



Meeting of the Audit and Risk Committee

**Wednesday 26 February
2025 at 1000hrs via MS
Teams**

AUDIT & RISK COMMITTEE

NOTICE

There will be a meeting of the Audit & Risk Committee on Wednesday 26 February 2025 at 1000 hrs via MS Teams.

AGENDA

Agenda Item		Paper
29-24	Apologies for Absence	
30-24	Declaration of any Potential Conflicts of Interest in relation to any Agenda Items	
31-24	Minute of Previous Meeting – 27 November 2024	x
32-24	Matters Arising from the Previous Meeting	x
	Matters for Decision	
33-24	Strategic Risk Register	x
	Matters for Discussion	
34-24	Internal Audit Plan 2024-25	x
35-24	Internal Audit Plan for 2024-2028	x
36-24	ASET Risk Register Update	x
	Matters for Information	
37-24	National Fraud Initiative 2024-25 Update	x
	Any Other Business	
	Summation of Actions and Date of Next Meeting The next meeting of the Audit & Risk Committee will be held on 28 May 2025.	

AUDIT & RISK COMMITTEE

MINUTE OF MEETING

Minute of Meeting of the Audit & Risk Committee held on Wednesday 27 November 2024 at 1000hrs via Microsoft Teams.

Agenda Item	<p>Present: Jim Gifford (Chair) Iain Watt (Vice Chair) Leona McDermid Caroline Laurenson (from 10:40am) Dave Anderson Ellie Zemani Gerry Lawrie</p> <p>In attendance: Anne MacDonald, Senior Audit Manager, Audit Scotland Steve McNaught, Senior Manager, Henderson Loggie Stuart Thompson, Vice Principal Finance & Resources Susan Lawrance, Secretary to the Board Karen Fraser, Minute Secretary</p> <p>Committee Chair J Gifford welcomed all, and specifically G Lawrie to her first Committee Meeting.</p>
13-24	<p>Apologies for Absence Apologies were received in advance from D Archibald and B Hutcheson.</p>
14-24	<p>Declaration of any Potential Conflicts of Interest in relation to any Agenda Items L McDermid declared a potential conflict of interest by virtue of her position with Aberdeen Foyer.</p> <p>J Gifford declared a potential conflict of interest by virtue of his position with Aberdeenshire Council.</p>
15-24	<p>Minute of Previous Meeting (11/09/24) The Minute was approved as a true and accurate record.</p>
16-24	<p>Matters Arising Report An IT issue experienced by Henderson Loggie was highlighted with the impact on email communication and circulation of audit plan explained, members noted the 3 year plan Internal Audit Plan will be an Agenda topic for the next A&R Committee Meeting.</p>
	Matters for Discussion
17-24	<p>Internal Audit Plan AY2024-25 Henderson Loggie's initial 1-year Internal Audit Plan was presented by S McNaught to Members for review and consideration, recognising that the production of a Plan to cover another 2 years is anticipated.</p>

	<p>Noting that the scope and objectives can be tailored as required and the inclusion of a key is necessary to explain the included asterisks, Members debated the immediate priority areas and the inclusion of Estates and Facilities, Business Development, Data Protection and ASET. Workforce Planning was also deliberated at length.</p> <p>Action: Draft 3 Year plan to be submitted to next Committee for full discussion.</p>
18-24	<p>Audit Certification of Student Activity & Support Fund Year-End Returns</p> <p>The 3 drafted Audit Certification letters to SFC were highlighted, with explanations for the contained recommendations outlined by S McNaught.</p>
19-24	<p>Internal Audit Reports Student Activity Data</p> <p>Members were invited to discuss Henderson Loggie's audit of the FES return, noting the highlighted adjusted and unadjusted errors. S Thompson recognised the opportunity to review procedures, introduce tighter checks, raise awareness of avoidable errors and to instil a more robust oversight via the implementation of the new student records system.</p>
20-24	<p>Annual Audit Report AY2023-24</p> <p>A summation Report capturing Audit outcomes for AY2023-24 was provided for Members to discuss. S Thompson acknowledged the overall positivity of the reports.</p>
21-24	<p>Strategic Risk Register</p>
22-24	<p>Committee Evaluation Feedback</p> <p>Members' feedback was provided to enable consideration with regard to Committee performance. Members were thanked for their responses.</p>
	Matters for Information
23-24	<p>Data Protection Report AY2023/24</p> <p>The Report was shared to facilitate an overview of DPO activities during AY2023/24. Members noted the information provided and observed that no items of concern were raised. S Thompson provided information regarding staff data protection training.</p>
	<p>National Fraud Initiative 2024/25 Update Report</p> <p>S Thompson provided a verbal update and confirmed data has been submitted to the secure website in line with deadlines. Committee noted the matching exercise by Audit Scotland is now being undertaken with data return expected in January. No causes for concern or further investigation is anticipated.</p>

25-24	Any Other Business No items were raised.
26-24	Summation of Actions and Date of Next Meeting S Lawrance provided a summary of the identified actions and confirmed the next Committee Meeting as Wednesday 26 February 2025 at 10:00am.
	<p style="text-align: center;">Meeting ended at 11:21am</p> <p style="text-align: center;">Members of the A&R Committee and External Attendees joined the F&R Committee Meeting at 11:30am</p>
	Reserved Matters for Decision (in conjunction with F&R Committee)
27-24	Draft Audited Financial Statements, 12 Months to 31 July 2024

	Reserved Matters for Discussion (in conjunction with F&R Committee)
28-24	External Audit Annual Report 2023/24
	Members of the A&R Committee and External Attendees left the F&R Committee Meeting at 12:28pm

Actions from the Audit and Risk Committee – 27 November 2024			
Agenda Item	Action	Responsibility of	Deadline
17-24	Internal Audit Plan: Draft 3 Year Audit Plan to be submitted to next Committee for full discussion.	S Thompson	Feb 2025
21-24	Strategic Risk Register:		
21-24	ASET Risk Register:		
27-24	Draft Audited Financial Statements:		
27-24	Draft Audited Financial Statements:		

AUDIT & RISK COMMITTEE

An update on matters arising from the meeting of the Audit and Risk Committee held on 27 November 2024.

Agenda Item	Action
17-24	Action: Internal Audit Plan: Draft 3 Year Audit Plan to be submitted to next Committee for full discussion.
	Status: Complete – on Agenda for February Committee meeting.
21-24	Action: Strategic Risk Register:
	Status:
21-24	Action: ASET Risk Register:
	Status:
27-24	Action: Draft Audited Financial Statements:
	Status:
27-24	Action: Draft Audited Financial Statements:
	Status:

AUDIT & RISK COMMITTEE	
Meeting of 26 February 2025	
Title: Internal Audit Plan 2024-25	
Author: S Thompson, Vice Principal – Finance and Resources	Contributor(s):
Type of Agenda Item: For Decision <input type="checkbox"/> For Discussion <input checked="" type="checkbox"/> For Information <input type="checkbox"/> Reserved Item of Business <input type="checkbox"/>	
Purpose: To enable the Committee to review the initial Internal Audit Plan 2024-25.	
Linked to Strategic Theme: 5. Leading Sustainability	
Linked to Strategic Risk(s): n/a	
Executive Summary: The College signed a new Internal Audit service contract with Henderson Loggie in June 2024.	
Main Points <ul style="list-style-type: none"> The initial internal audit plan for 2024-25 was discussed and agreed by the Leadership Team. The agreed internal audit plan for 2024-25 is attached 	
Recommendation: Discuss the planned process to develop the plan.	
Previous Committee Recommendation/Approval (if applicable): n/a	
Equality Impact Assessment: Positive Impact <input type="checkbox"/> Negative Impact <input type="checkbox"/>	

No Impact



Evidence:

North East Scotland College

Internal Audit Annual Plan 2024/25

Internal Audit Report No: 2025/01

Draft issued: 18 November 2024

Final issued: 27 January 2025



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Introduction

- 1.1 The purpose of this document is to present for consideration by management and the Audit and Risk Committee the annual operating plan for the year ended 31 July 2025. As outlined at the Audit and Risk Committee in September 2024, the draft plan has been based on discussions with the Leadership Team, consideration of areas of higher risk and need arising from a review of the College's Strategic Risk Register and taking into account previous internal audit coverage.
- 1.2 A copy of the extended Strategic Plan is included at Section 2 of this report.
- 1.3 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment to be undertaken during 2024/25, together with the proposed audit approach. These have been arrived at following discussion with the Leadership Team. The outline scopes will be refined and finalised after discussion with responsible managers in each audit area.
- 1.4 Separate reports will be issued for each assignment with recommendations graded to reflect the significance of the issues raised. In addition, audit findings will be assessed and graded on an overall basis to denote the level of priority that should be given to each report.

Extended Strategic Plan 2019 to 2025

Proposed Allocation of Audit Days

	Category	Priority	Actual 19/20 Days	Actual 20/21 Days	Actual 21/22 Days	Actual 22/23 Days	Actual 23/24 Days	Planned 24/25 Days
Reputation								
Marketing and Communications	Gov	M						5
Health and Safety	Gov	M				5		
Student Experience								
Curriculum planning	Perf	M			5			
Student support	Perf	M		5				
Student recruitment and retention	Fin/Perf	H					5	
Students Association	Gov	M						5
Timetabling and Registers (BPR)	Perf	M			5			
Staffing Issues								
Staff recruitment and retention	Perf	M/L		4				
Workforce planning	Perf	M						5
Payroll	Fin	M			4			
Estates and Facilities								
Building maintenance	Fin/Perf	H/M						
Estates and facilities contract VFM	Fin/Perf	M			5			
Estates strategy / capital projects	Fin/Perf	H/M						
Space management	Perf	H					6	
Financial Issues								
Budgetary control	Fin	H		4				
Financial planning	Fin	H	4			6		
Student fees and contracts / registry	Fin	M						5
General ledger	Fin	M				3		
Procurement and creditors / purchasing	Fin	M			4			
Debtors/ Income	Fin	M				4		
Cash & Bank / Treasury management	Fin	M				5		
Commercial Issues								
Business Development	Fin/Perf	H/M	5					
ASET	Gov/Fin/Perf	H/M			5		6	

Internal Audit Annual Plan 2024/25

	Category	Priority	Actual 19/20 Days	Actual 20/21 Days	Actual 21/22 Days	Actual 22/23 Days	Actual 23/24 Days	Planned 24/25 Days
Organisational Issues								
<i>Risk Management*</i>	Perf	M		5				
<i>Business Continuity*</i>	Perf	M						
<i>Corporate Governance</i>	Gov	M		6				
<i>Corporate Planning</i>	Perf	M					6	
<i>Performance reporting / KPIs</i>	Perf	M		5				
<i>Partnership Working</i>	Gov/Perf	M						
<i>Environmental Sustainability</i>	Gov	M					5	
Information and IT								
<i>IT network arrangements**</i>	Perf	M		6				
<i>BYOD VFM</i>	Perf/Fin	M	5					
<i>Data protection**</i>	Gov	H						
<i>Systems development / implementation</i>	Perf	M						6
<i>Website delivery project VFM</i>	Perf / Gov	M		4				
<i>IT / Digital strategy</i>	Perf	M				5		
<i>IT operations</i>	Perf	M	5					
<i>Artificial Intelligence</i>	Perf	M						
Other Audit Activities								
Credits audit		Required	7	7	7	7	7	7
Student Support Funds		Required	8	8	8	8	8	8
Management and Planning)			5	5	5	5	5	5
External audit / SFC)								
Attendance at Audit & Risk Committee)								
Follow-up reviews		Various	3	2	2	2	2	2
Audit Needs Assessment			3					
Total			45 =====	61 =====	50 =====	50 =====	50 =====	48 =====

Key

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

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

Outline Scope and Objectives

Audit Assignment:	Marketing and Communications
Priority:	Medium
Fieldwork Timing	12 March 2025
Audit & Risk Committee Meeting:	28 May 2025
Days:	5

Scope

This audit will focus on the systems in place within the College for the management of positive and negative publicity externally, and internal communication following a recent re-structure of the Marketing & Communications team.

Objectives

The objectives of the audit will be to ensure that:

- The structure of the Marketing & Communications team, along with relevant policies, procedures and systems, is in place to assist the College to maximise the benefits from positive publicity and effectively manage negative publicity, reducing the potential risk of damage to the College's reputation; and
- appropriate strategies, procedures, ICT and other systems are in place to assist and encourage internal communication and joint working between campuses and Academic Faculties / Support Services.

Our audit approach will be:

The senior managers who oversee marketing and communications activity within the College, and a sample of other College managers and staff, will be interviewed to determine current working practices.

The College's internal and external communication strategies, policies and procedures will be reviewed, and their content benchmarked against good practice, identifying any areas requiring improvement.

The results of recent staff surveys relevant to internal communication will be reviewed to ensure that issues raised are being addressed where appropriate.

Audit Assignment:	Students' Association
Priority:	Medium
Fieldwork Timing	18 March 2025
Audit & Risk Committee Meeting:	28 May 2025
Days:	5

Scope

Student engagement at the College is about students and staff working together to improve the learning and teaching experience. The College wants its students to be involved in all aspects of learning, helping to shape the College's direction by being a key part of the decision-making process in the College.

There are several ways students can get involved: be part of the Students' Association; become a Class Rep; attend a Focus Group; or attend a Course Action and Development Meeting.

The scope of this audit will be to review the College's student engagement activities including the link with the Students' Association.

Objectives

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

- a comprehensive and robust Student Engagement Strategy is in place which is reviewed on a regular basis;
- student engagement is monitored and evaluated on a regular basis;
- there is evidence of student engagement outcomes influencing planning and decision making;
- adequate resources are allocated to student engagement activities, including the Students' Association; and
- training and support is provided to staff and students where necessary.

Our audit approach will be:

From discussion with the Director of Student Access and Information, the Students' Association President, Students' Association Liaison Officer, and other relevant managers and staff, we will establish the College's approach to student engagement and compare with good practice.

Audit Assignment:	Workforce Planning
Priority:	Medium
Fieldwork Timing	2 June 2025
Audit & Risk Committee Meeting:	September 2025
Days:	5

Scope

We will examine the way in which future workforce needs are assessed and then built into succession planning arrangements, training and development activity and financial plans.

Objectives

The overall objective of this audit will be to gain assurance that there are effective processes in place to assess the workforce needs of the College to meet strategic priorities.

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

- There is appropriate management information and Board oversight to identify areas of potential under or over-utilisation of staff, including the use of capacity tools, and proportionate action is taken where any such instances are identified;
- Workforce planning performance metrics are in place to identify emerging workforce challenges and risks and to address them in a way which supports achievement of strategic and operational objectives; and
- Appropriate succession planning arrangements are in place for key members of staff, including a formal approach to the identification of staff training needs, training provision, and evaluation of training; and
- the HR system provides a robust framework for the administration of recruitment, retention, staff development and succession planning processes.

Our audit approach will be:

Human Resources and other relevant staff will be interviewed, and relevant documentation reviewed to gain evidence regarding the objectives above. Detailed testing will be undertaken to ensure key controls are working effectively.

Audit Assignment:	Student Fees
Priority:	Medium
Fieldwork Timing	21 April 2025
Audit & Risk Committee Meeting:	28 May 2025
Days:	5

Scope

The main purpose of this review will be to ensure that the policies, procedures and processes in place within MIS and Finance for recording, processing, invoicing and receiving of student fees are effective.

Objectives

The objectives of this audit will be to ensure that:

- enrolment procedures across the College are sufficient to ensure accuracy of student records information, including adequate checking of student data by MIS;
- modern apprenticeship students and employer information are accurately identified during the enrolment process and also accurately recorded in the MIS and Finance system to allow income to be tracked effectively;
- there is accurate and timely transfer of data between the student records system and the finance system, and regular reconciliation between the systems;
- all fees are fully and correctly invoiced and processed for self-financing students and sponsored students. Fee-waiver students are appropriately identified; and
- adequate debt management and recovery procedures are in place and are consistently followed in practice.

Our audit approach will be:

From discussion with MIS and Finance staff we will identify the key internal controls in place within the College's student fees process and compare these with expected controls. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.

Compliance testing will then be carried out where necessary to ensure that the controls in place are operating effectively.

Audit Assignment:	Systems Development / Implementation
Priority:	Medium
Fieldwork Timing	16 June 2025
Audit & Risk Committee Meeting:	September 2025
Days:	6

Scope

The scope of this audit will be to carry out a review of the ICT project management controls in place within the College in relation to the recently implemented VLE and the planned replacement of the student records system.

Objectives

The objectives of this audit will be to ensure that:

- the College has established formal documented project management standards and policies, which reflect best practice;
- project teams and managers have received adequate project management training;
- requests for the VLE and replacement student records system projects were supported by a detailed business case, a feasibility study, project initiation document and detailed project plan;
- a functional specification was prepared for both systems which sets out user requirements and technical specifications were prepared based on this;
- an outline testing plan with acceptance criteria was written at the functional specification stage and complied with during the implementation phase;
- relevant staff are appropriately trained at the right time in the new system and operational guides, user manuals and support are supplied to system users; and
- post-implementation reviews are carried out by project teams to compare the actual costs and benefits etc. with those originally expected.

Our audit approach will be:

From discussion with the Director of ITTS, ITTS staff, and other relevant College managers and staff, and review of project documentation for the VLE and replacement student records system , we will consider whether the above objectives are being met.

Audit Assignment:	Credits Audit
Priority:	Required audit
Fieldwork Timing	4 August 2025
Audit & Risk Committee Meeting:	November 2025
Days:	7

Scope

Credits Audit Guidance, issued by SFC, requests that colleges obtain from their auditors assurances as to the reasonableness of procedures used in the compilation of the Credits related element of the FES return.

Objectives

To obtain reasonable assurance that:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- the FES return is free from material misstatements.

Our audit approach will be:

Through discussion with College staff, and review of relevant documents, we will record the systems and procedures used by the College in compiling the returns and assess and test their adequacy. We will carry out further detailed testing, as necessary, to enable us to conclude that the systems and procedures are working satisfactorily as described to us.

Detailed analytical review will be carried out obtaining explanations for significant variations from previous year's activity.

Our testing will be designed to cover the key areas of risk identified at Annex C to the Credits Audit Guidance.

We will also review the final error report from the FES on-line checks.

Audit Assignment:	Student Support Funds
Priority:	Required audit
Fieldwork Timing	18 August 2025
Audit & Risk Committee Meeting:	November 2025
Days:	8

Scope

We will carry out an audit on the College's student support funds for the year ended 31 July 2025 and provide an audit certificate. Three specific fund statements will require an audit:

- Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return;
- Higher Education Discretionary Fund; and
- Education Maintenance Allowance (EMA) Return.

Objectives

The audit objectives will be to obtain reasonable assurance that:

- the College complies with the terms, conditions and guidance notes issued by the SFC, SAAS and the Scottish Government;
- payments to students are genuine claims for hardship, childcare, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- the information disclosed in each of the returns for the year ended 31 July 2025 is in agreement with underlying records.

Our audit approach will be:

- Reviewing new guidance from the SFC, SAAS and the Scottish Government and identifying internal procedures through discussion with College staff, and review of relevant documents;
- Agreeing income to letters of award;
- Reconciling expenditure through the financial ledger to returns, investigating reconciling items;
- Reviewing for large or unusual items, obtaining explanations where necessary; and
- Carrying out detailed audit testing, on a sample basis, on expenditure from the funds.

Audit guidance issued by SFC will be utilised. This includes 'Areas of risk and audit considerations' for bursaries and for the discretionary funds and childcare, and 'Guidance on the audit requirements for EMA.'

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Fieldwork Timing	14 April 2025
Audit & Risk Committee Meeting:	28 May 2025
Days:	2

Scope

This review will cover reports from the 2023/24 internal audit programme and reports from earlier years where previous follow-up identified recommendations outstanding.

Objectives

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

Our audit approach will be:

- for the recommendations made in previous reports ascertain by enquiry or sample testing, as appropriate, whether they have been completed or what stage they have reached in terms of completion and whether the due date needs to be revised; and
- prepare a summary of the current status of the recommendations for the Audit and Risk Committee.

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AUDIT & RISK COMMITTEE	
Meeting of 26 February 2025	
Title: Internal Audit Plan 2024-28	
Author: S Thompson, Vice Principal – Finance and Resources	Contributor(s): Strategic Leadership Team
Type of Agenda Item: For Decision <input type="checkbox"/> For Discussion <input checked="" type="checkbox"/> For Information <input type="checkbox"/> Reserved Item of Business <input type="checkbox"/>	
Purpose: To enable the Committee to review the Internal Audit Plan 2024-28.	
Linked to Strategic Theme: 5. Leading Sustainability	
Linked to Strategic Risk(s): n/a	
Executive Summary: The College signed a new Internal Audit service contract with Henderson Loggie in June 2024. Main Points <ul style="list-style-type: none"> • The initial internal audit plan for 2024-28 was discussed and agreed by the Strategic Leadership Team (SLT). • SLT discussed and amended the plan based on audit areas, priorities, previous coverage and risks. • The aim was to ensure all high priority areas will be audited within the plan or only recently audited. • The internal audit plan for 2024-28 is attached. 	
Recommendation: Discuss and comment on the internal audit plan for 2024-28.	
Previous Committee Recommendation/Approval (if applicable): n/a	

Equality Impact Assessment:

Positive Impact ☐

Negative Impact ☐

No Impact ☒

Evidence:

North East Scotland College

Strategic Internal Audit Plan 2024 to 2028 and Internal Audit Annual Plan 2025/26

Internal Audit report No: 2026/01

Draft issued: 7 February 2025

2nd Draft issued: 18 February 2025

Final issued:



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Introduction

- 1.1 We have been re-appointed as Internal Auditors of North East Scotland College ('NESCOL') for the period from 1 August 2024 to 31 July 2027, with two optional one-year extension periods, at the sole discretion of NESCOL.
- 1.2 Internal audit primarily provides an independent and objective opinion to the Board and to the Principal on risk management, control and governance, by measuring and evaluating their effectiveness in achieving NESCOL's agreed objectives. In addition, internal audit's findings and recommendations are beneficial to line management in the audited areas. Risk management, control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for NESCOL.
- 1.3 Internal audit also provides an independent and objective consultancy service specifically to help line management improve NESCOL's risk management, control and governance.
- 1.4 The internal audit Annual Plan for 2024/25 was prepared following discussions with the Leadership Team and the Audit and Risk Committee (ARC) at its meeting on 11 September 2024. The purpose of this document is to present to the members of the ARC the extended Strategic Plan for 2024 to 2028 and the outline annual internal audit operating plan for the year ended 31 July 2026.
- 1.5 We see completion of the Audit Needs Assessment (ANA) as a collaborative process in order to ensure that the risks facing NESCOL are fully and properly identified and are therefore covered in the work cycle.
- 1.6 Through discussions with the Vice Principal Finance and Resources and at the Strategic Leadership Team (SLT) meeting on 13 February 2025, and review of key documentation (including the Strategic Risk Register), we have built up a picture of the key risks, issues and priorities for NESCOL over the next three years.
- 1.7 Undertaking this work has allowed us to consider the level of risk and complexity of each area of your operations and to assess the internal audit resources required to allow adequate coverage of the elements of the audit universe, where it is appropriate for internal audit to focus attention. The audit universe utilised has been tailored specifically for NESCOL. From the topics listed on the tailored audit universe we have extended the Strategic Plan to cover the next three years, in conjunction with management, setting out proposed areas for audit attention over the internal audit cycle.
- 1.8 The Strategic Plan places the risk based planned coverage under three main strands: Governance, Financial and Performance. The planned coverage should be reviewed annually prior to finalisation of the Annual Plan and detailed audit planning of individual assignments.
- 1.9 There is an expectation by external auditors that some element of review is included in the internal audit programme each year in relation to core financial systems; budgetary processes and controls. This has been taken into consideration in formulating the Strategic Plan.
- 1.10 Value for Money (VFM) is an integral part of all audits and has been mentioned at key points within this ANA. Specific VFM reviews will be carried out in areas agreed with management and the ARC although VFM is considered as an integral part of any audit work that we are undertaking.

- 1.11 We will draw on the experience within our team to provide input on the use of a wide range of business improvement tools, including the use of lean systems and methodologies, where this is appropriate and relevant to the specific audit assignment.
- 1.12 For discussion purposes, at Section 2 we have included proposed coverage for the three years commencing 2025/26 which has been determined from the ANA process. Actual coverage for 2024/25, the first year of our re-appointment, is also shown.
- 1.13 At Section 3 we have included outline scopes for each of the proposed areas to be covered in the 2025/26 internal audit programme.
- 1.14 Separate reports will be issued for each assignment. Recommendations are graded in each report to reflect the significance of the issues raised.
- 1.15 We have produced this document and carry out all our internal audit practice in line with the requirements of the revised Global Internal Audit Standards (GIAS), effective from 9 January 2025, as well as the 'Application Note: Global Internal Audit Standards in the UK Public Sector', applicable from 1 April 2025.

2. Strategic Plan 2024 to 2028

The Strategic Plan covers the financial years 2024/25 to 2027/28. Audit days have been allocated across the audit universe categories. These topics were identified from our review of key risk areas to produce a rolling programme of work. Frequency of visits, the number of days allocated, and the position in the audit cycle has been determined with reference to the combined risk factors identified in the ANA. The base number of days per annum of around 50 days is in line with the internal audit contract. Prioritisation will be revisited annually during preparation of the Annual Plan.

Audit Methodology

In all cases the audit work involves:

- Identification of the expected controls.
- Review of systems to identify actual controls.
- Consideration of established Best Practice in the area.
- Testing of controls to ensure they are operating effectively.
- Consideration of VFM issues where appropriate on all audit assignments and conducting specific VFM reviews as agreed with NESCOL management and the ARC.
- Consideration of the relevance of business improvement tools, including lean systems and methodologies, to individual audit assignments.
- Discussion of findings and our likely recommendations with the relevant managers and staff involved with the systems. Recommendations will be graded to help management prioritise their importance.
- Issue of a draft report to confirm factual accuracy and obtain official management responses for inclusion in the final report.
- Issue of a final report that summarises audit objectives, work carried out, the implications of the findings for internal control, and an action plan with areas for improvement. The action plan will allocate responsibility for the implementation and give a timeframe for completion.
- Follow-up of action plans in future years.

Strategic Internal Audit Plan 2024 to 2028 and Internal Audit Annual Plan 2025/26 – DRAFT

Proposed Allocation of Audit Days

	Category	Priority	Actual 24/25 Days	Planned 25/26 Days	Planned 26/27 Days	Planned 27/28 Days	Previous IA Coverage
Reputation							
Marketing and Communications	Gov	M	5				
Health and Safety	Gov	M					22/23
Compliance with legislation	Gov	M					-
Student Experience							
Curriculum planning	Perf	M					21/22
Quality assurance and Improvement - Scotland's Tertiary Quality Enhancement Framework (TQEF)	Perf	M				5	
Student Learning Experience (Physical and Digital Estate – including focus on Learner Voice)	Perf	M			5		20/21
Student recruitment and retention	Fin/Perf	H				5	23/24
Students Association	Gov	M	5				
Student Support and Wellbeing (including Timetabling and Registers)	Perf	M				5	21/22
Staffing Issues							
Staff recruitment and retention	Perf	H/M				5	20/21
Workforce planning and Learning & Development	Perf	M	5				
Payroll	Fin	M			5		21/22
Staff well being	Fin/Perf	H			5		-
Estates and Facilities							
Building maintenance and Estates & Facilities contract VFM	Fin/Perf	M			5		18/19 & 21/22
Estates and facilities contract VFM**	Fin/Perf	M					
Estates strategy / capital projects	Fin/Perf	H/M		5			16/17
Space management	Perf	H					23/24
Energy Transition Skills Hub	Perf	M					-
Financial Issues							
Budgetary control	Fin	M		5			20/21
Financial planning	Fin	M			5		22/23
Student fees and contracts / registry	Fin	M	5				
General ledger	Fin	L					22/23

Strategic Internal Audit Plan 2024 to 2028 and Internal Audit Annual Plan 2025/26 – DRAFT

	Category	Priority	Actual 24/25 Days	Planned 25/26 Days	Planned 26/27 Days	Planned 27/28 Days	Previous IA Coverage
<i>Procurement and creditors / purchasing</i>	Fin	L					21/22
<i>Debtors/ Income</i>	Fin	L					22/23
<i>Cash & Bank / Treasury management</i>	Fin	L					22/23
Commercial Issues							
<i>Business Development</i>	Fin/Perf	H/M		5			19/20
<i>ASET</i>	Gov/Fin/Perf	H/M				5	23/24
Organisational Issues							
<i>Risk Management and Business Continuity</i>	Perf	M			6		20/21
<i>Corporate Governance – Externally Facilitated Effective Review (including Partnership Working)</i>	Gov	M		8			20/21
<i>Corporate Planning</i>	Perf	M					23/24
<i>Performance reporting / KPIs</i>	Perf	M					20/21
<i>Environmental Sustainability</i>	Gov	M					23/24
Information and IT							
<i>IT network arrangements</i>	Perf	H		5			20/21
<i>Data protection</i>	Gov	M					20/21
<i>Systems development / implementation</i>	Perf	M	6				
<i>Website delivery project VFM</i>	Perf / Gov	M					20/21
<i>Digital strategy (including Artificial Intelligence)</i>	Perf	M				5	22/23
<i>IT operations (including BYOD)</i>	Perf	L/M					19/20
Other Audit Activities							
<i>Credits audit</i>		Required	7	7	7	7	
<i>Student Support Funds</i>		Required	8	8	8	8	
<i>Management and Planning)</i>			5	5	5	5	
<i>External audit / SFC)</i>							
<i>Attendance at ARC)</i>							
<i>Follow-up reviews</i>		Various	2	2	2	2	
<i>Audit Needs Assessment</i>				2			
Total			48	52	53	52	
			=====	=====	=====	=====	

Key

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

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

Outline Scope and Objectives

Audit Assignment:	Estates Strategy / Capital Projects
Priority:	High / Medium
Fieldwork Timing	TBC
Audit and Risk Committee Meeting:	TBC
Days:	5

Scope

The scope of the audit will be to review and test the policies and procedures in place for the planning, control and monitoring of capital projects relating to the College infrastructure.

Objectives

The specific objectives will be to ensure that the policies and procedures are in line with the Scottish Public Finance Manual, Scottish Funding Council, and other good practice guidance in relation to:

- the Estates Strategy, including that it has been developed and aligned with key strategic priorities and also takes cognisance of supporting strategies and plans (such as the financial plan, curriculum planning, digital strategy and people strategy);
- the capital project identification and appraisal process, including the information provided to management and the Regional Board and its committees for decision making purposes;
- risk management and contingency planning on capital projects;
- the selection and management of consultants and contractors, including the tendering process and performance management; and
- the monitoring of progress made on projects and expenditure against budget, by management and Regional Board committees.

Our audit approach will be:

We will review relevant documentation including, relevant strategies, policies, procedures, capital project appraisal documents etc. relating to capital projects and will discuss the procedures adopted with staff.

We will consider whether the policies and procedures are in line with good practice in relation to planning, control and monitoring of capital projects and, for a sample of recent capital projects, we will test compliance with these.

Audit Assignment:	Budgetary Control
Priority:	High
Fieldwork Timing	TBC
Audit and Risk Committee Meeting:	TBC
Days:	5

Scope

This audit will look at the College's budgetary control practices and protocols. It will specifically consider budget monitoring procedures in place centrally and within a sample of Academic Schools and Support Services, and also cash flow reporting to senior management, the Regional Board and the SFC.

Objectives

The objectives of the audit will be to ensure that:

- budgets are controlled in accordance with the Financial Regulations and Procedures;
- budget setting is linked to corporate and operational planning processes and budgets are revisited and revised when spending plans change or income targets are not achieved;
- information is available to management in Faculties and Support Teams which is up-to-date and in a format that can be easily understood;
- budget holders have the necessary skills for managing budgets;
- budget variations are reported and acted upon;
- there is accurate cash flow reporting; and
- senior management and the Regional Board regularly review the College's overall financial position.

Our audit approach will be:

The Vice Principal Finance and Resources, Finance staff, and a sample of budget holders in Faculties and Support Teams will be interviewed, and reports will be reviewed, to determine current working practices in budget monitoring, and the information and training provided to budget holders.

The processes utilised to prepare cash flow reports for senior management, the Regional Board, and the SFC will be determined through discussion with Finance staff and review of supporting working papers.

We will also establish and review the budget monitoring information provided to the Strategic Leadership Team and the Regional Board, including progress in delivering on any savings plan activity.

Audit Assignment:	Business Development
Priority:	High / Medium
Fieldwork Timing	TBC
Audit and Risk Committee Meeting:	TBC
Days:	5

Scope

This audit will consider the key risks in relation to the College's commercial and external funding activities, excluding the activities of ASET Limited, which will be covered separately on the internal audit programme.

Objectives

The primary objective of this audit will be to establish whether procedures in place within the College are sufficient to maximise income generation and margin from commercial (non-SFC) activities.

Secondary objectives will be to ensure that:

- an effective strategic and operational planning process has been established, including identification of key markets and courses;
- there is appropriate support in place to identify and promote commercial and external funding opportunities;
- key risks and opportunities are identified and mitigated / exploited;
- there is effective pricing in the marketplace, with full cost recovery as the target and careful consideration being given to activity which does not meet this target;
- management information, including financial information on each specific activity, is adequate and easily accessible to all relevant staff;
- there is regular review of activities by the Regional Board and its committees; and
- feedback is sought from customers and acted upon;

Our audit approach will be:

Through discussion with the Vice Principal Curriculum and Quality, Vice Principal Finance and Resources, Assistant Principal Curriculum and Business Development, Business Development Manager and other relevant staff, and review of relevant documents, we will establish the key controls in place within the above areas and consider their adequacy.

Where relevant, sample testing will be carried out to establish whether key controls in place within the above areas are operating effectively in practice.

Audit Assignment:	Corporate Governance
Priority:	Medium
Fieldwork Timing	TBC
Audit and Risk Committee Meeting:	TBC
Days:	6

Scope

The Code of Good Governance for Scotland's Colleges ('the Code'), published in September 2022, contains the following requirement:

"The board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should also be an externally facilitated evaluation of its effectiveness every three to five years. The board should determine the timing for this externally facilitated review as part of the annual effectiveness review. The board must send its self-evaluation (including an externally facilitated evaluation) and board development plan (including progress on previous year's plan) to its funding body and publish them online."

The scope of this review will be to carry out the Externally Facilitated Effectiveness Review described in the Code, in line with the Guidance Note issued by the College Development Network (CDN). The review will cover the five sections of the Code namely:

- Section A - Leadership and Strategy
- Section B - Quality of the Student Experience
- Section C - Accountability
- Section D - Effectiveness
- Section E - Relationships and Collaboration (Partnership Working)

Objectives

The objective of this review will be to complement the work already completed by the College, through discussions with Regional Board members, to explore specific governance issues drawn in order to meet the requirements of the CDN Guidance Note which sets out the specific requirement to provide a 'basic level of assurance relating to core governance requirements plus an agreed list of actions on areas that board members wish to develop their governance further' by 31 March 2026.

Audit Assignment:

Corporate Governance (Continued)

The facilitator will conduct the review in line with the CDN Guidance Note for Conducting Externally Facilitated Effectiveness Reviews. Based on the Guidance Notes issued in August 2016 the review will involve the following steps:

1. Board to agree the areas to be covered in the review (all sections of the Code as a minimum), the process and timescales required.
2. Board and facilitator to agree on the pro-forma or questionnaire to be used.
3. Board members and senior staff who work closely with the Board, provide their views to the facilitator on (a) Board performance to date (b) areas for future development using a pro-forma / questionnaire. This process can be done in a range of ways including: <ul style="list-style-type: none"> i. A Board workshop is held that results in an agreed summary of views; or ii. Board members and senior staff complete the pro-forma / questionnaire and the facilitator summarises the results; or iii. The facilitator undertakes 1 to 1 interviews with some or all Board members and staff based on the pro-forma / questionnaire.
4. The facilitator pressure tests the views expressed at step 3 by, as a minimum: <ul style="list-style-type: none"> • Observing at least one Board meeting. • Undertaking a desktop review of: <ul style="list-style-type: none"> ○ a sample of Board and committee remits, minutes, agendas and papers. ○ a sample of corporate documents to examine alignment between corporate objectives, the objectives of supporting strategies such as HR, estates and finance and the performance information coming to the Board and its committees. ○ the risk register and a sample of recent audit reports. ○ the current Board and Board member development plans, appraisal and induction processes and the skills matrix used. ○ recent staff, student or stakeholder surveys and any Board responses. ○ any audit reports on governance that are used to underpin the Statement of Compliance in the annual report. • If step 3iii above is not chosen, conducting 1 to 1 interviews with a sample of Board members and senior staff including a staff and student Board member.
5. The facilitator draws up a draft report summarising the output for steps 3 and 4. The Board is given an opportunity to discuss and comment on the facilitator's findings and to draw up an action plan for areas of development over the next 12 months.
6. A final report is provided by the facilitator to the Board and the Board Chair writes to the relevant funding body as required by the Code of Good Governance.

Audit Assignment:	IT Network Arrangements
Priority:	High
Fieldwork Timing	TBC
Audit and Risk Committee Meeting:	TBC
Days:	6

Scope

This audit will include a review of the College's current position with regard to information and cyber security in order to advise on areas that should be addressed in line with the latest guidance produced by the National Cyber Security Centre (NCSC), the UK Government's national technical authority for information assurance.

Objectives

Our review will seek to obtain reasonable assurance that:

- the internal controls in place which ensure that the security of the IT network, the configuration of key elements of IT infrastructure which protect access to data, plus the policy and procedures giving guidance as to how security should be managed by both the IT and Digital department and users is in line with the NCSC 10 Steps to Cyber Security guidance.

Our audit approach will be:

Our approach will be based upon the guidance and best practice provided by NCSC; discussion with the Assistant Principal IT and Digital Service members of the IT and Digital Team, review of relevant documentation; and observation. This covered the following areas:

- Risk management;
- Engagement and training;
- Asset management;
- Architecture and configuration;
- Vulnerability management;
- Identity and access management;
- Data security;
- Logging and monitoring;
- Incident management; and
- Supply chain security.

We will specifically consider the way in which risks associated with cyber security, and the associated impact on delivery of College business, are being managed. We will also take cognisance of the new Topical Requirement for Cybersecurity, which was issued by the Institute of Internal Auditors in 2024.

Audit Assignment:	Credits Audit
Priority:	Required audit
Fieldwork Timing	TBC
Audit and Risk Committee Meeting:	November 2026
Days:	7

Scope

Credits Audit Guidance, issued by SFC, requests that colleges obtain from their auditors assurances as to the reasonableness of procedures used in the compilation of the Credits related element of the FES return.

Objectives

To obtain reasonable assurance that:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- the FES return is free from material misstatements.

Our audit approach will be:

Through discussion with College staff, and review of relevant documents, we will record the systems and procedures used by the College in compiling the returns and assess and test their adequacy. We will carry out further detailed testing, as necessary, to enable us to conclude that the systems and procedures are working satisfactorily as described to us.

Detailed analytical review will be carried out obtaining explanations for significant variations from previous year's activity.

Our testing will be designed to cover the key areas of risk identified at Annex C to the Credits Audit Guidance.

We will also review the final error report from the FES on-line checks.

Audit Assignment:	Student Support Funds
Priority:	Required audit
Fieldwork Timing	TBC
Audit and Risk Committee Meeting:	November 2026
Days:	8

Scope

We will carry out an audit on the College's student support funds for the year ended 31 July 2026 and provide an audit certificate. Three specific fund statements will require an audit:

- Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return;
- Higher Education Discretionary Fund; and
- Education Maintenance Allowance (EMA) Return.

Objectives

The audit objectives will be to obtain reasonable assurance that:

- the College complies with the terms, conditions and guidance notes issued by the SFC, SAAS and the Scottish Government;
- payments to students are genuine claims for hardship, childcare, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- the information disclosed in each of the returns for the year ended 31 July 2026 is in agreement with underlying records.

Our audit approach will be:

- Reviewing new guidance from the SFC, SAAS and the Scottish Government and identifying internal procedures through discussion with College staff, and review of relevant documents;
- Agreeing income to letters of award;
- Reconciling expenditure through the financial ledger to returns, investigating reconciling items;
- Reviewing for large or unusual items, obtaining explanations where necessary; and
- Carrying out detailed audit testing, on a sample basis, on expenditure from the funds.

Audit guidance issued by SFC will be utilised. This includes 'Areas of risk and audit considerations' for bursaries and for the discretionary funds and childcare, and 'Guidance on the audit requirements for EMA.'

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Fieldwork Timing	TBC
Audit and Risk Committee Meeting:	May 2026
Days:	2

Scope

This review will cover reports from the 2024/25 internal audit programme and reports from earlier years where previous follow-up identified recommendations outstanding.

Objectives

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

Our audit approach will be:

- for the recommendations made in previous reports ascertain by enquiry or sample testing, as appropriate, whether they have been completed or what stage they have reached in terms of completion and whether the due date needs to be revised; and
- prepare a summary of the current status of the recommendations for the Audit and Risk Committee.

Appendix I – Link to NESCOL Strategic Risk Register

	Strategic Risk Reference
Reputation	
<i>Marketing and Communications</i>	
<i>Health and Safety</i>	6.1
<i>Compliance with legislation</i>	6.1
Student Experience	
<i>Curriculum planning</i>	1.1, 1.3, 3.1, 3.2
<i>Quality assurance and improvement</i>	1.2, 2.1, 2.2, 2.3, 4.2
<i>Student support</i>	4.1
<i>Student recruitment and retention</i>	3.3, 4.2, 5.2
<i>Students Association</i>	
<i>Timetabling and Registers (BPR)</i>	
Staffing Issues	
<i>Staff recruitment and retention</i>	2.1
<i>Learning & development</i>	2.1
<i>Workforce planning</i>	2.1
<i>Payroll</i>	
<i>Sickness absence</i>	
Estates and Facilities	
<i>Building maintenance</i>	4.3
<i>Estates and facilities contract VFM</i>	4.3
<i>Estates strategy / capital projects</i>	4.3
<i>Space management</i>	4.3
<i>Energy Transition Skills Hub</i>	6.3
Financial Issues	
<i>Budgetary control</i>	5.1, 5.2
<i>Financial planning</i>	1.2, 1.3, 5.1, 5.2
<i>Student fees and contracts / registry</i>	
<i>General ledger</i>	
<i>Procurement and creditors / purchasing</i>	
<i>Debtors/ Income</i>	
<i>Cash & Bank / Treasury management</i>	
Commercial Issues	
<i>Business Development</i>	3.1
<i>ASET</i>	5.3
Organisational Issues	
<i>Risk Management</i>	
<i>Business Continuity</i>	6.2
<i>Corporate Governance</i>	

Strategic Internal Audit Plan 2024 to 2028 and Internal Audit Annual Plan 2025/26 – DRAFT

	Strategic Risk Reference
<i>Corporate Planning</i>	
<i>Performance reporting / KPIs</i>	
<i>Partnership Working</i>	
<i>Environmental Sustainability</i>	
Information and IT	
<i>IT network arrangements</i>	6.2
<i>BYOD VFM</i>	
<i>Data protection</i>	6.2
<i>Systems development / implementation</i>	
<i>Website delivery project VFM</i>	
<i>IT / Digital strategy</i>	
<i>IT operations</i>	
<i>Artificial Intelligence</i>	

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AUDIT & RISK COMMITTEE	
Meeting of 26 th February 2025	
Title: National Fraud Initiative 2024-25 update	
Author: Muir Wilson, Financial Controller (External Affairs)	Contributor(s): Payroll.
Type of Agenda Item: For Decision <input type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input checked="" type="checkbox"/> Reserved Item of Business <input type="checkbox"/>	
Purpose: To update the Committee of the 190 outputs from the College's participation in the 2024/25 National Fraud Initiative (NFI).	
Linked to Strategic Theme: 5. Leading Sustainability	
Linked to Strategic Risk(s): <i>6.1 To adhere to statutory obligations to avoid reputational damage.</i>	
Executive Summary: The NFI requires the College, as a public body, to pass on datasets to a central hub. These were then matched with other databases received from other public bodies, to generate a series of 'matches' which require investigation, response, and (if appropriate) the level of the fraud perpetrated. The attached Appendix 1 gives details of the College's participation in the 2024/25 exercise. The matches are still being worked through, but so far no cases of fraud have been uncovered.	
Recommendation: It is recommended that the Committee notes the Report.	
Previous Committee Recommendation/Approval: None	
Equality Impact Assessment: Positive Impact <input type="checkbox"/>	

Negative Impact ☐

No Impact ☒

Evidence:

NORTH EAST SCOTLAND COLLEGE

National Fraud Initiative

1.0 Introduction

- 1.1 The purpose of this report is to provide information to the Audit and Risk 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. The cumulative Scottish total is now around £180m, with £21.5m of that being attributable to the 2022-23 exercise. That represents a 44% increase from the value of outcomes from the 2020-21 exercise. The most recent report from Audit Scotland is available here: -

[The National Fraud Initiative in Scotland 2024](#)

- 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, 2018-19, 2020-21, and 2022/23 exercises.

3.0 Data Submission and Analysis

- 3.1 The College provided data within set deadlines and covering set periods. For Payroll matching, a snapshot of two months data was requested, and this amounted to 633 records. For the Creditors matches (payments made to third parties), a period of three years' data was requested, and this amounted to just over 39,600 records.
- 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 previous exercises is shown in the following table: -

