact	Pete Smith	Vice Principal: Finance & Resources	pe.smith@nescol.ac.uk

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

# Appendix A

## Partially Implemented Recommendations

# A DETAILED RECOMMENDATIONS

## Partially Implemented Recommendations

### Freeing up bookings, June 2018

#### Original Finding

The Car Booking System allows staff members to book College vehicles for College use.

During our review, we found that while the system allows staff members to book transport up to 3 months in advance and for staff members who travel to another campus in the morning and return in the evening, the system allows the car to be booked out throughout the day. However, we found that if a staff member makes a booking for a period of 5 hours for example but only uses the car for 3 hours, the system does not allow the staff member to update the booking to show the car was returned and is free for booking. We do note that staff members can cancel bookings in the system

There is the risk that College vehicles are not being fully utilised if they are returned early by the staff member.

#### Original recommendation

We recommend that the College investigate the possibility of updating the car booking system to allow staff members to amend their booking if they return the car early.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
1.	The College are currently working on their pool car booking system to allow staff that return before the end of their booking to update the system so that the car becomes available when not being used rather than not being booked.	Medium	We recommend that the College continue to review the car booking system.

Management Response	Responsibility and Implementation Date
Agreed. Online booking form now allows for early return of vehicles to be logged and the vehicle made available again.	<i>Responsible Officer:</i> Facilities Client Services Manager  <i>Implementation Date:</i> Complete

## Partially Implemented Recommendations

### Establishing mechanisms for logging requests for data portability, GDPR Compliance, 2017/18

#### Original Finding

Under GDPR it is required that mechanisms for logging requests for data portability are established together with a process for the effective and secure execution of any transfer of data.

Through discussions with the Director of Student Access & Support, it was noted that the College has not yet undertaken this exercise.

There is the risk that without such a review, the College may not be able to effectively assess performance with GDPR.

#### Original Recommendation

We recommend that the College include this within its Work Plan to ensure its current procedures are assessed and/or updated for GDPR.

#### Original Management Response

Accepted. This is detailed on the Work Plan to ensure it is in place by May 2018.

#### Finding from our 2017/18 Follow Up

The College has drafted a Subject Access Request procedure that includes a section on Data Portability. The procedures on the electronic transfer of data are in the early stages of development with the Information Security Lead. The College has also updated the Individual Rights page on the College website to include information on individuals Right to Data Portability. The DPO has not put a timeframe for completion on this as they believe this is a huge piece of work and this work has been considered as part of a risk based approach to the GDPR work plan.

#### Recommendation from our 2017/18 Follow Up

We recommend that the College ensure that the Subject Access Request procedure and the procedures on the electronic transfer of data are completed and made available to staff members.

# A DETAILED RECOMMENDATIONS

## Partially Implemented Recommendations

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
2.	We note that the subject access request procedures are in place, however, there is no electronic transfer procedures in place resulting in no availability to staff.	Medium	We recommend that the College complete electronic transfer procedures and make these available to staff members.
Management Response		Responsibility and Implementation Date	
<p><b>Agreed.</b> The College Subject Access Request procedure has been completed and is available to all staff via COLin. The procedure includes use of a Subject Access Request log, to record and manage requests, including requests for data portability.</p> <p>A guidance note for each of the individuals' rights under GDPR (including the right to data portability) has been published on COLin.</p>		<p><i>Responsible Officer:</i> Data Protection Officer</p> <p><i>Implementation Date:</i> Complete</p>	

## Partially Implemented Recommendations

### Data Sharing Procedures, GDPR Compliance, 2017/18

#### Original Finding

The College should have Data Sharing Procedures to which all staff are aware and have access. Data Sharing Procedures set out how the College discharges its obligations in relation to sharing data.

During our review, we discussed Data Sharing Procedures with the Director of Student Access and Support and were informed that she was unaware of any documented Data Sharing Procedures. This would imply that if there were any, the College staff are not aware of these documents.

There is the risk that staff are not following appropriate Data Sharing Procedures due to these either not being documented by the College or staff not being aware of them.

#### Original Recommendation

We recommend that the College develop Data Sharing Procedures and they are circulated to all staff members.

#### Finding from our 17/18 Follow Up

Data Sharing Procedures are under development by the Data Protection Officer. Once they are completed the Data Sharing Procedures will be made available to staff through the COLIN system and training will be provided to the relevant staff members. The DPO confirmed that the procedures should be completed by the end of August 2018.

#### Recommendation from our 17/18 Follow Up

We recommend that the College ensure the Data Sharing Procedures are completed. Following this we recommend that the College ensure they are made available to all staff members and that training is provided to the relevant staff members regarding the procedures.

# A DETAILED RECOMMENDATIONS

## Partially Implemented Recommendations

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
3.	The College has completed their Data Sharing Procedures, however, the procedures are not on the intranet, or available to staff.	Medium	We recommend that the College make the Data Sharing Procedures available to staff members via the College intranet.
Management Response		Responsibility and Implementation Date	
<b>Agreed.</b> The College data sharing procedures and data sharing agreement templates have been completed and are available to all staff via COLin. The procedures outline when data sharing can lawfully take place and when data sharing agreements should be implemented.		<i>Responsible Officer:</i> Data Protection Officer  <i>Implementation Date:</i> Complete	

## Partially Implemented Recommendations

### Review of Complaints Log, Complaints Handling, March 2014

#### Original Finding

Through our review we identified that of the 71 complaints made in the year to date:

- 8 had not been responded to within the timeframes specified within the College policy and SPSO guidance;
- 35 questionnaires had not been sent out within the 15 day target set by the College;
- Questionnaires had not been sent out for 5 of the cases.

#### Original Recommendation

We recommend that:

- Responses to complaints are provided within the 5 (for frontline resolutions) or 20 (for investigations) day targets as set out in the College policy and SPSO guidance;
- Questionnaires are sent out within the College's 15 day target;
- Each complainant is provided with a questionnaire to gain feedback on their experience of the complaints handling process.

#### Finding from our 2014/15 Follow Up

Through our review of the 104 complaints made to date in the 2015/16 academic session, we found that 30 had not been responded to within the timeframes specified within the College policy and SPSO guidance.

#### Recommendation from our 2014/15 Follow Up

We recommend that the College ensures that responses are provided within 5 (frontline resolutions) or 20 (investigations) in accordance with College policy and SPSO guidance.

#### Finding from our 2015/16 Follow Up

From our review of the 74 complaints made to date in the 2015/16 academic session, we found that 21 has not been responded to within the timeframes specified within the SPSO guidance.

*Continued on next page*

## Partially Implemented Recommendations

### Review of Complaints Log, Complaints Handling, March 2014 (cont'd)

#### Recommendation from our 2015/16 Follow Up

We repeat our recommendation.

#### Finding from our 2015/16 Follow Up

From our review of the 47 complaints made to date in the 2016/17 academic session, we found that 12 had not been responded to within the timeframes specified within the SPSO guidance. 10 of the complaints were responded to within 5 days after the required date. While 2 were responded to over 1 week after the required date. We note that this is a similar percentage to our finding from last year's follow up.

#### Finding from our 2015/16 Follow Up

We repeat our original recommendation.

#### Finding from our 2017/18 Follow Up

From our review of the 21 frontline complaints made to date in the 2017/18 academic session, we found that 10 had not been responded to within the timeframes specified within the SPSO guidance.

At the beginning of the 2017 academic session there was a change in management of the complaints department within the College. There was a significant transitional period to effectively implement robust management of all processes required as all staff previously involved with complaints compliance were no longer in the College.

Through discussion with the new Head of Quality Enhancement & Transitions, the College is aware that significant improvement is required with regards to frontline complaints and as such, have scheduled SPSO training on the 22nd February.

#### Recommendation from 17/18 Follow Up

We repeat our original recommendation

# A DETAILED RECOMMENDATIONS

## Partially Implemented Recommendations

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
4.	<p>Of the 29 frontline complaints all have met the response deadline Of the 8 frontline complaints that had extensions applied all met the response deadline:</p> <ul style="list-style-type: none"><li>➤ Of the 2 stage 2 complaints 1 met and 1 did not meet the response deadline.</li><li>➤ Of the 39 complaints surveys 32 met their 15 day deadline.</li></ul>	Medium	We recommend that the College remind staff of the importance of meeting the deadlines required and ensure these are met.
Management Response		Responsibility and Implementation Date	
<p><b>Agreed.</b> The College has implemented significant improvements in achieving response deadlines to complainants. All frontline complaints to date have met their response deadline, with only one stage 2 complaint not meeting the response deadline. It was disappointing that the survey deadline was not met for 7 complainants as significant improvements have also been achieved over the last year. The main reason was a change in staff and not all surveys were diarised after changeover. This has been addressed and additional checks will be implemented to ensure all deadlines are met moving forward.</p>		<p><i>Responsible Officer:</i> Director of Quality</p> <p><i>Implementation Date:</i> Complete</p>	

## Partially Implemented Recommendations

### Compliance Checking & Procedures, GDPR Compliance, 2017/18

#### Original Finding

Processes for compliance checking will be part of GDPR requirements from May 2018.

At the time of our review in February 2018, the GDPR Working Group is working towards ensuring compliance with GDPR by the 25<sup>th</sup> May 2018 deadline. Thereafter, there has not been consideration given as to how compliance and checking procedures after that date will be carried out.

There is a risk that GDPR rules may not be reviewed and complied with after introduction.

#### Original Recommendation

We recommend that the GDPR Working Group develop formal compliance and checking procedures that are actively followed on a regular basis following the introduction of GDPR in May 2018.

#### Finding from our 2017/18 Follow Up

The College will create a calendar of spot checks to ensure GDPR compliance following the completion of the GDPR work plan. The spot checks will include that privacy notices are in place, data sharing agreements are in place where required, the College know the lawful basis for processing information and the College can provide the information of a Subject Access Request. The compliance checking cannot be carried out until the GDPR work plan is completed.

#### Recommendation from our 17/18 Follow Up

We recommend that the College ensure that compliance checks such as spot checks are carried out following the completion of the GDPR work plan.

# A DETAILED RECOMMENDATIONS

## Partially Implemented Recommendations

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
5.	The College has not yet fully completed the GDPR work plan and as a result have yet to carry out any compliance checks.	Low	We recommend that the College ensure compliance checks are completed following the completion of the GDPR work plan.
Management Response		Responsibility and Implementation Date	
<p><b>Agreed.</b> Completion of the legally required Article 30 register of processing activity will form the basis of compliance spot checks. As the data processing for each faculty and department is recorded, assessed and confirmed for compliance against all relevant criteria (such as lawful basis for processing, privacy notices, DSAs, etc), this will be noted and dated in the Article 30 register. The register includes a 'Review Date' column, which indicates when compliance checks are due by the DPO. This is being scheduled 6 months from completion and will be conducted on a rolling basis as each faculty and department activity is recorded. For example, compliance work has now been completed with the Hair &amp; Beauty teams. This is noted in the Article 30 register and compliance checks will be due in July 2019.</p> <p>In addition, as part of the HEFESTIS DPO-share, the College DPO is working on a compliance audit process which can be implemented by all Scottish colleges and can be adopted by NESCol once completed.</p>		<p><i>Responsible Officer:</i> Data Protection Officer</p> <p><i>Implementation Date:</i> 31 July 2019</p>	

# A DETAILED RECOMMENDATIONS

## Partially Implemented Recommendations

### Gap Analysis & Work Plan, GDPR Compliance, 2017/18

#### Original Finding

The GDPR Working Group has created a GDPR Action Plan based on the 12 steps to prepare for GDPR compliance recommended by the Information Commissioner's Office (ICO). The College should also have an overall Work Plan that highlights areas which comply and areas where more work is required to comply. This should have timescales for tasks to be completed by and be updated and added to at regular intervals while progress should be reported to the College's Leadership Team.

During our review, we found that the College do not have a detailed Work Plan in place. We were informed that the Director of Student Access and Support and the IT Operations Manager are members of Scottish College Information Governance Group (SCIGG). SCIGG is focusing on sharing best practice between members. At the recent SCIGG meeting on 17<sup>th</sup> January 2018, the group were presented with a detailed Work Plan used by another member College. This is a detailed "map to compliance" with GDPR regulations and the steps the College are taking to ensure compliance. The Director of Student Access & Support noted that the College aim to use this Work Plan as a guide and amend it to the Colleges requirements following the analysis of the information audit.

There is a risk that insufficient work has been done in preparation for the GDPR resulting in the College not being fully compliant by May 2018.

#### Original Recommendation

We recommend that the College create a detailed GDPR Work Plan and this is communicated to the necessary personnel and progress is report at each Leadership Team meeting.

#### Finding from our 17/18 Follow Up

The College has created a GDPR work plan in conjunction with the Scottish College's Information Governance Group. The work plan has 65 actions of which 13 are complete, 44 are in progress and 8 have yet to be started. On discussion with the DPO and the Director of Student Access & Information, the College hope to have the work plan completed by the end of 2018. The actions have been completed on a risk basis with the completed actions the actions the College deemed the highest risk.

#### Recommendation from our 17/18 Follow Up

We recommend that the College continue to work through the GDPR work plan and ensure all actions are completed.

Continued...

# A DETAILED RECOMMENDATIONS

## Partially Implemented Recommendations

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
6.	The College's work plan has not been fully complete, nor implemented at present. This is due to be completed in the near future.	Low	We repeat our original recommendation.
Management Response		Responsibility and Implementation Date	
<b>Agreed.</b> The College is working to the GDPR work plan (as initiated by the Scottish Colleges Information Governance Group (SCIGG) and to its own internal work plan, both of which have been aligned for consistency of approach.  Tasks have been prioritised and are addressed on a rolling basis. Progress towards the work plan will be ongoing, as current tasks are completed and new tasks are added (as legislative requirements are implemented, case law decisions are made and new processing takes place). All original tasks are expected to be complete by end 2019.		<i>Responsible Officer:</i> Data Protection Officer  <i>Implementation Date:</i> 31 December 2019	

# A DETAILED RECOMMENDATIONS

## Partially Implemented Recommendations

### Staff Appraisals, June 2018

#### Original Finding

The College introduced a new system, iCon, for staff appraisals in February 2018. The previous system was discontinued in October 2017.

During our sample testing of 10 staff appraisals we found:

2/10 appraisals had no evidence of the staff member's confirmation of the final appraisal form being completed and agreed.

There is a risk that staff members have not confirmed their acceptance of their final appraisal.

#### Original recommendation

We recommend the College ensure there is evidence of the staff member's confirmation of their acceptance of their final appraisal.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
7.	The Director of HR and Organisational Development has spoken with the IT Department who developed the software programme for appraisals. The IT Department confirmed that the software can be updated to include a confirmation of acceptance tab and that this will be updated along with other improvements by the end of April 2019.	Low	We repeat on our original recommendation

# Appendix B

## Fully Implemented Recommendations

## B DETAILED RECOMMENDATIONS

### Fully Implemented Recommendations

#### Cost of pool cars, June 2018

##### Original Finding

The College has a lease for 7 pool cars that can be used by staff for travel that relates to College use.

During our review, we carried out testing to evaluate if the College were receiving value for money on the lease. We found that the total cost of using the pool cars from 1 April 2017 to 31 March 2018 was £49,190 which included lease costs, fuel excess mileage, insurance, winter tyres and valeting costs. We found that the total mileage used for the pool cars was 80,677 which equates to 61 pence per mile. If the College had paid staff members mileage at 45 pence per mile to use their own vehicle, the cost would have been £36,305. We also found that the College carried out a similar calculation for the cost per mile for the calendar year to 31 December 2016 and found that the cost of the was 52 pence mile. We note that the lease for the pool cars expires on the 2nd December 2018. For the period to 31 March 2018, the pool cars would have had to travel an average of 15,015 miles to cost 45 pence per mile.

There is the risk that the lease of the pool cars does not represent value for money for the College as they are not being fully utilised.

##### Original Recommendation

We recommend that the College considers the findings of their VFM report to 31st December 2016 which highlighted that the cost per mile per car was 52 pence and our findings that highlight the cost for the year to 31 March 2018 was 61 pence. We also recommend that the College reviews the utilisation levels of the vehicles with consideration of the mileage used on personal vehicles.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
1.	The College has carried out a full review of the leased pool cars. The review resulted in staff requiring approval from their line managers to use their own cars for journeys. The review also highlighted that the College understands and accepts the risk that the cheapest form of travel isn't always appropriate.	High	No further action required.

## Fully Implemented Recommendations

### Use of Available Pool Cars, June 2018

#### Original finding

The College should ensure that personal cars are only utilised by staff in circumstances where a pool car is not available in order to ensure value for money for the pool cars.

From our review of the use of pool cars and the use of personal vehicles for the month of November 2017, we identified 10 days during the month where personal vehicles were being used despite at least one pool car being available that day. This would indicate that pool cars are not being fully utilised as 8,000 miles were claimed from personal vehicles. For the year to 31 March 2018, 103,039 miles were used on personal vehicles which would indicate that pool vehicles are being underutilised.

There is the risk that pool cars are being under-utilised and that the College is therefore not achieving value for money for their pool cars.

#### Original recommendation

We recommend that the College ensures that personal cars are only utilised in circumstances where all pool cars are unavailable in order to achieve value for money for their pool cars.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
2.	The College has implemented updates to their policy which shows that staff travelling over 100 miles must receive approval before being allowed to use their own car.	High	No further actions required

# B DETAILED RECOMMENDATIONS

## Fully Implemented Recommendations

### Data Protection (and related) Policies and Procedures, GDPR Compliance, 2017/18

#### Original Finding

The College has a suite of policies and procedures which relate to Data Protection. These should be updated to include the requirements of the GDPR which comes into force in May 2018.

During our review, we were informed by the Director of Student Access and Support that the College have yet to start the review and updating of the related policies for the GDPR requirements.

There is the risk staff do not adhere to the requirements of GDPR due to the relevant policies and procedures not being updated to reflect GDPR.

#### Original Recommendation

We recommend that the College review and update all relevant policies and procedures to ensure they comply with GDPR. Once this has been completed, the updated policies and procedures should be approved by the Senior Management Team and circulated to all staff prior to the May 2018 GDPR implementation date.

#### Finding from our 17/18 Follow Up

The College has updated their Data Protection Policy which was approved by the SMT on 27 June 2018. The DPO has created a Data Protection/GDPR Policy & Procedures Register which includes all the relevant policies and procedures affected by Data Protection and GDPR and is currently in the process of updating the policies and procedures. The DPO expects to complete the review of the policies and procedures by the end of 2018 and provide recommendations to the policy holder.

#### Recommendation from our 17/18 Follow Up

We recommend that the College continue with the review of policies and procedures and ensure that all relevant policies are updated for GDPR.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
3.	We can confirm that all policies surrounding GDPR have been reviewed and updated as appropriate. There has been a policies register compiled and we are satisfied this is complete.	Medium	No further actions required.

## B DETAILED RECOMMENDATIONS

### Fully Implemented Recommendations

#### Student recruitment - early withdrawal targets, Departmental Review - Engineering Science & Technologies, March 2017

##### Original Finding

The School is set targets every academic year. These cover student recruitment, early withdrawal, further withdrawal and success. These targets are monitored by the School and discussed at the fortnightly meetings held between the Vice Principal of Learning & Quality and the Director of Curriculum.

From our review we found that the School did not meet its target for student recruitment. The School's target for full time students was 1,646 while the part time students target was 2,084. At the time of our visit the School had taken on 1,467 full time students which is 89% of the target and part time students was 1,974 which is 95% of the target. The shortfall was first highlighted in the department meeting between the Vice Principal of Learning & Quality and the Director of Curriculum on the 5th September 2016 when the full time student numbers were at 1,281 (78%) and part time at 891 (43%). It should be noted at this time student recruitment was still being processed. The School took actions to increase the student numbers by additional marketing, the clearing of applications in progress and the planning of additional programmes. We note that the School had anticipated a drop in part time students in the year and therefore stretched the target for full time students to compensate for this.

We also note that the School did not meet its early withdrawal target of 6%, the School's figure was 7%. This means that 7% of the students enrolled withdrew before 25% of the course has elapsed. If a student withdraws before 25% of the course has past, then the SFC do not provide activity funding (credits) for that student. Further withdrawal is when a student leaves after completing 25% of the course, however, the SFC will provide activity funding for the full term for these students. Currently the School is meeting their targets for further withdrawal. We note that a full review of the success targets cannot be completed until the end of the academic year.

There is the risk that the School may have to stop some courses in future years as they may not be able to meet the recruitment levels required to run all the courses. In addition, the School may be operating at an activity level which is not financially viable as recruitment targets are not being reached.

##### Original Recommendation

We recommend that the School review the recruitment targets based on the figures for the 2016/17 academic year to ensure that the current course activity levels can continue in 2017/18.

##### Original Management Response

Targets for 16-17 were set in the context of the depression of the oil and gas industry in the region. This was expected to impact part time enrolments in engineering significantly as company training budgets and recruitment were slashed. However, the extent of impact on full time enrolments was not anticipated, resulting in the setting of an over-ambitious full time enrolment target. The experience of 16-17 has fed into planning for 17-18, taking into account that engineering is a significantly less attractive option for regional school leavers in the current economic climate.

## Fully Implemented Recommendations

### Student recruitment - early withdrawal targets, Departmental Review - Engineering Science & Technologies, March 2017 (contd.)

Course viability is being consistently monitored through a variety of processes, including self-evaluation, PI reviews, monitoring of applications and financial evaluation. Whilst there has been a drop in recruitment, this has not yet led to any full time programmes becoming unviable. However, some part-time courses have reduced in terms of the numbers of groups or are no longer being run as discrete groups. This helps enable the School to continue to offer a wide range of services whilst continuing to do so in a financially viable and sustainable manner.

#### Finding from our 17/18 Follow Up

Recruitment targets were indeed reduced by the College however, the targets the College had set for 2017/18 were not met. The College is confident that none of the programmes have yet dropped to the point where it is not viable to continue. As a vigilant measure, some of these 'at risk' programmes are being dual timetabled to optimise costs and enable the College to maintain the range of courses on offer. Currently the College is reviewing course viability in accordance with the planning processes for the 2018-19 intake and a further reduction in enrolments has been proposed for those most vulnerable teams.

#### Recommendation from our 17/18 Follow up

Recruitment targets were indeed reduced by the College however, the targets the College had set for 2017/18 were not met. The College is confident that none of the programmes have yet dropped to the point where it is not viable to continue. As a vigilant measure, some of these 'at risk' programmes are being dual timetabled to optimise costs and enable the College to maintain the range of courses on offer.

Currently the College is reviewing course viability in accordance with the planning processes for the 2018-19 intake and a further reduction in enrolments has been

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
4.	The College has had a restructure of departments since the recommendation was last followed up. We spoke with Susan Grant who advised that the College is dual timetabling and provided examples on screen. The dual time tabling has helped the College gain more part-time/day release students by timetabling their slots into full-time timetables. This method has also reduced the costs of the College in running these courses. All matters taken into account it allows the College to blend vulnerable courses into fulltime courses and be able to run both at a reduced costs.	Medium	No further actions required.

## B DETAILED RECOMMENDATIONS

### Fully Implemented Recommendations

#### Maths for Engineering, March 2018

##### Original finding

All courses within the College have a Blackboard page that should be used to deliver online materials to students.

During our review, we were informed that the Maths for Engineering staff at the Altens Campus do not use the Blackboard and have set up their own website for hosting their study materials. This is an open webpage operated by two members of staff which does not require students to log in and access is open to anyone. We were able to view and access all content following a Google search. On discussions with the Director of Learning Enhancement and the Learning Technologies Team, we were informed that the College has no control over the security, management and content of this website. The primary control of the website lies with a maths lecturer, but all maths lecturers have access to update the website when required. We note that the website does not involve any additional cost to the College and the information on the website is backed up and on the College share drive.

There is the risk that there is no continuity for students when accessing the virtual learning environment as they are using different online formats. There is also the risk that the lecturer with primary control to the website could leave the College and close the website down. There is also a security risk as the College has no control over the security of the domain website.

##### Original recommendation

We recommend that the College transfer all information on the website to the Blackboard system and close the website at the end of the academic year. This will ensure there is no interruption for potentially affected students.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
5.	The 2 staff members who developed the website have now left the College and the website has been rebranded. All NESCOL branding has been removed from the website, however, there are still links to the College website that is open to the public (the website provides links to other open websites also). All College lecturers now use Blackboard for the distribution of information.	Medium	No further actions required

## Fully Implemented Recommendations

### Cash held in Safe, February 2018

#### Original finding

The cash safes within the College are insured for various amounts. The cash safe in the Gallowgate Campus Business Office is insured to hold £6,000 while the Fraserburgh Campus safe is insured to hold £3,000 at any one time.

During our testing, we found 7 occasions from August 2017 to the end of January 2018 where overnight the Gallowgate Campus safe held more than £6,000 and one occasion where the Fraserburgh Campus safe held more than £3,000.

There is the risk that the College would not have the appropriate insurance cover to reclaim cash stolen in the event of a security breach.

#### Original recommendation

We recommend that the College ensure they adhere to their insurance limits and conduct a review of the insurance limits to ensure they are appropriate for the cash held overnight.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
6.	The College purchased a new safe and increased insurance limits to ensure all cash was insured.	Medium	No further action required.

## Fully Implemented Recommendations

### Retention of Information

#### Original finding

It is a requirement under the Freedom of Information Scotland Act for those asking for information to provide their name and contact address, the College's Freedom of Information Request Log details this information.

During our review, we found that the College's Request Log details information from 2005 onwards. This information contains the requesters name, contact details and address. We also found that the College hold all Freedom of Information requests and responses electronically. We note that the College's Records Retention Schedule states that the Freedom of Information records should be held indefinitely.

We spoke with a Freedom of Information Officer at the Scottish Information Commissioners office who stated that their own retention period for holding information is 3 years.

There is the risk that the College are not complying with the General Data Protection Regulation that came into effect on the 25th May 2018.

#### Original recommendation

We recommend that the College review the retention schedule in relation to Freedom of Information records and following this remove all records out with the timeframe.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
7.	The College has updated their retention schedule for Freedom of Information.	Medium	No further action required.

## B DETAILED RECOMMENDATIONS

### Fully Implemented Recommendations

#### Fortnightly Department Meetings, February 2018

##### Original Finding

A formal agenda provides meetings with a structure and allocates time for special points of discussion to be adequately prepared for.

At present, the fortnightly Department meetings held between the Director of Business Development and the four Department Managers do not have a formal agenda.

There is a risk that all points required to be discussed are not reached and that managers have less time to prepare appropriately.

##### Original recommendation

We recommend the Department produce and share in a timely manner an agenda for its fortnightly meetings between the Director and the four Department Managers. The agenda should outline the structure of the meeting and allow for special points of discussion to be adequately prepared for.

Ref	Finding from our 2018/19 Follow Up	Grade	Recommendation
8.	There is now a standing agenda implemented to ensure that all key items are covered and the Department now uses this as a basis for all meetings. Where there are special guests there will be special items added but this will be notified in advance of meetings through agenda circulation.	Low	No further action required

# C GRADING STRUCTURE

For each area of review we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately

# C GRADING STRUCTURE

For each recommendation we make we assign a grading either as High, Medium or Low priority depending upon the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Committee and addressed by senior management of the College as a matter of urgency
Medium	Significant issue or weakness which should be addressed by the College as soon as possible
Low	Minor issue or weakness reported where management may wish to consider our recommendation

## Audit Approach

Our approach to the review will be:

- Review outstanding recommendations and gain audit evidence to ensure that these have been addressed by the College.

## Potential Key Risks

The potential key risks associated with the area under review are:

- The College does not address the areas of concern which may significantly affect its ability to continue to operate.

<b>AUDIT &amp; RISK COMMITTEE</b> <b>Meeting of 17 April 2019</b>	
<b>Title:</b> Revision of Accounting Policies	
<b>Author:</b> Peter D Smith, Vice Principal Finance & Resources	<b>Contributor(s):</b> Jim Kirkwood, Financial Controller Business Management, Muir Wilson, Financial Controller External Affairs
<b>Type of Agenda Item:</b>	
<b>For Decision</b>	<input checked="" type="checkbox"/>
<b>For Discussion</b>	<input type="checkbox"/>
<b>For Information</b>	<input type="checkbox"/>
<b>Reserved Item of Business</b>	<input type="checkbox"/>
<b>Purpose:</b> To enable the Committee to approve a revised set of Accounting Policies for the College and Group.	
<b>Linked to Strategic Goal:</b>	
5. Optimise the use of our available resources to deliver financial and environmental sustainability.	
<b>Linked to Annual Priority:</b>	
16. Operate an academic year budget which utilises all available budget resources in line with fiscal year cash allocations.	
<b>Executive Summary:</b> The College's Accounting Policies state the basis under which it prepares its published annual Financial Statements, and are included as part of those statements. They also inform underlying Financial Procedures which the Finance Department use in transactional processing and accounting.  I have reviewed the College's Accounting Policies and an updated draft is attached as Appendix 1 to this paper. While this draft does not change the substance of the existing policies, it is intended to improve clarity and include up-to-date references. In summary, the proposed changes are:  <ul style="list-style-type: none"> <li>• Basis of Preparation – slight change to include reference to Consolidated Budget Guidance (CBG);</li> <li>• Basis of Accounting – new section to detail our approach to accounting estimates;</li> <li>• Basis of Consolidation – slight change in wording and removal of reference to Students' Association as they are now accounted for as part of the College;</li> </ul>	

- Recognition of Income – removed the reference to donor restrictions as this was already included under restricted reserves;
- Fixed Assets – general tidy-up to improve readability and correspond with ordering in Financial Statements;
- Taxation – removal of reference to restricted reserves as this is now in its own section;
- Employment Benefits through to Agency – removed specific reference to FRS17 as this is now incorporated in FRS102;
- Business Combinations – clarification of merger.
- Restricted Reserves – now included as a new section.
- General – re-ordered to, hopefully, improve the flow, replaced references to I&E with SOCI, split into discrete sections and amended some typographical/spelling errors.

Following approval, the updated Accounting Policies will be published as part of the College's suite of policies and procedures, and included in the Financial Statements for the Year to 31 July 2018.

**Recommendation:**

It is recommended that the Committee approve the update to the College's Accounting Policies.

**Previous Committee Recommendation/Approval (if applicable):**

None

**Equality Impact Assessment:**

**Positive Impact**

**Negative Impact**

**No Impact**

**Evidence:**

## **Statement of Accounting Policies**

### **1. Basis of Preparation**

These financial statements have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Further and Higher Education Funding Council (SFC) which requires compliance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with Financial Reporting Standard (FRS) 102. These statements also comply with the Scottish Public Finance Manual (SPFM), the Government Financial Reporting Manual (FReM), and the Consolidated Budget Guidance (CBG).

The College is a public benefit entity and applies the relevant public benefits requirements of FRS102.

### **2. Basis of Accounting**

In preparing the financial statements, the Regional Board is required to make estimates and assumptions that affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates.

The Regional Board is satisfied that the accounting policies are appropriate and are applied consistently. Key sources of estimation have been applied as follows: -

<b>Estimate</b>	<b>Basis of Estimation</b>
Valuation of Buildings	College buildings are of a specialist nature and are valued on the depreciated replacement cost basis.
Useful economic lives of buildings and equipment	Buildings are depreciated over their expected remaining useful economic life as assessed by an independent, qualified valuer.
Recoverable amount of trade debtors	Trade debtors are reviewed by appropriately experienced senior management staff with appropriate provision for non-payment of debt being charged to the financial statements as required.
Obligations under the LGPS	The Regional Board has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

### **3. Basis of Consolidation**

The consolidated financial statements include the College and its subsidiary undertakings, Aberdeen Skills and Enterprise Training Limited and Clinterty Estates Limited. Intra-group transactions are eliminated fully on consolidation.

### **4. Recognition of Income**

Income from tuition fees is recognised in the year in which it is receivable and includes all fees chargeable to students or their sponsors.

Income from contracts and other services rendered is included to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

Income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.

#### *Grant Funding*

Government revenue grants including the recurrent grants from the SFC are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the College has met any performance-related conditions of the grant. Income received in advance of performance-related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

### **5. Tangible Fixed Assets**

Assets that have physical substance and are held for use in the supply of services, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Tangible Fixed Assets. Classification as a tangible fixed asset is subject to a de minimis level of £10,000 for vehicles, plant and machinery.

Fixed assets are stated at fair value less accumulated depreciation and accumulated impairment losses.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

#### *Land and Buildings*

Land and buildings are measured using the revaluation model. Under the revaluation model, and in compliance with the FReM, assets are revalued to fair value. The College has a policy of ensuring a full revaluation takes place every 5 years, supplemented by an interim professional valuation in year 3. Depreciation and impairment losses are subsequently charged on the revalued amount.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as estimated by the valuer, ranging from 20 years to 60 years.

Leasehold land is depreciated over the life for the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction.

#### *Equipment*

Equipment, including computers and software, costing less than de minimis per individual item is recognised as revenue expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over the useful life of the asset as advised by a suitably qualified officer, ranging from 3 years to 20 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

#### *Subsequent Expenditure on Fixed Assets*

Where significant expenditure is incurred on tangible fixed assets it is charged to the Statement of Comprehensive Income in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis: -

- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance;
- Where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life, is replaced or restored; or
- Where the subsequent expenditure relates to a major inspection or overhaul of tangible fixed asset that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.

#### *Finance Leases*

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by the way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability. The lease that the College entered in to for the facility at Ellon has been recognised over a 5 year period, being to the first break clause of the lease.

#### *Operating Leases*

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

#### *Maintenance of Premises*

The cost of maintenance is charged to the Consolidated Statement of Comprehensive Income and Expenditure.

#### *Impairment of Assets*

Any reduction in the recoverable amount of fixed assets arising from impairment reviews is recognised in the Statement of Comprehensive Income or Statement of Changes in Reserves as appropriate.

### **6. Investments**

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in subsidiaries are carried at cost (less impairment) in the College's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit for the year.

### **7. Stocks**

Stocks consist of catering items. Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### **8. Cash and Cash Equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **9. Intangible Assets and Goodwill**

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition.

Goodwill is subject to periodic impairment review as appropriate.

Negative goodwill is amortised over 5 years or the service lives of long life assets to which the goodwill is attributed.

## **10. Foreign Currency Translation**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the Statement of Comprehensive Income in the period in that they arise.

## **11. Taxation**

The College is an exempt Charity within the meaning of the trustee Investment and Charities (Scotland) Act 2005 and, as such, is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act 1988. The College is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of Scottish Charity regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The College subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystalize based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

## **12. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised in the financial statements when: -

- (a) The College has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence of otherwise uncertain future events not wholly within the control of the College. Contingent liabilities also arise in the circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

### **13. Employment Benefits**

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

### **14. Accounting for Retirement Benefits**

Retirement benefits to employees of the College are provided by the North East Scotland Pension Fund (NESPF), which administers the Local Government Pension Scheme (LGPS), and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA).

These are defined benefits schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme.

#### **North East Scotland Pension Fund (NESPF)**

The contributions are determined by an actuary on the basis of periodic valuations using the projected unit method. The amount charged to the Consolidated Statement of Comprehensive Income and Expenditure represents the service cost expected to arise from employee service in the current year.

#### **Scottish Public Pensions Agency (SPPA)**

The College participates in the Scottish Teacher's Superannuation Scheme, which is externally funded and contracted out of State earnings-Related Pension Scheme. The assets of the scheme are held separately from those of the College in a separate trustee-administered fund. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore the scheme is accounted for as if it were a defined contribution scheme. As a result, the amounts charged to the Consolidated Statement of Comprehensive Income and Expenditure represent the contributions payable to the scheme in the year.

In the event of staff taking early retirement, the full liability of the College is calculated and charged to the Statement of Comprehensive Income in the year of retirement, with a corresponding provision being established in the Balance Sheet.

#### *Defined Contribution Plan*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### *Defined Benefit Plan*

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. The net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

**15. Agency Arrangements**

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Statement of Comprehensive Income and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College Income and Expenditure Account.

**16. Accounting for Business Combinations**

Aberdeen College merged with Banff and Buchan College on 1 November 2013. Upon transition to FRS 102, the College recognises negative goodwill reflecting the benefit arising as a consequence of no consideration having been paid by the College for the net value of the assets acquired is included in the consolidated balance sheet as negative goodwill as a deduction from tangible and intangible fixed assets.

**17. Restricted Reserves**

Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

**18. Research and Development**

Research and development expenditure is written off as incurred, with the exception of development expenditure incurred on an individual project, which is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

<b>AUDIT &amp; RISK COMMITTEE</b> <b>Meeting of 17 April 2019</b>	
<b>Title:</b> Strategic Risk Register	
<b>Author:</b> Pauline May, Director of Strategy & Planning	<b>Contributor(s):</b> Senior Executive Team
<b>Type of Agenda Item:</b>	
<b>For Decision</b>	<input type="checkbox"/>
<b>For Discussion</b>	<input checked="" type="checkbox"/>
<b>For Information</b>	<input type="checkbox"/>
<b>Reserved Item of Business</b>	<input type="checkbox"/>
<b>Purpose:</b> To provide the Committee with an opportunity to consider the latest version of the College's Strategic Risk Register.	
<b>Linked to Strategic Goal:</b> This Agenda Item relates to the achievement of all five Strategic Goals.	
<b>Linked to Annual Priority:</b>	
<b>Executive Summary:</b> Attached as Appendix 1 to this paper is the latest version of the College's Strategic Risk Register. The document was recently reviewed by the Senior Executive Team (SET) and the Director of Strategy & Planning at a SET Meeting held on 15 April 2019.  The review of the document led to a number of updates, including: <ul style="list-style-type: none"><li>• The reallocation of risks that were previously owned by the Vice Principal Curriculum &amp; Quality</li><li>• The widening of the allocation of risk and action owners from the SET to now include appropriate members of the Leadership Team</li><li>• The amendment of a number of scorings and current controls to reflect changed circumstances</li><li>• The amendment of further actions to reflect current and planned developments which will improve the College's approach to mitigating risk</li><li>• The rewording, removal and combination of risks to refocus the Register on those which are out with the College's control</li><li>• The closure of a risk</li><li>• The addition of a risk.</li></ul>	
<b>Recommendation:</b> It is recommended that the Committee consider the Strategic Risk Register.	

**Previous Committee Recommendation/Approval** (if applicable):

None

**Equality Impact Assessment:**

**Positive Impact**

**Negative Impact**

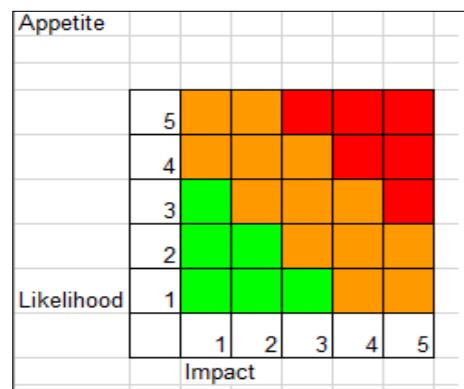
**No Impact**

**Evidence:**

NORTH EAST SCOTLAND COLLEGE STRATEGIC RISK REGISTER															Approved by: Audit & Risk Committee Last reviewed by SET: 15/04/19				
Strategic Risk Appetite - Cautious																			
Ref	Movement since last review	Objectives and Risks	Risk Owner	Original Likelihood (1 - 5)	Original Impact (1 - 5)	Original Rating (max=25)	Current Controls	Current Likelihood (1 - 5)	Current Impact (1 - 5)	Current Rating (max=25)	Target Likelihood (1 - 5)	Target Impact (1 - 5)	Target Total (max=25)	Above/On Target	Further Actions	Action Owner	Planned Action Completion Date	Reported to	
1		<b>Strategic Goal 1: Deliver high quality, accessible and inclusive learning and training opportunities, which transform lives and which support the economic and social development of our region. Risk Appetite - Cautious</b>																	
1.1	↔	If national priorities conflict with local needs, THEN the College may not be able to effectively meet regional needs.	Principal	3	3	9	Outcome Agreement process and engagement with SFC, <a href="#">Curriculum planning process</a> , Engagement with CPPs and industry	2	3	6	2	3	6	On Target	TOLERATE - Build on good reputation of the College to foster genuine partnerships and solutions to regional challenges, Continue to promote positive PR and success stories.	SET	Continuous	Regional Board	
1.2	DELETE	If the College fails to build on the unique and distinctive strengths of its Campus locations, THEN the College will not strengthen its reputation, optimise the use of its facilities, and widen access to its programmes.	Principal	3	3	9	Staff, student and stakeholder consultation, <a href="#">Campus Futures strategies and action plans</a>	2	3	6	2	2	4	Above Target	TREAT - Maximise use of College estate to increase awareness of standard of facilities and to generate income.	VP F&R/VP A, O&P	Continuous	Regional Board	
1.3	↔	If the College fails to provide the right learning in the right places and effectively align the curriculum across the region, <b>IF the College is not effectively aligned with regional need</b> , THEN this will lead to decreases in demand, successful outcomes and positive feedback.	Directors of Learning/Director of Business Development	2	3	6	Curriculum Area Development Planning process, <a href="#">Curriculum Approval process</a> , Partnership working with local schools, universities and employers, Student and stakeholder feedback	2	3	6	2	3	6	On Target	TREAT - Implement strengthened curriculum planning process with refreshed timeline and improved monitoring & reporting.	Directors of Learning/Director of Business Development/ <a href="#">Director of Strategy &amp; Planning</a>	Continuous	Curriculum & Quality Committee	
1.4	↔	If students are not enrolled on the most appropriate programme, THEN they may be less likely to succeed.	VP A, O&P/Directors of Learning/Director of Business Development/ <a href="#">Director of Student Access &amp; Information</a>	2	4	8	Admissions procedures and interviews, Programme review, Student and academic support, <a href="#">Student Advice Centres, KPI analysis, Recruitment Strategies</a>	2	4	8	1	3	3	Above Target	TREAT - Continue to have clear entry requirements understood by those interviewing and suggest alternative provision when applicant doesn't match original course.	VP A, O&P/Directors of Learning/Director of Business Development/ <a href="#">Director of Student Access &amp; Information</a>	Continuous	Curriculum & Quality Committee	
2		<b>Strategic Goal 2: Develop the skills, talents and potential of all of the people who come to college either to learn or to work. Risk Appetite - Moderate</b>																	
2.1	↔	If the College is not able to recruit and develop appropriately qualified staff, THEN this will adversely impact on the student experience.	Principal	3	4	12	<a href="#">People Strategy</a> , Recruitment & Selection Policy, Strategy & Procedure, Induction arrangements, Organisational development activities	2	3	6	2	2	4	Above Target	TREAT - Implement refreshed approach to organisational development, Continue to promote College successes through proactive marketing and PR campaigns to increase attractiveness to employers.	Principal with Director OD & HR	Continuous	Human Resources Committee	
2.2	↔	If staff are not fully motivated and engaged in delivering the best learner experience, THEN students may not achieve desired outcomes.	Principal	3	3	9	CPD and organisational development, Staff consultation events, College meetings and briefings, <a href="#">All Staff Development Days</a>	2	2	4	2	2	4	On Target	TOLERATE - Continue to influence external policy on National Bargaining and Workforce for the Future, Communicate regularly with staff, and students, where appropriate, regarding National Collective Bargaining, Approach to Employee Engagement.	Principal	Continuous	Curriculum & Quality Committee, Human Resources Committee	
2.3	↔	If staff do not deliver teaching methods that are engaging and effective, THEN students are less likely to achieve a successful outcome.	Directors of Learning	2	3	6	<a href="#">Learning &amp; Teaching Strategy</a> , Lesson observations, CPD and organisational development, Internal audits, Programme review, Student feedback, Digital Futures Project	2	3	6	2	2	4	Above Target	TREAT - Implement refreshed approach to organisational development, Continue Digital Futures Project, <a href="#">Refreshed approach for learning and teaching organisational development</a>	Directors of Learning	Continuous	Curriculum & Quality Committee	
2.4	↔	If the Students' Association (SA) does not continue to be pro-active in engaging with the College, THEN the learner experience will likely be diminished.	Director of Learning ( <a href="#">Enterprise, Innovation and Aberdeen Futures</a> )	4	3	12	Financial and SEI support to SA, Partnership Agreement, Clear SA Constitution and Strategic Plan, Student feedback, SA contributions at Board and Committee meetings and <a href="#">Board Strategy Events</a>	3	3	9	2	2	4	Above Target	TOLERATE - Ensure SA is effectively supported, and continues to be engaged through the Regional Board and the appropriate College Action Teams, <a href="#">Student Engagement Framework</a> .	Director of Learning ( <a href="#">Enterprise, Innovation and Aberdeen Futures</a> )	Continuous	Curriculum & Quality Committee	
2.5	↓	If the Regional Board fails to maintain the highest standards for governance and comply with the 'Code of Good Governance for Scotland's Colleges', THEN the terms and conditions of grant will not be met.	Regional Chair	3	3	9	Board recruitment and induction processes, Internal audit, External Effectiveness Review, NESCol Governance Steering Group, Regional Chair's national/sector roles, Board Member training and development, <a href="#">Audit &amp; Risk Committee's Annual Review of operation of Board against Code</a>	2	3	6	1	3	3	Above Target	TREAT - Strengthen Board's evaluation processes	Regional Chair with Secretary to the Board	Continuous	Regional Board	
3		<b>Strategic Goal 3: Work with our partners to deliver positive and sustainable change for the individuals, communities and businesses in our region. Risk Appetite - Open</b>																	
3.1	↓	If employers do not successfully engage with NESCol, THEN the College will not be able to identify and meet their needs.	VP A, O&P/Director of Business Development/ <a href="#">Directors of Learning</a>	3	4	12	<a href="#">Business Development Strategy</a> , Engagement with industry groups and employers, Employer engagement events, Stakeholder consultations	3	3	9	2	2	4	Above Target	TREAT - Strengthen partnership working to address regional skills shortages and to deliver the Regional Economic and Skills Strategies, Promote successes to employers.	VP A, O&P/Director of Business Development/ <a href="#">Directors of Learning</a>	Continuous	Curriculum & Quality Committee	
3.2	↑	If local schools do not work closely with NESCol, THEN effective learner pathways will not be delivered throughout the region.	VP A, O&P/Directors of Learning/Director of Business Development	4	3	12	Schools Liaison Team, Partnership Agreements, Regional Learning & Skills Partnership, Mapping of learner pathways	3	3	9	1	3	3	Above Target	TREAT - Strengthen curriculum planning process for schools provision, Develop model with schools for co-creation of pathways, Lobbying senior local authority partners re: need for closer alignment of FA provision.	VP A, O&P/Directors of Learning/Director of Business Development	Continuous	Curriculum & Quality Committee	
3.3	↑	If university partners do not work closely with NESCol, THEN improvements to widening access, improving articulation and increasing the efficiency and effectiveness of the learner journey in the region will not be achieved.	VP A, O&P/Directors of Learning/Director of Business Development	3	3	9	Articulation Agreements, Engagement activities, TWO PLUS Alliance with RGU, LOIP and Locality Plans	2	3	6	1	2	2	Above Target	TOLERATE - maintain engagement activities.	VP A, O&P/Directors of Learning/Director of Business Development	Continuous	Curriculum & Quality Committee	
3.4	NEW	If the impact of Brexit decreases the number of international students in the region THEN the College may face increased competition with the two local Universities	Principal	2	5	10	Monitoring of Brexit developments, College's Brexit Action Log, Guidance from SFC Brexit Team, Partnership working			0			0	On Target	TOLERATE - Continue to monitor Brexit developments.	Principal			

4		Strategic Goal 4: Deliver an excellent learning environment and experience leading to successful outcome for all learners. Risk Appetite - Cautious																	
4.1	↓	IF the College does not have sufficient capacity to address the wide-ranging needs of the student body, THEN the learner experience and learner outcomes will be diminished.	VP A, O&P/Directors of Learning/Director of Student Access & Information	4	4	16	Access & Inclusion Strategy, Whole-College Student Support Model, Student feedback, Staff training, Regular review of policies and procedures	3	3	9	2	3	6	Above Target	TREAT - Review operation of the Whole-College Support Model, Mentally Healthy College initiative.	VP A, O&P/Directors of Learning/Director of Student Access & Information	Continuous	Curriculum & Quality Committee	
4.2	↔	IF students are not engaged in driving the learner experience, THEN the College may not develop an appropriate learner experience.	Director of Learning [Enterprise, Innovation and Aberdeen Futures]	2	3	6	Student feedback, Partnership Agreement	2	3	6	2	2	4	Above Target	TREAT - New Student Engagement Framework.	Directors of Learning/Director of Business Development	Continuous	Curriculum & Quality Committee	
4.3	↑	IF the College fails to achieve planned increases in student outcomes, IF student outcomes do not improve as planned THEN the College's ability to achieve its SFC activity target will be reduced.	WEG/Director of Student Access & Information/Director of Quality	4	3	12	Effective student information, advice, guidance and support, Course design, Engaged and motivated staff, Appropriate staffing levels, Reporting and monitoring of KPIs	3	3	9	2	3	6	Above Target	TREAT - Strengthen KPI monitoring and reporting process, Develop approaches to reducing early withdrawal.	WEG/Director of Student Access & Information/Director of Quality	Continuous	Curriculum & Quality Committee	
4.4	↔	IF robust self-evaluation processes are not implemented and adhered to, THEN the College will not benefit from an effective improvement planning process.	VP A, O&P	2	3	6	Staff briefings, Clear templates with accompanying guidance for completion, Annual Quality Review Timeline, Enhancement Plans, Annual Priorities	1	3	3	1	3	3	On Target	TREAT - Review self-evaluation templates for AY2019-20.	VP A, O&P	31/07/2019	Curriculum & Quality Committee	
4.5	CLOSED	IF funding is not received from central authorities to progress the Estates Development Strategy, THEN the College's estate may not remain fit for purpose and in line with learners' expectations.	VP F&R	4	5	20	Outcome agreement process and engagement with SFC	4	3	12	2	3	6	Above Target	TREAT - Develop new College Estates Strategy to implement a phased approach to improving the College estate.	VP F&R		Finance & Resources Committee	
4.6	↓	IF the SFC does not provide sufficient capital maintenance funding to maintain modern fit-for-purpose buildings, THEN the quality of the student experience will be reduced.	VP F&R/Director of Quality	4	4	16	Outcome agreement process and engagement with SFC, Business cases for capital projects, Resource planning, Regular condition and structural surveys	4	3	12	2	3	6	Above Target	TREAT - Develop new College Estates Strategy to implement a phased approach to improving the College estate.	VP F&R	31/07/2019	Finance & Resources Committee	
4.7	↔	IF the College does not have effective business continuity arrangements in place, IF an emergency/disaster/significant systems failure occurs THEN the learner experience will be negatively impacted upon should an emergency or disaster occur.	Principal	3	5	15	Regular review of Business Continuity Plan, Scenario and desktop exercises, Desktop training exercises, Insurance on buildings and equipment, IT disaster recovery arrangements	2	5	10	1	5	5	Above Target	TREAT - Improve staff awareness of College Business Continuity Plan and emergency responses.	Principal	31/07/2019	Regional Board	
4.8	↔	IF the College fails to manage health and safety effectively, THEN the College may face litigation or criminal prosecution and reputational damage. CHANGE TO: IF an individual is harmed or property is damaged THEN the College may face litigation or criminal prosecution and reputational damage.	Principal/VP F&R	3	5	15	Robust health and safety management system, Regular review of arrangements, Strict adherence to processes, policies and procedures, Effective monitoring systems, Staff training, Health & Safety Committee, Compliance with BSI Standards, Staff training	2	5	10	1	5	5	Above Target	TREAT - Continue staff training and awareness raising.	VP F&R	Continuous	Regional Board	
5		Strategic Goal 5: Optimise the use of our available resources to deliver financial and environmental sustainability. Risk Appetite - Averse																	
5.1	DELETE	IF the College implements inadequate financial strategy and management, THEN the College's ability to achieve a balanced budget will be adversely affected. Our Financial Strategy is entirely within our gift this is therefore not a risk as such. It is the external factors below that impact on our ability to achieve our desired outcomes	Principal/VP F&R	3	5	15	Finance Strategy, Robust budgeting and financial monitoring and reporting processes, Adherence to professional financial advice, Exercising prudential assumptions, Training of staff in budgetary control	2	5	10	1	5	5	Above Target	TREAT - Contingency planning for the College failing to meet its credits target.	Principal/VP F&R	Continuous	Finance & Resources Committee, Regional Board	
5.2	↑	IF the College fails to achieve its SFC credits target, THEN the College's ability to achieve a balanced budget will be adversely affected and future credits targets may be reduced. CHANGE TO: IF insufficient students enrol at the College, THEN the College's ability to achieve a balanced budget will be adversely affected and future credits targets may be reduced.	WEG	4	4	16	Outcome Agreement process and engagement with SFC, Activity planning and reporting processes, Recruitment Strategy and supporting Marketing Campaign, Applications monitoring, Early Withdrawal target, Forecasting model incl. risk matrix	3	4	12	1	3	3	Above Target	TREAT - Contingency planning for the College failing to meet its credits target, Develop approaches to reduce early withdrawal.	VP F&R	Continuous	Finance & Resources Committee, Curriculum & Quality Committee, Regional Board	
5.3	MERGED WITH 5.3	IF the College fails to deliver efficiencies year on year, THEN the College will not achieve financial investment in innovation, staff and facilities.	Principal/VP F&R	3	4	12	Robust budgeting, financial monitoring and reporting processes, Save Well-Spend Well Initiative	2	4	8	2	3	6	Above Target	TREAT - Use of moratoriums, Setting of target cost reductions	VP F&R	Continuous	Finance & Resources Committee	
5.4	DELETE	IF SFC funding is reduced, THEN the College may be unable to invest in a sustainable IT infrastructure to offer up-to-date learning and improve business processes.	VP F&R	2	3	6	IT Strategy, Engagement with SFC, Outcome Agreement Process, curriculum and business planning	1	3	3	1	3	3	On Target	TOLERATE - monitor feedback on IT systems and equipment.	VP F&R	Continuous	Finance & Resources Committee	
5.5	↔	IF alternative sources of income are not found, THEN the ability to develop new delivery and trial new products is restricted. IF sufficient income levels are not achieved THEN the College will not be able to financially invest in innovation, staff and facilities.	VP F&R/VP A, O & P/Director of Business Development	3	4	12	Business Development Strategy, Employer/client engagement, Save Well-Spend Well Initiative	3	4	12	1	4	4	Above Target	TREAT - Work with BCD and Faculties to increase commercial engagements and wider funding opportunities, Continue to explore alternative funding streams.	VP F&R/VP A, O & P/Director of Business Development	Continuous	Finance & Resources Committee	
5.6	DELETE	IF the College fails to allocate its Flexible Workforce Development Funding (FWDF) allocation, THEN there may be possible clawback and future allocations will be reduced.	VP A, O&P/Director of Business Development/Directors of Learning	5	4	20	Targeted marketing, Ongoing employer engagement	5	3	15	2	3	6	Above Target	TREAT - Consider staffing resource for managing College's FWDF allocation and related training.	VP A, O&P/Director of Business Development/Directors of Learning	Continuous	Finance & Resources Committee, Curriculum & Quality Committee	
5.7	↑	IF regional demand reduces, THEN the credit target may not be achieved resulting in clawback and reduced funding in future years.	WEG	4	4	16	Marketing & Communications Strategy, Engagement with CPPs, schools and employers, Data analysis, Effective marketing	3	4	12	2	3	6	Above Target	TREAT - Contingency planning for the College failing to meet its credits target.	VP F&R	Continuous	Curriculum & Quality Committee	
5.8	↔	IF the College fails to meet the targets agreed with Skills Development Scotland (SDS) in relation to Foundation Apprenticeships (FAs), THEN the allocation of future places may be reduced. CHANGE TO: IF candidate numbers are insufficient to meet SDS targets in relation to Foundation Apprenticeships (FAs), THEN the allocation of future places may be reduced.	VP F&R/VP A, O&P/Director of Business Development	4	4	16	Effective marketing, Good relationships with key stakeholders e.g. local authorities, schools, universities and employers, Effective forward planning	3	4	12	2	3	6	Above Target	TREAT - Continue promotion of benefits of undertaking an FA to school pupils and their parents, and employers. Develop model with schools for co-creation of pathways, Lobbying senior local authority partners re: need for closer alignment of FA provision.	VP F&R/VP A, O&P/Director of Business Development	Continuous	Curriculum & Quality Committee	
5.9	DELETE	IF the College fails to maintain strict environmental practices, THEN it will lose its accreditation to BSI Standards 14001 and 50001. REMOVE: Not actually a risk to the College.	VP F&R	3	4	12	Robust monitoring and reporting processes, Staff training	1	3	3	1	3	3	On Target	TOLERATE - Continue staff training and awareness raising.	VP F&R	Continuous	Finance & Resources Committee	
6		Other. Risk Appetite - Avoid																	
6.1	↔	IF key statutory obligations and legislative requirements, including the Equality Act 2010, Freedom of Information (Scotland) Act 2002, General Data Protection Regulation (GDPR), are not adhered to THEN the College may face significant financial penalties and/or reputational damage may occur.	Principal	3	4	12	Legal advice, Comprehensive policies and procedures, Internal audits, Staff training, Data Protection Officer, Engagement with key external stakeholders (Advance HE, SPSO & Scottish Information Commissioner)	1	4	4	1	4	4	On Target	TOLERATE - Provide up-to-date staff training on legislative requirements and related College policies.	Principal with SET	Continuous	Regional Board	

6.2	↔	IF IT security arrangements are inadequate, THEN the College may experience data security breaches, cyber attacks and/or major IT outages.	VP F&R	3	5	15	IT Strategy, Internal audits, Robust systems testing, Appropriate physical security and use of preventative technologies, Resilient architecture of links between sites, Monitoring of threat levels through partners, Use of cloud-based repository, Staff training	2	5	10	1	5	5	Above Target	TREAT - Complete work to improve IT business continuity and disaster recovery arrangements. <a href="#">Completion of actions to Achieve Cyber Essentials Plus Accreditation.</a>	VP F&R	Continuous	Regional Board
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Likelihood	Impact	Risk Control
Almost 5 certain 80% +	5 Critical	TERMINATE - Eliminates the risk completely
4 Very likely 60% - 80%	4 Significant	TRANSFER - Passes the Risk to a third party, who bears or shares the impact
3 Likely 40% - 60%	3 Moderate	TREAT - Containment. Reduces the likelihood and/or the impact. Contingent. Establishes a contingency to be enacted should the Risk happen
2 Unlikely 20% - 40%	2 Minor	TOLERATE- Accept the Risk, subject to monitoring
Very 1 unlikely Less than 20%	1 Marginal	Peripheral effect upon the objective, impacting only in minor way upon achievement

<b>AUDIT &amp; RISK COMMITTEE</b> <b>Meeting of 17 April 2019</b>	
<b>Title:</b> Annual Procurement Report	
<b>Author:</b> Peter D Smith, Vice Principal – Finance & Resources	<b>Contributor(s):</b> Colin Brodie, Purchasing Manager
<b>Type of Agenda Item:</b>	
<b>For Decision</b>	<input type="checkbox"/>
<b>For Discussion</b>	<input type="checkbox"/>
<b>For Information</b>	<input checked="" type="checkbox"/>
<b>Reserved Item of Business</b>	<input type="checkbox"/>
<b>Purpose:</b> : To advise the Committee of the publication of the College's Annual Procurement Report, covering the period 01 January 2017 to 31 July 2018.	
<b>Linked to Strategic Goal:</b>	
5. Optimise the use of our available resources to deliver financial and environmental sustainability.	
<b>Linked to Annual Priority:</b>	
16. Operate an academic year budget which utilises all available budget resources in line with fiscal year cash allocations.	
<b>Executive Summary:</b> The Procurement Reform (Scotland) Act 2014 requires any public organisation with an estimated annual regulated spend of £5 million or more to develop a procurement strategy and then review it annually. This requirement took effect from 31 December 2016. Organisations (including HE and FE institutions) required to develop and publish a procurement strategy are also required publish an Annual Procurement Report, reflecting on the relevant reporting period of the procurement strategy.  The report attached as Appendix 1 was considered by the Senior Executive Team and published by the reporting deadline of 30 November 2018.	
<b>Recommendation:</b> It is recommended that the Committee note the information provided.	
<b>Previous Committee Recommendation/Approval</b> (if applicable): Finance & Resources Committee, 30 January 2019.	

**Equality Impact Assessment:****Positive Impact** **Negative Impact** **No Impact** 

**Evidence:** The College's Procurement Strategy includes the use of national framework agreements wherever possible, and also competitive tendering for all significant contracts. Both these routes to market ensure suppliers have in place their own equalities policies.



## **ANNUAL PROCUREMENT REPORT**

01 January 2017 – 31 July 2018

## **Executive Summary**

The Procurement Reform (Scotland) Act 2014 (PRA) requires any public organisation which has an estimated annual regulated spend of £5 million or more to develop a procurement strategy and then review it annually. This requirement took effect from 31 December 2016.

Organisations (including HE and FE institutions) required to develop and publish a procurement strategy were also required to publish an Annual Procurement Report (APR), reflecting on the relevant reporting period of the procurement strategy.

This report covers the period of 01 January 2017 to 31 July 2018 and addresses performance and achievements in delivering the North East Scotland College's organisational procurement strategy.

The development of the procurement strategy was the outcome of consultation and discussion with internal and external stakeholders who have an interest in the Colleges approach to procurement and its impact. Stakeholder engagement will also feature in the annual assessments of the achievement of regulatory compliance, strategic objectives of the College, value for money [defined as the best balance of cost, quality and sustainability] and delivery against the organisation's broader aims and objectives, in line with Scotland's National Outcomes. This process of review and reporting will inform any adjustments to the procurement strategy deemed necessary to secure future performance improvements and to respond to the economic, political and financial influences to which the College may need to adjust.

North East Scotland College has analysed third party expenditure and has identified that over the period(s) covered by this report the following expenditure has occurred:

- EU regulated procurements [goods and services worth more than £164,176; works worth more than £4,104,394<sup>1</sup>] amounted to £1,753,750. There were 5 such procurements completed<sup>2</sup>.
- Lower value regulated procurements' [goods and services worth more than £50,000, works worth more than £2 million] amounted to £1,043,217. There were 10 such procurements completed.

More detailed information on the regulated procurements, sorted into procurement categories, is provided in Sections 1 and 2 and in Annex A of this report.

North East Scotland College has over 1800 active suppliers, of which 583 were used by the College during the reporting period. The total procurement expenditure was £22,149,603 comprised of £18,024,900 of regulated expenditure (recorded on the Contracts Register) and £4,140,522 on non-regulated spend, of which £1,719,756 is non-influenceable spend.

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<sup>1</sup> Public contracts (EU) thresholds are revised every 2 years – next due on 01 /01/2020

<sup>2</sup> Completed when the award notice is published or where the procurement process otherwise comes to an end - covers contracts and framework agreements

Despite achieving an overall regulated spend total of 80.5% the College continues to strive to optimise its expenditure and utilises the use of national, sectoral, local or regional C1 collaborative contracts and frameworks where these will bring a benefit to the College. As well as bringing leverage-based savings, the burdens of risk, contract and supplier management are shared and the number of resource-intensive formal local tenders that need to take place is reduced significantly. 21% of the College's influenceable spend went through collaborative agreements.

This report comprises five sections:

- Section 1: Summary of Regulated Procurements Completed
- Section 2: Review of Regulated Procurement Compliance
- Section 3: Community Benefit Summary
- Section 4: Supported Businesses Summary
- Section 5: Future Regulated Procurements Summary

**Report Approved: 27 November 2018**

**By: North East Scotland's Senior Management Team**

**Signed: Liz McIntyre**

**Position: Principal and Chief Executive**

## **Section 1: Summary of Regulated Procurements Completed**

North East Scotland College strongly believes in conducting its procurements in an open and inclusive manner with procurement objectives aligned to the College's Strategic Plan.

The detailed summary of regulated procurements completed is set out in Annex A. That information, coupled with the publication of the institutional Contracts Register <http://www.apuc-scot.ac.uk/#!/institution?inst=32> and the systematic use of Public Contracts Scotland and Quick Quotes, provides complete visibility of the Colleges procurement activity over the reporting period.

In Annex A, information is set out to show lower value regulated procurements completed and EU regulated procurements completed [if there have been any]. These are separated into contract categories and distinguish collaborative contracts from institutional ones. For each completed regulated procurement the information provided shows:

- the date of award
- the start dates
- the category subject matter
- the name of the supplier
- estimated value of the contract – total over contract period
- collaborative or institution owned
- the end date provided for in the contract or a description of the circumstances in which the contract will end.
- SME / supported business use

## **Section 2: Review of Regulated Procurement Compliance**

Where appropriate, North East Scotland College has made use of collaborative contracts to deliver improved contract terms, supported contract and supplier management, sustainable procurement outcomes and value for money (the best balance of cost, quality and sustainability).

In making its regulated procurements every care has been taken to ensure that the College awards the business to suppliers who are capable, reliable and who can demonstrate that they meet high ethical standards and values in the conduct of their business.

In the period covered by this report, the College has conducted all its regulated procurements in compliance with EU Treaty Principles of equal treatment, non-discrimination, transparency, proportionality and mutual recognition.

Successful delivery against the procurement strategy objectives is part of a customer valued, continual improvement process (CIP) that seeks incremental improvements to process and outcomes over time.

<b>Procurement Strategy Statement</b>	<b>Annual Report Commentary on strategy delivery/compliance</b>
To sustain and further develop partnerships within the sector, with other publicly-funded bodies, with professional bodies and appropriately with supply markets that will yield intelligence, innovation and deliver value to users of procurement services.	<p>The College Procurement Team engages with internal and external stakeholders and suppliers to gain valuable feedback which informs the Procurement team of possible necessary adjustments and improvements to the procurement strategy and processes.</p> <p>For each procurement, the College considers the community affected by the resultant contract and ensures that any affected internal or external stakeholders are consulted (such as students or other local procurement bodies). Such consultation will always be on a scale and approach relevant to the procurement in question.</p> <p>The College contributes to sector contracting plans and has coordinated procurement efforts on a regional basis with both the University of Aberdeen and Robert Gordon University to deliver local collaborative contracts.</p> <p>The College Procurement Manager attends and contributes to APUC-led Procurement Strategy Groups and actively engages with other bodies through HE and FE specific events and other Scottish public-sector events.</p>
To work with internal academic budget holders, professional support service colleagues and suppliers to deliver	<p>Each regulated procurement is assessed and a strategy is developed and agreed with the key stakeholders, end users and suppliers.</p> <p>This assessment is also used to deliver the most appropriate procurement route to market that yield best value outcomes The THe</p>

<p>innovation and best value to the learning, research and service support communities through the development of an effective and co-ordinated purchasing effort within the Institution.</p>	<p>College follows the guidelines set out in the <a href="#">Scottish Procurement Journey</a>.</p> <p>Procurement activities follow the guidelines set out in the Procurement Journey. This helps to manage the expectations of stakeholders, customers and suppliers alike and facilitates best practice and consistency with what other organisations do across the Scottish public sector.</p> <p>Following the Scottish Procurement Journey ensures that procurement operations align and support the College's strategic objectives.</p>
<p>To promote the delivery of value for money through good procurement practice and optimal use of procurement collaboration opportunities.</p>	<p>The best balance of cost, quality and sustainability is consistently used to assess value for money delivered and to identify sensible aggregation opportunities through collaborative contracting.</p> <p>The College sorts regulated procurements into procurement categories. How these goods, services and works are bought - joint purchasing, use of local, regional and national framework agreements, consolidated contracting – is subject to annual review with Advanced Procurement for Universities and Colleges (APUC) and, through user consultation, optimal category strategies are agreed, sensible aggregation opportunities are exploited, category and commodity strategies are developed, recorded, signed off and processed.</p>
<p>To seek out professional development opportunities to enrich and enhance experience and capability of procurement practitioners and to work with the supply chains to ensure continued value, managed performance and minimal risk throughout the life of contracts for the benefit of customers and students.</p>	<p>The defined procurement process is managed through an experienced and dedicated procurement team with access to competency based training, skills development programmes and career development opportunities. Devolved procurement competencies are assessed across the institution to secure optimum value delivery while managing supply side risks and opportunities.</p> <p>Post procurement reviews are carried out to check that tendering outcomes are delivering against category strategies/business case objectives, A “lessons learned” approach with stakeholders has seen a marked improvement in stakeholders approaching procurement well before their requirements are due.</p>

<p>To develop sound and useful procurement management information to measure and improve procurement and supplier performance in support of corporate planning conducted through fair and transparent process.</p>	<p>Internal governance procedures, policies and tools such as e-enabled workflow enhancements are introduced to effect improvements to procurement process and efficiency.</p> <p>Expenditure segmentation analysis and data located on the Hub, Hunter (including Contracts Registers).</p> <p>Where relevant, use is made of appropriate standards and labels in procurements to take account of fair and ethical trading considerations with due consideration given to equivalent tender offerings from suppliers. Use is made of PCS to publish procurement opportunities. Appropriate use is made of lotting, output based specifications and clear evaluation criteria to ensure that procurements are accessible to as many bidders (including SMEs) as possible.</p>
<p>To embed sound ethical, social and environmental policies within the Institution's procurement function and to comply with relevant Scottish, UK and EC legislation in performance of the sustainable procurement duty.</p>	<p>The College's procurement procedures clearly map out the routes to procurement in line with the Scottish Government's Procurement Journey. The College's procedures ensure that regulated procurements are only awarded to businesses that are capable, reliable and, where relevant, meet high ethical standards and values in the conduct of their business. The College is committed to contracting only with suppliers that comply with all appropriate and relevant legislation.</p> <p>Where appropriate and, on a contract by contract basis, the institution will assess the legislation applicable to a procurement and take steps to ensure bidders comply with it e.g. Health and Safety, Late Payment legislation. Where relevant and proportionate the Living Wage and fair work practices of suppliers are promoted in tender documentation. The College is a living wage employer.</p>

North East Scotland College has a procurement process and sign off arrangements that are consistent with the guidelines set out in the Procurement Journey and that have met the objectives and obligations set out immediately above.

### **Section 3: Community Benefit Summary**

For every procurement over £4m, North East Scotland College will consider how it can improve the economic social or environmental wellbeing of its area through inclusion of community benefit clauses, to assist with achieving sustainability in contracts activity, including targeted recruitment and training, small business and social enterprise development and community engagement. Where possible, relevant and proportionate, and where they are considered not to have a negative impact on the delivery of value for money, such clauses may be included in regulated procurements valued at below £4m.

The general College policy on identifying community benefit requirements would be to conduct risk and opportunities assessments through stakeholder consultation and engagement. Where relevant and proportionate to the subject matter of the procurement, the requirement is then built into the procurement specification and into the eventual conditions of contract performance.

Where applicable, as part of the tendering process, suppliers are invited to describe their approach to delivering community benefits or achieving social value through a contract.

Relevant community benefits are cited such as:

- providing ‘upskilling’ opportunities (e.g. Toolbox talks) with students and staff,
- offering advice and assistance on the best practice methodology,
- employment, student work experience and vocational training opportunities,
- apprenticeships,
- local subcontractor opportunities available to SMEs, 3rd sector and supported businesses,
- direct involvement in community based schemes or programmes,
- equality and diversity initiatives,
- supply-chain development activity,
- educational support initiatives,
- to minimise negative environmental impacts, for example impacts associated with vehicle movements

Tenderers are invited to describe how such benefits will be successfully delivered through the contract and promoted to contract users. Where community benefits are included in a procurement (at or above the £4 million threshold), the award notice would include a statement of the benefits that are expected to be derived from the contract.

North East Scotland College has awarded 15 regulated procurement contracts over the reporting period. None of these were over £4 million in value.

#### **Section 4: Supported Business**

Higher value procurements, regulated procurements (between £50k and OJEU threshold and those equal to and above the OJEU thresholds) are conducted in line with Routes 2 and 3 respectively of the Procurement Journey. Both Routes 2 and 3 mandate the use of the European Single Procurement Document (ESPD (Scotland)). The ESPD covers exclusion, selection and award criteria and includes questions relating to companies self-certifying themselves in terms of size (micro, small or medium), or whether they are supported businesses.

The College reviews each procurement to determine whether it could be fulfilled by a Supported Business, whilst remaining compliant with EU and Scottish Procurement Legislation and ensuring value for money for the institution (using the Supported Business [register](#) currently available and published by Ready for Business).

The College did not reserve any contracts for supported businesses in this period nor has it had any supported businesses bid through the standard open tendering route.

## **Section 5 – Future Regulated Procurements**

North East Scotland College is keen to encourage competition by promoting optimal participation in its procurement process and achieve better value for money in its procurements. One method of achieving this is to give notice to suppliers of tendering opportunities that are expected to commence over the next two financial years after the period covered by this report.

In preparing this forward projection of anticipated regulated procurements, it is difficult to be precise about providing details of actual requirements. Over a forecast period of two years it is very probable that circumstances and priorities will change so the list of projected individual regulated procurement exercises outlined in Annex D should be viewed with this caveat in mind.

The information provided in Annex D covers:

- the subject matter of the anticipated regulated procurement
- whether it is a new, extended or re-let procurement
- the expected contract notice publication date
- expected award date
- expected start and end date
- the estimated value of the contract.
- contract category A, B, C or C1

**Annex A List of Regulated Procurements Completed in the Reporting Period 1/17 – 7/18**

**Compliant Procurement**

<b>Category Subject</b>	<b>Supplier name</b>	<b>Date of Award</b>	<b>Cat A/B or C?</b>	<b>Start Date</b>	<b>End Date</b>	<b>Value over contract period</b>	<b>SME status</b>	<b>Supported Business</b>
Desktop & Notebook Devices	Dell Corporation Ltd	22/08/2017	B	01/09/2017	31/08/2020	750,000.00	L	N
IT Managed Infrastructure Service	Esteem Systems Ltd	31/05/2018	A	31/08/2018	30/08/2021	368,000.00	M	N
Marine Motion Simulator Cabin	Pisys Ltd	25/04/2017	C	08/06/2017	07/12/2017	270,000.00	S	N
Waste Collection & Disposal Services	EIS Waste Services	30/03/2018	B	09/04/2018	08/04/2021	185,750.00	M	N
Virtual Learning Environment Systems	Blackboard	07/03/2017	B	07/03/2017	06/03/2019	180,000.00	M	N
Industrial Gasses	BOC	01/09/2017	B	05/09/2017	04/01/2020	160,000.00	L	N
HR & Payroll System Installation and Support	Northgate Arinso UK	14/09/2017	C	01/10/2017	30/09/2020	157,817.00	L	N
Nursery Services	Link-Up(Fraserburgh)Ltd	30/06/2017	C	14/08/2017	13/08/2019	145,900.00	S	N
Travel and Student Travel Services	Diversity Travel	01/11/2017	A	01/02/2018	31/01/2021	135,000.00	M	N
Trade Materials	Cromwell Group Ltd	17/02/2018	B	17/02/2018	16/02/2021	105,000.00	L	N
Marine Simulator Equipment and Support	Transas Marine (UK) Ltd	28/08/2017	C	28/08/2017	27/08/2022	90,000.00	S	N
Hospitality Uniforms	E. Russum & Sons Ltd	16/06/2017	C	01/08/2017	31/07/2020	77,500.00	S	N
Student Information Management System	Capita Business Services Ltd	28/07/2017	B	28/07/2017	27/07/2019	70,000.00	L	N
Vehicle Hire & Leasing	Arnold Clark Finance Ltd.	01/04/2017	B	01/04/2017	31/03/2021	52,000.00	L	N
Library Books - Printed	ProQuest LLC	31/10/2017	B	03/11/2017	02/11/2019	50,000.00	M	N

#### **Annex B List of Regulated Procurements with Community Benefit Requirements Fulfilled**

There were no regulated procurements with community benefits requirements during the reporting period.

#### **Annex C List of Regulated Procurements placed with Supported Businesses**

There were no regulated procurements placed with Supported Businesses during the reporting period.

#### **Annex D List of Regulated Procurements planned to commence in next two F/Ys 18/19 & 19/20**

Category Subject	Owner: Cat A/B/C or C1?	New, extended or re-let procurement	Expected contract notice publication date	Expected Date of Award	Expected Start Date	Expected End Date	Estimated Value over contract period
Furniture (Supply, Delivery & Installation)	B	Re-let	N/A - Framework Award	07/01/2019	01/02/2019	31/01/2024	50,000.00
Desktop Client Devices	A	Re-let	N/A - Framework Award	08/01/2019	01/02/2019	31/01/2022	250,000.00
TV Advertising	C	Re-let	N/A - Direct Award	08/01/2019	01/02/2019	31/01/2023	60,000.00
Radio Advertising	C	Re-let	N/A – Direct Award	08/01/2019	01/01/2019	31/12/2022	60,000.00
Fresh Butcher Meat	B	Re-let	N/A - Framework Award	01/03/2019	01/04/2019	31/03/2022	50,000.00
Fresh Fruit & Veg	B	Re-let	N/A - Framework Award	01/03/2019	01/04/2019	31/03/2022	45,000.00
Agency Staffing - Support Staff	A	New	N/A - Framework Award	25/01/2019	01/02/2019	31/01/2022	240,000.00
Lift Installation	C	New	15/11/2018	25/01/2019	01/06/2019	31/10/2019	750,000.00
Learning Opportunities Services	C	Re-let	Published	21/12/2018	01/02/2019	31/01/2024	1,250,000.00

Advertising Services	B	Re-let	N/A - Framework Award	11/02/2019	01/03/2019	28/02/2024	160,000.00
Digital Media Services	B	New	N/A - Framework Award	11/02/2019	01/03/2019	28/02/2023	120,000.00
Signage and Publicity/Marketing Materials	C	New	06/12/2018	01/02/2019	01/03/2019	28/02/2023	150,000.00
Building Maintenance Service	B	Re-let	N/A - Framework Award	01/02/2019	01/03/2019	28/02/2022	46,000.00
VLE Hosting/Delivery	B	Re-let	N/A - Framework Award	15/02/2019	07/03/2019	06/03/2022	45,000.00
Legal Services	A	New	N/A - Framework Award	01/03/2019	01/04/2019	31/03/2024	105,000.00
Audio Visual Equipment	B	Re-let	N/A - Framework Award	01/03/2019	01/04/2019	31/03/2022	225,000.00
Electricity Supply	A	Re-let	N/A - Framework Award	01/03/2019	01/04/2019	31/03/2023	2,200,000.00
Occupational Health Services	C	Re-let	21/11/2018	15/01/2019	01/04/2019	31/03/2024	273,000.00
Workshop Equipment Maintenance	C	Re-let	01/03/2019	04/06/2019	01/07/2019	30/06/2022	60,600.00
Student Records System Maintenance	B	Re-let	N/A - Framework Award	06/06/2019	01/07/2019	30/06/2022	150,000.00
Vehicle Lease	A	Re-let	N/A - Framework Award	14/06/2019	16/07/2019	15/07/2022	72,000.00
College Catering Service	C	Re-let	01/04/2019	02/07/2019	01/08/2019	31/07/2024	5,250,000.00
Distance Learning Materials	C	Re-let	15/04/2019	02/07/2019	01/08/2019	31/07/2024	550,000.00
Security & Janitorial Services	C	Re-let	04/04/2019	04/06/2019	01/08/2019	31/07/2025	2,275,000.00
Sports Facilities Hire	C	Re-let	15/05/2019	02/07/2019	01/08/2019	31/07/2022	72,000.00
Office, Computer and Library Supplies	B	Re-let	N/A - Framework Award	02/07/2019	01/08/2019	31/07/2021	58,500.00
Nursery Service - Fraserburgh	C	Re-let	22/04/2019	02/07/2019	01/08/2019	31/07/2023	215,000.00
Telecommunications Network Services	B	Re-let	N/A - Framework Award	05/07/2019	03/08/2019	02/08/2023	40,000.00

Student Accommodation Services	C	Re-let	N/A – Direct Award	22/07/2019	27/08/2019	26/08/2023	460,000.00
Routing & Switching Equipment	B	Re-let	N/A - Framework Award	22/08/2019	01/10/2019	30/09/2022	300,000.00
Liquid Fuels	A	Re-let	N/A - Framework Award	25/09/2019	14/10/2019	13/10/2023	100,000.00
Fresh Dairy Products	B	Re-let	N/A - Framework Award	01/10/2019	26/10/2019	25/10/2023	16,000.00
Servers & Storage	A	Re-let	N/A - Framework Award	01/10/2019	01/11/2019	31/10/2023	600,000.00
Internal Audit Services	B	Re-let	N/A - Framework Award	01/11/2019	15/12/2019	14/12/2024	90,000.00
Industrial Gasses	A	Re-let	N/A - Framework Award	20/11/2019	05/01/2020	04/01/2023	200,000.00
Hair & Beauty Supplies Lots 1-5	B	Re-let	N/A - Framework Award	17/12/2019	15/02/2020	14/02/2024	140,000.00
Water & Waste Water Services	A	Re-let	N/A - Framework Award	02/02/2020	01/03/2020	28/02/2024	825,000.00
Mobile Telephony	B	Re-let	N/A - Framework Award	02/02/2020	25/03/2020	24/03/2025	36,000.00
Natural Gas	A	Re-let	N/A - Framework Award	04/03/2020	01/04/2020	31/03/2026	525,000.00
Provision of Temporary Lecturing Services	B	Re-let	N/A - Framework Award	11/02/2020	04/05/2020	03/05/2025	7,800,000.00

## **Annex E - Glossary of Terms**

### **A, B, C and C1 Contracts (Who buys what?)**

Category A	Collaborative Contracts available to all public bodies <ul style="list-style-type: none"><li>• Scottish Procurement</li></ul>
Category B	Collaborative Contracts available to public bodies within a specific sector <ul style="list-style-type: none"><li>• Scottish Procurement</li><li>• APUC</li><li>• Scotland Excel</li><li>• NHS National Procurement</li></ul>
Category C	Local Contracts for use by individual public bodies
Category C1	Local or regional collaborations between public bodies

**APUC's Code of Conduct** - APUC and its client community of colleges and universities is committed to carrying out procurement activities in an environmentally, socially, ethically and economically responsible manner and to entering into agreements and contracts with suppliers that share and adhere to its vision. To demonstrate this commitment, current and potential suppliers are asked to acknowledge their compliance with the principles of the APUC Supply Chain Code of Conduct with respect to their organisation and their supply chain.

**BT14 – Sustainability Based Benefits** - sustainability benefits where costs are not normally relevant can be reported but will normally be described in narrative including but not limited to the following areas:

- Reduction in waste – packaging and / or further use of residue from processes etc.
- Reduction in consumption - use of raw materials (consumables, utilities etc.)
- Recycling and/or reuse of products
- Enhanced Reputation and/or marketing opportunities
- Community Benefits delivery
- Carbon Reduction

Social, equality and / or environmental improvements

**Category Subject** is a collection of commodities or services sourced from the same or similar supply base, which meet a similar consumer need, or which are inter-related or substitutable.

**Community Benefits** are requirements which deliver wider benefits in addition to the core purpose of a contract. These can relate to social- economic and or environmental. Benefits. Community Benefits clauses are requirements which deliver wider benefits in addition to the

core purpose of a contract. These clauses can be used to build a range of economic, social or environmental conditions into the delivery of institutional contracts.

**Contracts Registers** these typically provide details of the procurement exercise to capture key information about the **contract** (the goods and services, values, date started, expiry date, procurement category etc.).

**Cost Avoidance** The act of eliminating costs or preventing their occurrence in the first place. It tends not to show up on, but materially impacts, the bottom-line cost and is normally referred to as a “soft” cost saving i.e. negating supplier requests to increase costs, procuring services/goods/ works under budget, obtaining prices lower than the market average/median.

**Contract management** or contract administration is the management of contracts made with customers, suppliers, partners, or employees. Contract management activities can be divided into three areas: service delivery management; relationship management; and contract administration.

**EU regulated procurements** are those whose values require that they are conducted in compliance with the Public Contracts (Scotland) Regulations 2015 and the Procurement Reform (Scotland) Act 2014.

**Flexible Framework** Self-Assessment Tool (FFSAT) enables measurement against various aspects of sustainable procurement.

**Hub (Spikes Cavell)** - The Scottish Procurement Information Hub is provided by Spikes Cavell as a spend analysis tool allowing organisations to: -

- Identify non-pay spend on external goods and services
- Identify key suppliers and how many transactions are made with each
- Highlight common spend across suppliers and categories
- Identify spend with SMEs and/or local suppliers

This information means that individual organisations and Centres of Expertise can identify where collaborative opportunities might exist and where transactional efficiencies could be made.

For more information, visit the Scottish Government's [Hub](#) page.

**Hunter** - Hunter has been developed by the eSolutions team. It is a database solution which uses standard Microsoft packages (Access and SQL Server) enabling organisations to effectively monitor and report on collaborative contracting activities.

As a solution, it is operational within the HE/FE sector in Scotland and is also being utilised by the HE consortia in England and Wales that also provide collaborative contracting services to the

sector. Hunter has a multi-level structure which allows consortia to share collaborative agreements, make them visible to their member organisations, and in turn enabling them to record their own contracts.

**Institutional Dashboard** - is the area within the APUC Buyers Portal being developed by the APUC eSolutions team providing easy access to institutions' key management reporting data being recorded centrally through **Hunter**. The dashboard currently hosts key regulatory procurement information on Contracts Registers, forward contracting plans, expenditure reporting and APR Data. The list of reports is planned to expand to cover savings and PCIP dashboard data.

**Lotting** - the Public Contracts (Scotland) Regulations 2015 encourage the use of lots (regulation 47), to promote competitiveness and to facilitate the involvement of SMEs in the public procurement market, by considering the appropriateness of dividing contracts into lots to smaller contracts

**OJEU thresholds** OJEU is the Official Journal of the European Union, the gazette of record for the European Union. Around 2500 new notices are advertised every week - these include invitations to tender, prior information notices, qualification systems and contract award notices. The European public contracts directive (2014/24/EU) applies to public authorities and the following thresholds will apply to procurement carried out whose value equals or exceeds specific thresholds. The present thresholds are (net of VAT): - for Supply, Services and Design Contracts, £164,176, for Works Contracts £4,104,394. Public contracts (EU) thresholds are revised every 2 years – this is next due on 01/01/2018.

**Output Specification** requirements are set out in terms of what you want to achieve, leaving the tenderers to decide on how they will deliver those requirements. This can lead to innovation by the tenderers. The services detailed in the output specification should be capable of objective assessment so that the performance of the supplier can be accurately monitored.

**Prioritisation** - the Sustainable Public Procurement Prioritisation Tool which is a tool to aid all procuring organisations across the Scottish Public Sector designed to bring a standard structured approach to the assessment of spend categories.

**Procurement Journey** is public procurement toolkit with guidance and templates on the procurement process to facilitate a standardised approach to the market and contract and supplier management.

**Procurement & Commercial Improvement Programme (PCIP)** replaced the previous Procurement Capability Assessment (PCA) and focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver.

**PCS (Public Contracts Scotland)** is the national advertising portal used to advertise all public sector goods, services or works contract opportunities.

**PCS-Tender** is the national eTendering system, and is centrally funded by the Scottish Government. The system is a secure and efficient means for buyers and suppliers to manage tender exercises online. The standard templates enable buyers to create consistent tender documentation.

**Segmentation** the division and grouping of suppliers or contracts in relation to spend and its criticality to business.

**Small and Medium Sized Enterprises (SMEs)** encompass –

Micro enterprises: enterprises which employ fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed £1.57 million.

Small enterprises: enterprises which employ fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed £7.86 million.

Medium enterprises: enterprises which are neither micro nor small, which employ fewer than 250 persons and which have an annual turnover not exceeding £39.28 million, and/or an annual balance sheet total not exceeding £33.78 million.

**Social Enterprises** are revenue-generating businesses with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners.

**Supply Chain** encompasses all activities, resources, products etc. involved in creating and moving a product or service from the supplier to the procurer.

**Supported business** means an economic operator whose main aim is the social and professional integration of disabled or disadvantaged persons, and where at least 30% of the employees of the economic operator are disabled or disadvantaged persons.

**Supported employment programme** means an employment programme operated by an economic operator, the main aim of which is the social and professional integration of disabled or disadvantaged persons, and where at least 30% of those engaged in the programme are disabled or disadvantaged persons.

**Sustain** - is the APUC supply chain sustainability web portal, a central hub where sector suppliers can complete and store sustainability compliance data. The portal is the core supply chain sustainability tool supporting HE and FE institutions and their suppliers in delivering a transparent, environmentally positive, ethical and socially responsible supply chain

**Sustainable Procurement** A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits, not only for the organisation but also to society, the economy and the environment.

**Third-Party Expenditure** is calculated based upon the total value of invoices paid per annum, excluding VAT, to all suppliers for the purchase of goods and services. It is defined as including: goods – tangible products such as stationery, which are often also known as supplies. Services – provision of an intangible product such as refuse collection, elderly home care, whether carried out internally or externally. Works – including construction works and utilities – energy costs. It excludes employee costs, non-cash expenditure (e.g. depreciation), grants, trust payments and other non-controllable payments to other publicly funded bodies but should include spending on agency staff, capital expenditure and programme spend on commodities and services.

<b>AUDIT &amp; RISK COMMITTEE</b> <b>Meeting of 17 April 2019</b>	
<b>Title:</b> National Fraud Initiative	
<b>Author:</b> Peter D Smith, Vice Principal Finance & Resources	<b>Contributor(s):</b> Muir Wilson, Financial Controller (External Affairs)
<b>Type of Agenda Item:</b>	
For Decision	<input type="checkbox"/>
For Discussion	<input type="checkbox"/>
For Information	<input checked="" type="checkbox"/>
Reserved Item of Business	<input type="checkbox"/>
<b>Purpose:</b> To inform the Committee of the outputs from the College's participation in the National Fraud Initiative.	
<b>Linked to Strategic Goal:</b>	
5. Optimise the use of our available resources to deliver financial and environmental sustainability.	
<b>Linked to Annual Priority:</b>	
<b>Executive Summary:</b> The attached Appendix 1 gives details of the College's participation in the National Fraud Initiative (NFI), and the outputs from that exercise.  Following investigation of matches identified under the NFI, no cases of fraud were uncovered. At the time of writing, two cases remain to be investigated.	
<b>Recommendation:</b> It is recommended that the Committee note the information provided.	
<b>Previous Committee Recommendation/Approval</b> (if applicable): None	
<b>Equality Impact Assessment:</b>	
Positive Impact	<input type="checkbox"/>
Negative Impact	<input type="checkbox"/>
No Impact	<input checked="" type="checkbox"/>
<b>Evidence:</b>	

## **National Fraud Initiative**

### **1.0 Introduction**

- 1.1 The purpose of this report is to provide information to the Committee on North East Scotland College's participation in the National Fraud Initiative (NFI).
  
- 1.2 The report is provided for information.

### **2.0 Background**

- 2.1 The NFI is a UK-wide data matching exercise operated by the Cabinet Office, the primary purpose of which is to help public sector bodies to prevent and detect fraud and error in their financial systems. Cumulatively, the NFI has identified £1.8bn in fraud, the cumulative Scottish total is £129.2m, with £18.6m of that being attributable to the 2016-17 exercise. The most recent report from Audit Scotland is available here: -

[http://audit-scotland.gov.uk/uploads/docs/report/2018/nr\\_180705\\_national\\_fraud\\_initiative.pdf](http://audit-scotland.gov.uk/uploads/docs/report/2018/nr_180705_national_fraud_initiative.pdf)

- 2.2 The College is required, under the provisions of Part 2A of the Public Finance and Accountability (Scotland) Act 2000, to provide the requested data, which relate to payroll and suppliers. The College also participated in the 2016-17 exercise.

### **3.0 Data Submission and Analysis**

- 3.1 The College provided data within set deadlines.
  
- 3.2 Supplier data was analysed by Government and the college was provided with a report on data matches that require review, under a number of criteria, including: -
  - The same supplier has been set up with more than one reference number;
  - The same amount has been paid more than once to a supplier indicating possible duplicate payments;
  - Multiple suppliers operate from the same business address.
  
- 3.3 A comparison of outputs from the 2016-17 to the 2018-19 exercise is shown in the following table: -

NFI Code	Match	Matches	
		2018/19	2016/17
66 Payroll to Payroll		5	-
68.1 Payroll to Payroll - Phone number		2	-
701 Duplicate Creditors by creditor name		4	1
702 Duplicate Creditors by address detail		-	7
703 Duplicate Creditors by bank account number		1	-
707 Duplicate records by reference, amount and creditor reference		-	2
708 Duplicate records by amount and creditor reference		88	44
711 Duplicate records by invoice number and amount but different creditor reference and name		2	-
750 Procurement - Payroll to Companies House (Director) - Management		2	1
752 Procurement - Payroll to Companies House (Director) - Board		1	1
TOTAL		105	56

- 3.4 No evidence of fraudulent activity has been uncovered. At the time of writing, two cases of duplicate phone numbers in payroll records were still under investigation. If any further action is necessary as a result of concluding the investigations, this will be reported to the Committee.
- 3.5 Reasons for duplicate records under Code 708 included recurring charges, invoices for the same amount but not duplicates, and invoices for which credit notes had been received.

#### **4.0 Recommendation**

- 4.1 The paper is provided for information.

PETER D SMITH  
Vice Principal Finance and Resources

29 March 2019