

AUDIT & RISK COMMITTEE

NOTICE

There will be a meeting of the Audit & Risk Committee on **FRIDAY** 29 September 2023 at 1000 hours through the use of Microsoft Teams

AGENDA

Agenda Item		Paper
01-23	Apologies for Absence	
02-23	Declaration of any Potential Conflicts of Interest in relation to any Agenda Items	
03-23	Minute of Previous Meeting – 31 May 2022	x
04-23	Matters Arising from the Previous Meeting	x
	Matters for Decision	
05-23	Internal Audit Plan AY2023-24	x
06-23	Internal Audit Reports <ul style="list-style-type: none"> Final General Ledger Audit Report Final NESCol Cash Bank Report 	x x
07-23	Annual Audit Plan 2022/23 - Audit Scotland	x
08-23	Committee Terms of Reference AY2023-24	x
09-23	Programme of Business AY2023-24	x
10-23	Draft Strategic Risk Register	x
	Matters for Discussion	
11-23	Draft Annual Report of the Audit and Risk Committee to the Regional Board	x
12-23	Committee Evaluation Feedback	x
	Matters for Information	
13-23	National Fraud Initiative Update on 2022/23 exercise	x
14-23	Data Protection Report for AY2022/23	x
15-23	Any Other Business	
16-23	Summation of Actions and Date of Next Meeting The next meeting of the Audit & Risk Committee will be held on 29 November 2023 (joint meeting with F&R Committee)	

AUDIT & RISK COMMITTEE

Minute of the Audit and Risk Committee Meeting held on Wednesday 31 May 2023 at 1000 hrs through the use of Microsoft Teams.

Agenda Item	
	<p>Present: Drew Russell (Chair) Jim Gifford Leona McDermid Iain Watt David Anderson (co-opted)</p> <p>In Attendance: Stuart Inglis (Henderson Loggie) Stuart Thompson (Vice Principal Finance & Resource) Susan Lawrance (Board Secretary) Lorraine Garden (Minute taker)</p>
27-22	<p>Apologies for Absence: Apologies for absence were received from B Hutchison; D Archibald, S Elston and Audit Scotland.</p>
28-22	<p>Declaration of any Potential Conflicts of Interest in relation to any Agenda Items: S Inglis declared a conflict of interest with Agenda item 32-22.</p>
29-22	<p>Minute of Previous Meeting – 30 November 2022: The Minute of the previous meeting was approved as a true and accurate record.</p>
30-22	<p>Matters Arising from the Previous Meeting: Members noted the Matters Arising report with no additional comments.</p>
	<p>Matters for Decision (a-d) Matters for Information (e-h)</p>
31-22a	<p>Internal Audit Reports: (SI) Final Nescol Financial Planning Audit Report: S Inglis gave a summary of the main findings of the report, noting the number of strengths highlighted with no significant weaknesses identified in the review. In response to a query, S Thompson advised Executive Team and Leadership Team are already discussing income growth. The challenging, but manageable financial position was also shared.</p>
31-22b	<p>Final IT – Digital Strategy Audit Report:</p>

31-22c	<p>S Inglis gave a summary of the overall findings of “good” and the only one minor recommendation made regarding data architecture, noting the 31 December 2023 completion date.</p> <p>Final IA Follow up review Report:</p> <p>S Inglis gave a summary of the follow-up review, noting the 12 fully implemented and two partially implemented recommendations; with Committee noting the ambition to have the two outstanding recommendations completed by November 2023.</p>
31-22d	<p>Final 2021/22 Student Support Funds Report:</p> <p>S Inglis summarised the reports and signed returns shared with Committee for information. S Inglis also highlighted the full compliance with guidance, with all returns submitted without reservation and with only two minor comments summarised.</p>
31-22e	<p>In response to a query, S Inglis advised amendments have been made to print charge since the report was issued. Members also noted the intention to include sample testing from both accepted and rejected EMA applications.</p>
31-22f	<p>EMA 2021/22 EMA Principal Declaration (EMA: Signed EMA Auditors Report/Covering Letter (already submitted at Nov A&R Meeting)) Signed SFC SSF Covering Letter Signed HEAF return Signed HEDF Return covering letter</p> <p>Members noted all covering letters and returns were completed on time with full compliance with guidance and submitted without reservation.</p>
31-22g	
31-22h	
32-22	<p>Internal Audit Contract extension – verbal update:</p> <p>S Thompson confirmed to Members the extension for 2023/24 of the Internal Audit Contract with Henderson Loggie, (in compliance with previous tender submission); and advised that a full tender process, which Audit Committee will be part of, will be undertaken at the start of 2024 with the successful Internal Auditor in place before summer 2024.</p> <p>In response to a query, S Inglis confirmed that the extension comes under the APUC framework and the rates identified therein.</p> <p>D Anderson noted the exemplary work undertaken by Henderson Loggie and his support of the extension. In endorsing the extension A Russell asked that the College ensures a sufficient hand-over period is included in the tender process.</p> <p>The Committee approved the Contract extension.</p>
	Matters for Discussion
33-22	<p>Strategic Risk Register:</p>

34-22	<p>Code of Good Governance for Scotland's Colleges – Review of compliance:</p> <p>S Lawrance provided a summary of the key changes to the Code of Good Governance shared with Committee. The comments with regard to stakeholder engagement and Chairs Committee were noted, and will be reflected in the next iteration of the document.</p>
	Matters for Information
35-22	<p>Annual Procurement Report:</p> <p>Committee noted the, for information, Annual Procurement Report. Members noted the report had been produced and returned to Scottish Government on time and is available on the College website. S Thompson gave assurance to Committee they will have an opportunity to review and comment on the next Annual Procurement Report ahead of its submission to Scottish Government.</p> <p>A discussion took place on sustainability based benefits and the challenges of gathering suppliers' emissions profiles.</p> <p>In response to a query, S Thompson advised that NESCol, along with the internal auditors, will ensure all risks and issues highlighted in the recent City of Glasgow Lessons Learnt Report are not repeated.</p>
36-22	<p>Any Other Business</p> <p>No other business was raised.</p>
37-22	<p>Summation of Actions and Date of Next Meeting</p> <p>S Lawrance provided a summary of the Actions. The date of the next meeting will be circulated to Members for approval at the June Regional Board Meeting on 21 June 2023.</p>

Signed:.....J Gifford Audit & Risk Committee Chair

Dated:.....29.09.23

AUDIT & RISK COMMITTEE

An update on matters arising from the meeting of the Audit & Risk Committee held on 31 May 2023

Agenda Item	Action
33-22	Strategic Risk Register:
	Status:

AUDIT & RISK COMMITTEE	
Meeting of 29 September 2023	
Title: Internal Audit Annual Plan 2023-24	
Author: S Thompson, Vice Principal Finance and Resource	Contributor(s): Henderson Loggie
Type of Agenda Item: For Decision <input checked="" type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input type="checkbox"/> Reserved Item of Business <input type="checkbox"/>	
Purpose: To enable the Committee to approve, if so minded, the Internal Audit schedule for Academic Year 2023-24.	
Linked to Strategic Goal: 5. Optimise the use of our available resources to deliver financial and environmental sustainability.	
Linked to Annual Priority: Choose an item.	
Linked to Strategic Risk(s): All	
Executive Summary: <p>The attached Internal Audit Plan was created following feedback from the Executive and Leadership Team, and discussions with the internal auditors, Henderson Loggie.</p> <p>A total of 50 days have been allocated to assignments in Academic Year 2023-24, in accordance with previous plans.</p>	
Recommendation: It is recommended that the Committee approve the internal assignments, as detailed in the Annual Plan.	
Previous Committee Recommendation/Approval (if applicable):	

Equality Impact Assessment:

Positive Impact ☐

Negative Impact ☐

No Impact ☒

Evidence:

North East Scotland College

Internal Audit Annual Plan 2023/24

Internal Audit Report No: 2024/01

Draft issued: 12 September 2023

Final issued:



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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 2024. This would normally be based on a comprehensive Audit Needs Assessment (ANA) and three-year Strategic Plan, which would be prepared following discussion with Regional Board members and managers throughout the College. Given that the College has invoked a two-year contract extension, which takes us beyond the ANA and Strategic Plan 2019 to 2022 (Report 2020/01, finalised 10 September 2019) it was agreed that, similar to last year, a full ANA should not be undertaken at this time. The draft plan is 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 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 2023/24, 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 2024

Proposed Allocation of Audit Days

	Category	Priority	Actual 19/20 Days	Actual 20/21 Days	Actual 21/22 Days	22/23	Planned 23/24 Days
Reputation							
Publicity and Communications	Gov	M					
Health and Safety	Gov	M				5	
Student Experience							
Curriculum planning	Perf	M			5		
Quality	Perf	L					
Student support	Perf	M		5			
Student recruitment and retention	Fin/Perf	H					5
Students Association	Gov	M					
Timetabling and Registers (BPR)	Perf	M			5		
Staffing Issues							
Staff recruitment and retention	Perf	M/L		4			
Staff development	Perf	M					
Workforce planning	Perf	M					
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
Asset / fleet management	Perf	M					
Financial Issues							
Budgetary control	Fin	H		4			
Financial planning	Fin	H	4			6	
Student fees and contracts / registry	Fin	M					
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				
International Activities	Gov/Fin/Perf	M					
ASET	Gov/Fin/Perf	H/M			5		6

Internal Audit Annual Plan 2023/24 - DRAFT

	Category	Priority	Actual 19/20 Days	Actual 20/21 Days	Actual 21/22 Days	22/23	Planned 23/24 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>Equalities</i>	Gov	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>FOI</i>	Gov	L					
<i>Systems development / implementation</i>	Perf	M					
<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				
Other Audit Activities							
Credits audit		Required	7	7	7	7	7
Student Support Funds		Required	8	8	8	8	8
Management and Planning)			5	5	5	5	5
External audit / SFC)							
Attendance at Audit & Risk Committee)							
Follow-up reviews		Various	3	2	2	2	2
Audit Needs Assessment			3				
Total			45 =====	61 =====	50 =====	50 =====	50 =====

Key

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

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

*, ** these assignments will be linked

*** coverage of these High or Medium / High topics has not been incorporated into the 5-year programme of work based on the analysis of previous internal audit coverage which was conducted as part of our audit needs analysis exercise. This detail was included in internal audit report 2020/01 - ANA and Strategic Plan 2019 to 2020, which was approved by the Audit and Risk Committee in July 2019. The previous internal audit reports which covered these topics were the Review of the Fraserburgh Estates project in 2016/17 and the Estates Management review conducted in 2018/19.

Outline Scope and Objectives

Audit Assignment:	Student Recruitment
Priority:	High
Fieldwork Timing	TBC
Audit & Risk Committee Meeting:	TBC
Days:	5

Scope

We will conduct a review of the adequacy and effectiveness of the processes and procedures for managing and controlling student recruitment, covering the role of Student Advice and Support, Marketing, Student Records and Curriculum Areas.

This will include a review of early warning indicators to flag where recruitment targets are not being met.

For the purposes of this review student recruitment is those activities targeted at individuals who are actively weighing up the prospect of entering or continuing in further or higher education.

Objectives

The objectives of the audit will be to ensure that:

- there is appropriate senior management and Regional Board committee oversight, including monitoring and reporting of information on student applications against targets to identify areas of poor recruitment, and identify possible actions;
- clear roles and responsibilities have been established that foster accountability for student recruitment;
- there is an agreed student recruitment strategy taking into account:
 - ◆ College strategic objectives, the Regional Outcome Agreement and Scottish Funding Council (SFC) outcomes;
 - ◆ agreed student recruitment targets;
 - ◆ equal opportunities;
 - ◆ widening participation;
 - ◆ admissions policy;

Audit Assignment:

Student Recruitment (Continued)

Objectives (continued)

- an annual student recruitment plan is in place to define and coordinate recruitment activity including a recruitment lifecycle. Recruitment / promotional activities are:
 - ◆ planned;
 - ◆ activities are designed to be economic, efficient and effective;
 - ◆ underpinned by recruitment data and market intelligence;
 - ◆ coordinated;
 - ◆ reviewed, monitored and evaluated;
- knowledge, skills and training is provided to staff who are engaged in recruitment activity; and
- there are mechanisms to handle recruitment complaints and take remedial action, where necessary.

Our audit approach will be:

We will assess whether the above objectives have been met through discussions with student representatives, key staff, including the Vice Principal Curriculum and Quality, Director of Student Access and Information, Student Admissions, Records and Funding Manager and a sample of academic managers, and review of relevant documentation.

Audit Assignment:	Space Management (Business Process Review)
Priority:	High
Fieldwork Timing	TBC
Audit & Risk Committee Meeting:	TBC
Days:	6

Scope

The scope of this assignment will be to carry out a review of the current processes used by staff for room allocation and the calculation of room utilisation.

Objectives

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

- the College is aware of how teaching and support space is currently being utilised;
- the timetabling process takes sufficient cognisance of space utilisation, ensuring efficient use is being made of College teaching rooms;
- there are appropriate monitoring and reporting frameworks in place;
- the anticipated outcomes for all stakeholders from processes are clearly defined;
- the steps in the value chain (processes) are identified;
- steps that do not add value are identified with a view to eliminating them; and
- steps that create value occur in the right sequence.

Our audit approach will be:

Through discussions with staff involved with room allocation and review of room utilisation we will gain an understanding of the current processes in place and obtain a greater understanding of current issues. A facilitated session will be held with these staff, and we will use a range of business improvement tools to identify stakeholder needs; identify opportunities for removing inefficiency and waste from the current processes used; and to highlight revised processes that could create a flow between value creating steps to improve the processes.

We will then complete a prioritisation exercise of the issues in a meeting with College staff and develop an outline action list which we provided to staff to help them drive forward improvements.

Audit Assignment:	ASET
Priority:	High / Medium
Fieldwork Timing	TBC
Audit & Risk Committee Meeting:	TBC
Days:	6

Scope

This review will build on the previous ASET review conducted in 2021/22, (internal audit report 2022/06 - Aberdeen Skills and Enterprise Training (ASET) Limited - Income & Risk Management Arrangements), which reviewed and assessed the processes and procedures in place within the College's wholly owned subsidiary company to generate commercial income and mitigate key risks in relation to its commercial activities. This latest review will focus on the financial monitoring of profitability against budget, including projected income figures, and will examine the way in which income and expenditure is allocated to individual activity / projects in order to achieve financial targets and to focus future marketing activity and the ASET investment strategy on those activities which will deliver maximum financial benefit.

Objectives

Our review will seek to obtain reasonable assurance that appropriate mechanisms are in place to ensure that:

- full year income budgets and in year income reforecasts are compiled, including review of how pipeline contract information is gathered and utilised;
- any College recharges to ASET reflect the true commercial cost of the goods or services provided;
- ASET income and costs are appropriately analysed and allocated across the different ASET activities and projects; and
- the ASET investment strategy / capital planning process is appropriately informed by an analysis of income and costs split by activity, in order to maximise the benefits of marketing and investment activity to ASET (and by extension the College).

Our audit approach will be:

From discussion with the ASET Chief Executive Officer, the ASET Management Accountant, the Vice Principal Finance & Resources, and other relevant managers and staff, and review of relevant documents, we will establish the key controls in place within the above areas, consider their adequacy and undertake testing to confirm their effectiveness.

Audit Assignment:	Corporate Planning
Priority:	Medium
Fieldwork Timing	TBC
Audit & Risk Committee Meeting:	TBC
Days:	6

Scope

The scope of this audit will be to consider whether the College's planning process is working effectively, particularly in relation to the development of the Strategic Plan and the linkage between the Strategic Plan, the Regional Outcome Agreement, and the detailed operational plans.

Objectives

The overall objective of the audit will be to obtain reasonable assurance that the College's planning process accords with good practice.

Specific objectives will be to obtain reasonable assurance that:

- the corporate planning process is adequately planned and challenged for robustness;
- linkages between the Strategic Plan, the Regional Outcome Agreement and operational plans are clearly defined and communicated;
- operational plans are robust and include detailed prioritised action plans;
- the Strategic Plan, Regional Outcome Agreement and operational plans are being appropriately monitored and controlled, including through the use of key performance indicators; and
- there is effective linkage between planning and budgeting at all levels.

Our audit approach will be:

Through discussions with key staff including the Vice Principal Finance and Resources we will document the planning process adopted by the College covering the setting of aims and objectives; operational planning; budgeting; implementation; monitoring and control.

A sample of the operational plans will be obtained and reviewed to ensure there are clear linkages to the Regional Outcome Agreement, the Strategic Plan and the key strategies that relate to the core activities of the College.

Audit Assignment:	Environmental Sustainability
Priority:	Medium
Fieldwork Timing	TBC
Audit & Risk Committee Meeting:	TBC
Days:	5

Scope

Part 4 of the Climate Change (Scotland) Act 2009 (hereafter referred to as 'the Act') places duties on public bodies relating to climate change. The duties on the face of the Act require that a public body must, in exercising its functions, act:

- a) in the way best calculated to contribute to the delivery of the targets set in or under Part 1 of this Act;
- b) in the way best calculated to help deliver any programme laid before the Scottish Parliament under section 53; and
- c) in a way that it considers is most sustainable.

In doing so, public bodies must have regard to the guidance *Public Bodies Climate Change Duties: Putting Them Into Practice* issued by the Scottish Government in 2011.

In direct response to the international Paris Agreement, the Climate Change (Scotland) Act 2009 was amended by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, increasing the ambition of Scotland's emissions reduction targets to net zero by 2045. There are also interim targets of a 75% reduction in emissions by 2030 and 90% by 2040, relative to 1990 levels of carbon dioxide, methane and nitrous oxide and 1995 levels of hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride.

In February 2021, Scottish colleges' Statement of Commitment on the Climate Emergency was published. The colleges had come together to establish and commit collaboratively to delivering on a set of 10 key actions.

The SFC's latest guidance for the development of College Outcome Agreements notes that the SFC expects '*institutions to have or to put in place organisation-wide net zero and sustainability plans by the end of the calendar year 2024 if these do not already exist and to be able to highlight key priorities and dates for delivery of these.*' Measures should be taken to comply with the Scottish Government public sector carbon reporting and reduction guidance Public Sector Leadership on the Global Climate Emergency (October 2021).

This audit will include a review of the College's current position with regard to its strategic plans and operational arrangements to ensure compliance with the Climate Change (Scotland) Act 2009.

Audit Assignment:

Environmental Sustainability (Continued)

Objectives

Our review will seek to obtain reasonable assurance that:

- The College has established the carbon baseline position and has set out and communicated the climate change aspirations for the College;
- Roles and responsibilities around climate change action and environmental sustainability have been clearly articulated;
- There are appropriate targets, actions and milestones in place to demonstrate the steps the College is taking to contribute to climate change mitigation and to climate change adaptation, and to act sustainably; and
- There are appropriate arrangements in place to update the Regional Board on the progress being made to deliver on actions around climate change and sustainability.

Our audit approach will be:

Through discussion with the Vice Principal Finance and Resources, Head of Facilities and Estates and other responsible College staff, and review of relevant documents, we will examine the extent to which the above objectives are being met.

Audit Assignment:	Credits Audit
Priority:	Required audit
Fieldwork Timing	September 2024
Audit & Risk Committee Meeting:	TBC
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	September 2024
Audit & Risk Committee Meeting:	TBC
Days:	8

Scope

We will carry out an audit on the College's student support funds for the year ended 31 July 2024 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 2024 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	April 2024
Audit & Risk Committee Meeting:	May 2024
Days:	2

Scope

This review will cover reports from the 2022/23 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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North East Scotland College

General Ledger

Internal Audit report No: 2023/10

Draft issued: 18 August 2023

Final issued: 7 September 2023



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Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Management Summary

Overall Level of Assurance

Satisfactory

System meets control objectives with some weaknesses present.

Risk Assessment

The systems and controls reviewed do not link directly to any of the strategic risks included on North East Scotland College's ('the College') Risk Register.

Background

As part of the Internal Audit programme at the College for 2022/23 we carried out a review of the systems in place for General Ledger. The Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Regional Board and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The General Ledger maintains the structure for the recording of financial information for any organisation within a chart of accounts to record its income, expenditure, cash balances, liabilities and assets. The General Ledger also manages the financial operations of the College and provides the source framework for updates on its financial position on a monthly basis along with its annual financial statements. Therefore, accurate maintenance and controls around the General Ledger are essential to the effective management and successful operation of the College.

Scope, Objectives and Overall Findings

We reviewed the following processes as part of the audit:

- month-end financial close process;
- year-end financial close process;
- updating user access rights on the financial system; and
- core financial controls validating the financial records of the College.

Scope, Objectives and Overall Findings (Continued)

The table below notes each separate objective for this review and records the results:

Objective		Findings		
The objective of the audit was to obtain reasonable assurance that:		1	2	3
		No. of Agreed Actions		
1. The chart of accounts, coding structure, reports and procedures are adequate in respect of production of the College's management accounts and annual financial statements	Satisfactory	0	0	1
2. Key controls are in place over the trial balance structure, control account reconciliations and journal entries	Satisfactory	0	0	2
3. There is adequate control and reconciliation of the main feeder systems to the General Ledger	Good	0	0	0
Overall Level of Assurance	Satisfactory	0	0	3
		System meets control objectives with some weaknesses present.		

Audit Approach

We assessed whether the objectives are being met by documenting the key systems and controls through interviews with Finance staff and sought to establish whether the expected key controls are in place by reference to standard control risk assessment templates for a General Ledger system.

We also performed compliance testing where considered necessary to determine whether key controls are working effectively.

Summary of Main Findings

Strengths

- Access to the chart of accounts is restricted to the Finance team and maintained by an Assistant Accountant and overseen by the Financial Controller (External Affairs);
- User access to the Finance system is controlled by the Assistant Accountant and overseen by the Financial Controller (External Affairs), with an established process in place for the authorisation, creation and deletion of user accounts;
- The system access controls ensure that only approved staff within the Finance team can create or amend the General Ledger accounts and cost centre codes in place;
- There is a defined year end process in place, with duties assigned to responsible individuals with target completion dates;
- An adequate process is in place for the transfer of financial information from feeder systems to the General Ledger; and
- On completion of the month end process, the College's Finance team produces and issues the monthly financial reports (and at year end the figures for the annual financial statements) from the General Ledger.

Weaknesses

- There is no documented procedure for the month end financial ledger closure process. While it is understood that individual members of staff may maintain their own checklists, there is no uniform approach or master document which allows oversight of the entire month end process;
- During sample testing around appropriate authorisation of journal entries, it was determined that two of the sampled journals from February 2023 and March 2023 had not been authorised at the time of audit testing in July 2023. A further seven of the sampled journals had also taken a significant period of time to be authorised, taking over a month after posting to receive appropriate review and authorisation; and
- There is no journal authorisation schedule which formalises who can authorise a journal entry and the delegated limits of the journals these staff can authorise.

Acknowledgments

We would like to take this opportunity to thank the staff at North East Scotland College who helped us during the course of our audit visit.

Main Findings and Action Plan

Objective 1 - The chart of accounts, coding structure, reports and procedures are adequate in respect of production of the College's management accounts and annual financial statements.

Financial Ledger Codes

The College uses SUN accounting software to manage the General Ledger and chart of accounts, to record any income, expenditure, cash balances, liabilities, and assets. From this information, the College is able to prepare and report on its financial position on both a monthly and yearly basis for preparation of annual financial statements.

The accounts codes are supported by cost centre codes, which enable transactions to be recorded against core departments or project budgets, both academic and support. Access to the chart of accounts and cost centre codes within SUN is restricted to Finance staff, who are able to set up, amend or remove codes as required. This is maintained by an Assistant Accountant and deputised by another Assistant Accountant as required, who oversees the process and ensures codes are appropriate. The adding or deleting of codes is undertaken periodically and decided through discussion between the Assistant Accountant responsible for maintaining the account codes and the Financial Controller (External Affairs). Additional codes are only created if absolutely necessary. This process is not documented but it was determined through discussion that the process is well understood and undertaken by experienced employees. The set of account and cost centre codes enables accurate and detailed financial information to be recorded and reported at a College level, down to individual department or project level.

Month End / Year End Processes

The month end accounts are prepared during the following month by the Management Accountant, with an estimated completion date of approximately the 15th of each month. These accounts are reviewed by the Financial Controller (Business Management), and any queries raised in this review are investigated and cleared.

Following the completion of the month end process, financial reports are issued to the Leadership Team and budget holders for their individual areas on a monthly basis, with the exception of July where final year accounts are issued. A budget monitoring report and financial and management accounts also go to each of the Board and Finance and Resources Committee meetings. These measures provide an effective control framework for the maintenance and security of the General Ledger, resulting in the preparation and publication of the financial reports.

There is a documented year end process in place through a timetable spreadsheet which is maintained by the Financial Controller (External Affairs). The timetable sets out each of the steps which must be undertaken, the staff member or department responsible, and a target completion date. Upon completion, an actual completion date will also be added to the spreadsheet. This process is subject to review by the College's external auditors.

Objective 1 - The chart of accounts, coding structure, reports and procedures are adequate in respect of production of the College's management accounts and annual financial statements (continued).

Observation	Risk	Recommendation	Management Response
<p>Month End / Year End Processes (continued)</p> <p>Through discussions with members of the Finance team, it was determined that there is currently no set schedule or checklist in place for the month end close process or production of monthly accounts.</p> <p>Members of the Finance team undertake specific month end duties relating to their role and are responsible for ensuring that these are complete. Some individual members of the Finance team maintain their own checklist and record of completion however there is no consistent approach.</p> <p>The accounts are prepared using generally accepted accounting principles and therefore rely heavily on the knowledge and professional expertise of the incumbent Finance team.</p>	<p>This may result in a failure to complete all the tasks required in a consistent manner and within required timescales.</p> <p>There is a possibility that tasks may not be completed in a given month, particularly if a member of staff is absent.</p>	<p>R1 The College should develop and implement a formal procedural document covering all tasks required for completion of the month end financial ledger closure process.</p> <p>The College should also consider the creation of a checklist documenting all required month end closure tasks and monthly management account tasks, similar to the embedded year end timetable, which assigns tasks to specific members of staff responsible for completing each task, with sign-off and dating upon completion each month.</p>	<p>The College accepts the recommendation and will prepare a month end procedure including a timetable and checklist.</p> <p>To be actioned by: Financial Controller (Business Management)</p> <p>No later than: 31 October 2023</p>
			<p>Grade</p> <p>3</p>

Objective 1 - The chart of accounts, coding structure, reports and procedures are adequate in respect of production of the College's management accounts and annual financial statements (Continued).

Access to Financial System

From discussion with the Financial Controller (External Affairs), we determined that only employees that require use of the finance system as part of their work with the College have access to the finance system, with accounts added and removed by an Assistant Accountant, in consultation with the Financial Controller (External Affairs), as required, with another Assistant Accountant able to deputise as needed. As access rights are primarily made up of Finance staff, changes only need to be made when staff leave their role or change duties. As such changes are made on an ad hoc basis. We obtained a user access listing from the finance system and determined that the main SUN users are members of the Finance team, with one additional user from the Student Data and Records department who has read-only access and is not able to amend records within the system. There are also a number of users from the College subsidiary company ASET, and other users which allow IT or supplier support to access the system if needed to resolve an issue. From review of the list, we have determined that each user is appropriate and has access limited to their job requirements. We also reviewed changes to the listing from the year and determined that these had been completed by an appropriate person.

Objective 2 - Key controls are in place over the trial balance structure, control account reconciliations and journal entries.

Journals Processing

The documented approach for the processing of journals is contained within the relevant guidance that requires a journal voucher form template to be completed detailing the account code, description and value with details of the General Ledger accounts to be debited and credited. Each month, required journals are prepared and posted to the General Ledger, these include:

- Payroll journals, from the payroll system;
- Required journals from the Cashbook;
- PECOS and sales invoice journals; and
- Correcting journals that have arisen from a review of control accounts and identification of miscoding's

From discussion with Financial Controller (External Affairs) it was established that all journals that are posted should be reviewed and authorised by a senior member of the Finance team, although this is not performed prior to posting and is instead completed retrospectively within a month of the journal being posted.

A journal report was obtained showing all journals with a value of over £1,000 processed in financial years 2021/22 and 2022/23, from April 2022 to June 2023, and we selected a sample of 20 journals processed to establish whether the entries were complete and accurate, and that the relevant journals had been reviewed and signed off appropriately.

Our sample included six transactions from PECOS. From discussion with the Financial Controller (External Affairs) it was noted that the PECOS system has a significant amount of automation following appropriate authorisation on the system. Due to this separate authorisation process and ongoing review of spend there is no requirement for additional authorisation when the journals are posted. Our sample also included one journal entry related to a recharge from the College's subsidiary company, ASET. These transactions are checked on a monthly basis as part of the month end reconciliations and ongoing budget monitoring, and therefore do not require additional authorisation when posted.

Objective 2 - Key controls are in place over the trial balance structure, control account reconciliations and journal entries (continued).

Observation	Risk	Recommendation	Management Response
<p>Journals Processing (continued)</p> <p>It was established during testing that two of the sampled journals, posted in February 2023 and March 2023 respectively, had not been approved at the time of audit testing taking place in July 2023. Through discussion with the Financial Controller (External Affairs), it was determined the diary prompts relating to these transactions had been missed, resulting in these going unauthorised. It was noted that at the time the journals were raised, a ledger upgrade was underway which may have contributed to the delay in authorisation.</p> <p>It was also noted that a further seven of the sampled journals were not authorised within a month of posting. It was explained that three of these were accruals and as such while they were posted in the 2021/22 financial year, they would not have been created until the year end process. There was no explanation provided to explain the delays for the remaining four journals approved outside of the month timeline set out by the College.</p>	<p>Journals not undergoing appropriate review within the timeframe established by the College, meaning that journals may be mis posted, or inappropriate journal entries posted, without being noticed.</p>	<p>R2 The College should take steps to ensure that requirements and timescales relating to the authorisation of journals are formally documented. The College should then issue reminders to ensure that journals are reviewed and authorised within these timescales, building this into the month end process and checklists referenced at R1, for appropriate distribution to all relevant members of staff.</p>	<p>The College accepts the recommendation and will incorporate journal authorisation in the month end procedure.</p> <p>To be actioned by: Financial Controller (Business Management)</p> <p>No later than: 31 October 2023</p>
			<p>Grade</p> <p>3</p>

Objective 2 - Key controls are in place over the trial balance structure, control account reconciliations and journal entries (continued).

Observation	Risk	Recommendation	Management Response	
<p>Journals Processing (continued) Through discussions with the Financial Controller (External Affairs) it was established that a number of senior staff are responsible for the review and authorisation of journal entries within their remit.</p> <p>While testing demonstrated that authorisations were in line with expected individuals, there is no documented schedule which demonstrates who the authorising members of staff are and the value limits which can be authorised by these members of staff.</p>	Members of the Finance team may be able to authorise journal entries that are outside of their remit or of a value above their authorisation level.	<p>R3 A journal authorisation schedule be developed and integrated within the General Ledger procedures, which sets out who can authorise journals, and what values can be authorised by each staff member.</p>	<p>The College accepts the recommendation and will incorporate a journal authorisation schedule in the general ledger procedure.</p> <p>To be actioned by: Financial Controller (Business Management)</p> <p>No later than: 31 October 2023</p>	
			Grade	3

Objective 2 - Key controls are in place over the trial balance structure, control account reconciliations and journal entries (continued).

Suspense Accounts

As set out under Objective 1, there is a defined year end process in place to ensure accurate financial recording and reporting. From discussion with the Financial Controller (External Affairs), it was determined that suspense accounts are scrutinized and cleared on an annual basis prior to the year end as part of general housekeeping processes. Although the process is not documented it was established that this is undertaken by the Financial Controller (External Affairs) and balance sheet codes reviewed with the Assistant Accountant.

Bank Account Reconciliations

As established during fieldwork for internal audit report 2023/06 Cash & Bank, monthly bank reconciliations are performed for all accounts which are utilised for the management and annual accounts. These are reviewed every other month by the Financial Controller (External Affairs) to ensure that amounts are in line with expectations per the budget in line with the agreement with the Scottish Funding Council (SFC). The College's bank account balances and payments are reconciled against the journals entered into the finance system and a reconciliation process run in SUN to log the amounts as having been reconciled. The monthly reconciliations are sent to the Financial Controller (External Affairs) and Financial Controller (Business Management) and are inspected by the Financial Controller (External Affairs) every other month to ensure that reconciliations have been completed and amounts are in line with budget.

Month end control reconciliations

Also, on a monthly basis the Finance team undertake a number of key control account reconciliations including:

- Payroll following completion of the payroll journal processing;
- Creditor control balances; and
- Debtors control balances.

An example of a Creditor reconciliation was reviewed on screen as part of our walk-through testing.

Following completion of the reconciliations of the control accounts, a review is undertaken by a second member of staff, and where required correcting journals are completed and posted to address any identified discrepancies.

Objective 3 - There is adequate control and reconciliation of the main feeder systems to the General Ledger.

As well as the main finance system SUN, there are also a number of related financial systems in place which feed into the College's General Ledger, these include:

- Unit-E student record system;
- The Zellis system which manages the payroll system in place within the College; and
- PECOS electronic purchasing system.

The Unit-E student records system is the main feeder system to the General Ledger. Data is transferred from Unit-E with reconciliations performed and signed off weekly. An example of this reconciliation was reviewed on screen as part of our walk-through testing. A detailed procedure is maintained by the Accounts Payable Assistant / Cashier, documenting each step required to complete the transfer and checks that are undertaken.

The payroll and PECOS systems do not directly feed into SUN financial system. On a monthly basis, journals from these systems are posted to SUN, updating the General Ledger. The posting of these journals forms an integral part of the month end procedure.

As highlighted in the findings above, we have reviewed these processes and are content that the required controls and checks are in place and being complied with. Testing of this process did not identify any issues arising from the month end procedures, therefore, we are satisfied that there are adequate controls and reconciliations in place between feeder systems and the General Ledger.

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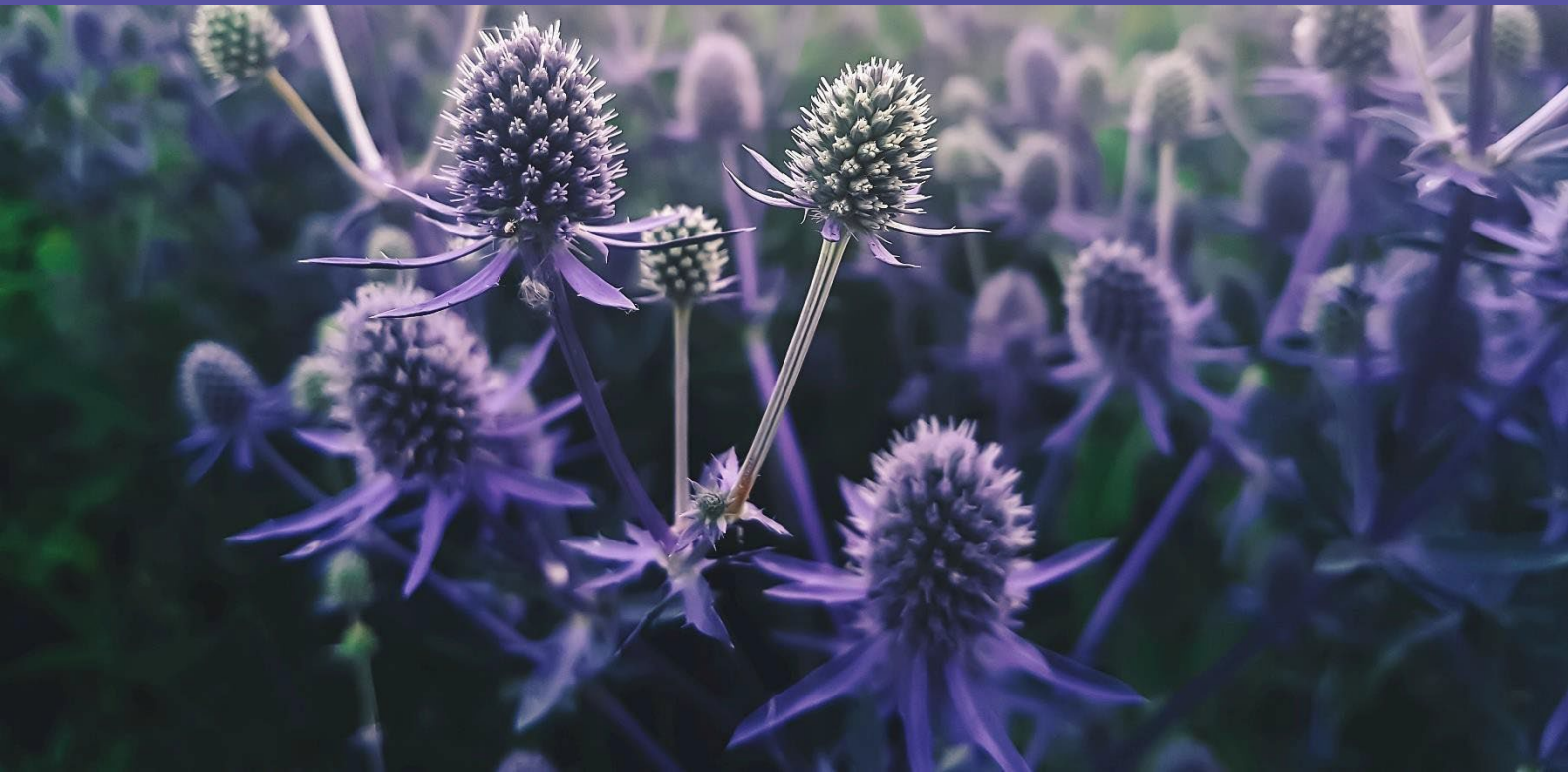
North East Scotland College

Cash & Bank / Treasury Management

Internal Audit report No: 2023/06

Draft issued: 17 August 2023

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Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Fundamental issue subjecting the organisation to material risk which requires to be addressed by management and the Audit and Risk Committee as a matter of urgency.
Priority 2	Issue subjecting the organisations to significant risk, and which should be addressed by management as a priority.
Priority 3	Matters subjecting the organisations to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Management Summary

Overall Level of Assurance

Good	System meets control objectives.
-------------	----------------------------------

Risk Assessment

The systems and controls reviewed do not link directly to any of the strategic risks included on North East Scotland College's ('the College') Risk Register.

Background

As part of the Internal Audit programme at the College for 2022/23 we carried out a review of the systems in place in relation to Cash & Bank and Treasury Management. The ANA identified this as an area where risk can arise and where Internal Audit can assist in providing assurances that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Management of the College's wider finances - and the controls around the handling of cash - are ultimately the responsibility of the College's Vice Principal (VP) of Finance & Resources, who is accountable to the Finance & Resources Committee, a sub-committee of the Board. Operational responsibility for the College's cash management, transaction processing, and investments rests with the College's Financial Controller (External Affairs), who in turn line manages members of the College's Finance team.

Processes related to the management of the College's finances are defined in a formal Financial Regulations Policy, which is maintained by the VP of Finance & Resources. The policy defines the responsibilities of key parties, such as the College Leadership Team, the Finance & Resources Committee, and the Financial Controller (External Affairs). In addition to operational processes, the policy also defines the Whistleblowing process in place; the processes for receiving and giving gifts / hospitality; and the reimbursement for expenses (amongst others). The Financial Regulations Policy is made available to all staff, along with individual supporting procedural documents, via the College's intranet, COLin.

The College has four cash generating services, all led by students (supervised by staff) across its campuses, and these are: hairdressing; hair & beauty; the College restaurant; and the fast-food service. Responsibility for safely managing the cash generated from each of these areas is delegated to the staff member responsible for each function, which is then passed to the College's Cashier for recording and safe storage until it is sent to the bank. The College also has a new transaction processing system in place, WPM, through which card / contactless payments can be made at any time.

Scope, Objectives and Overall Findings

The scope of the audit was to review the key internal controls in place within the College over the recording of cash, cheque, credit / debit card, direct transfer and direct debit payments received from students, commercial customers and staff onto the finance system. The audit covered the systems in place within the Finance Office and other areas within the College where a significant volume of payments is received.

We also carried out a high-level review of the College's treasury management arrangements covering:

- overall arrangements including policies and procedures;
- cash flow management;
- banking arrangements; and
- investment of short-term funds.

Objective		Findings		
The objective of our audit was to ensure that:		1	2	3
		No. of Agreed Actions		
1. Monies collected by the College from all sources are fully, accurately and timeously recorded.	Good	-	-	-
2. All monies received are banked intact and in a timely manner.	Good	-	-	-
3. Regular reconciliations are carried out between actual receipts and amounts recorded in the College's finance system.	Good	-	-	-
4. The College's treasury management arrangements are in line with good practice.	Satisfactory	-	-	1
Overall Level of Assurance	Good	-	-	1
		System meets control objectives.		

Audit Approach

We documented the systems and key controls in place through interviews with the Financial Controller (External Affairs), and other key finance staff, and review of documentation, to consider their adequacy.

We then performed compliance testing as appropriate to establish whether the identified controls are operating effectively in practice.

A comparison of treasury management working practices was made with good practice guidance available from the Chartered Institute of Public Finance and Accountancy (CIPFA), Scottish Public Finance Manual (SPFM) and the Scottish Funding Council's (SFC) Financial Memorandum.

Summary of Main Findings

Strengths

The audit identified the following areas of good practice:

- The College has an up-to-date Financial Regulations Policy in place;
- There is an up-to-date cash receipting process in place, which defines the process to be followed by College staff;
- A Whistleblowing process is in place to enable the reporting of any perceived wrongdoing, such as the theft of College cash;
- Accountability for managing the secure storage of cash across the College sites rests with the relevant departments;
- We observed that the cash amounts held in safes are within the limits covered by the College's insurance policies;
- Secure safes are in place across all the College campuses;
- A reputable third-party cash collection service is utilised to safely transport cash to the bank;
- Cash amounts deposited into the bank are reconciled to the banking sheets to ensure the amounts deposited are complete and accurate;
- Cash deposit bags are in place to record the amounts passed between campuses;
- Bank reconciliations are monitored by the Financial Controller (External Affairs);
- Reconciliations selected for sample testing were appropriately completed and had been signed off as reviewed;
- Short term investments were reviewed and approved by the VP of Finance & Resources;
- The Financial Controller (External Affairs) proactively monitors future investment opportunities;
- Ongoing monitoring of the short-term investments is undertaken by the Financial Controller (External Affairs); and
- A high-level review of the College's practices against those defined within a CIPFA internal control questionnaire for Treasury Management, the SPFM and the SFC's Financial Memorandum did not identify any issues.

Weaknesses

The audit also identified an area for improvement:

- We reviewed the initial investment of £3 million in a fixed term deposit with RBS in December 2022 and there was no evidence of the Finance & Resources Committee authorising the investment before it was made. In addition, there was no evidence of the Senior Leadership Team (SLT) review of the proposal as minutes are not taken at SLT meetings as standard. Oversight of the College's investments rests with the VP of Finance & Resources, whose approval could be evidenced. However, the Finance & Resources Committee is required to oversee these transactions (as set out within the Financial Regulations Policy) and therefore demonstration of effective Board oversight of such a transaction should be evidenced.

Acknowledgments

We would like to take this opportunity to thank the staff at North East Scotland College who helped us during our audit.

Main Findings and Action Plan

Objective 1: Monies collected by the College from all sources are fully, accurately and timeously recorded.

Cash Collection

Cash is generated through student provided services within the College, these are: hairdressing, hair & beauty, the College restaurant and the College fast food service. All cash taken is totalled by the relevant departments and passed to the Cashier at the Gallowgate campus Business Office in a secure bag, and checked and signed off by the Cashier. The cash is then consolidated and deposited within the safe. On a fortnightly basis, a courier collects any cash to be taken to the bank. The Cashier then posts the transactions onto the ledger, the amounts for which are reconciled by the Accounts Assistant once deposited in the bank.

It was noted that there is a canteen in the College, which is managed by a third party, who pay the College for the space. College cash and banking processes are therefore not relevant for this function.

Receipt of Cash Procedure

A formal cash procedure (Procedure 537 – February 2023) is in place to document the key College processes for ensuring cash is recorded accurately, held securely, transported securely (where necessary), and deposited into the bank. The roles and responsibilities of key personnel such as responsible persons in each department, the Cashier and the Accountant(s) are also defined. The process document is maintained and updated for relevance by the Financial Controller (External Affairs).

Sample Testing

A sample of five deposits was selected and reviewed for evidence of the amounts being signed off and subsequently reviewed, with the amounts deposited being reconciled to the amounts recorded in the bank accounts.

From this testing, the following was identified:

- All amounts were recorded on the front sheet accurately against the evidence attached;
- Receipts from the various revenue streams were included for evidence and retained with a copy of the banking sheet; and
- Where cash was collected, the cash sheet was signed by the preparer and also by a reviewer to demonstrate that the amounts had been checked, for all deposits selected.

From our review of the documentation in place for the deposits sampled, it was established that these were made in line with the College's processes.

Objective 2: All monies received are banked intact and in a timely manner.

From discussions with the Cashier, regarding the holding of cash deposits, it was established that amounts generated at the Gallowgate site are accumulated by the relevant department and passed onto the Business Office at the end of each day. Where any amounts are collected into the evening, these are held in secure safes within the department until the morning, the access to which is limited to responsible individuals within each department.

Where amounts are collected at other campuses, these are held by the responsible department in dedicated safes, until they are picked up for transfer to the Gallowgate campus for central collation by the Cashier in the Business Office. The amounts held in the safe are then collected by the cash handling company every two weeks. This collection frequency has come about as a result of cash deposits reducing year on year due to the increased volume of electronic payments.

Amounts deposited are recorded in cash bags, which are sealed on site, to ensure that any tampering would be evident. The amounts recorded on the cash bags are recorded by the Cashier prior to the cash being passed to the collection service to be deposited in the bank. The amounts recorded in the bank are then reconciled to the documentation prepared at each site to ensure that the amounts are complete and accurate.

Amounts held by the College, including those in transit, are covered by the College's insurance policies, which were put in place when the College handled significantly more cash. As a result of the change towards electronic payments, the cash remaining is adequately protected by the insurance policies from loss or theft.

Objective 3: Regular reconciliations are carried out between actual receipts and amounts recorded in the College's finance system.

From discussions with the Accounts Assistant, it was established that reconciliations are in place for the following accounts :

- Income Account;
- Expenditure Account;
- Student Support Account;
- Deposit Account;
- Short Term Investment Account; and
- Petty Cash.

Amounts are taken from the finance system and the online banking system, and reconciled by the Accounts Assistant, with any differences investigated through to resolution, with the complete reconciliations then passed to the Financial Controller (External Affairs) for review.

The Financial Controller (External Affairs) inspects the bank reconciliations every other month to check that the amounts are in line with expectations per the budget in line with the agreement with the Scottish Funding Council (SFC). The bank reconciliations are also reviewed as part of the cash flow forecasts.

Sample Testing

A sample of three reconciliations performed in December 2022, October 2022 and August 2022 were inspected for timely completion and evidence of any discrepancies being investigated, and additionally, that these were reviewed by the Financial Controller (External Affairs).

From a review of the reconciliations noted above, it was identified that the reconciliations for all accounts sampled were completed with any anomalies investigated, and these were all held by the Financial Controller (External Affairs) demonstrating that they had been reviewed, and that there are no issues.

Objective 4: The College's treasury management arrangements are in line with good practice.

Financial Regulations

The College has a Financial Regulations Policy in place which details the responsibilities of the College regarding the management of its budgets, income, outgoings and investments. The document was last updated in 2021 and is scheduled for its next review in 2024. As part of the document, there is a dedicated 'Treasury Management Policy' section which dictates the College's permissions around the use of its reserves. Responsibility for this is documented as being managed by the VP of Finance & Resources, who operates under the approvals of the Finance & Resources Committee. There are no specifically defined thresholds around investments, however it states that long term investments are not usually permitted. It is also, however, not permitted to retain cash reserves or borrow from commercial sources. Only the VP of Finance and Resources may open and close a bank account for dealing with the College's funds, on approval of the Finance & Resources Committee.

Investments

The Financial Controller (External Affairs) refers to the investment processes in the Financial Regulations Policy where the authority is defined. Recent investments made relate to a low risk 'Treasury Reserve' fixed term deposit with a fixed rate until maturity. The Financial Controller (External Affairs) recognised that although no investment is risk free, it is in line with the risk appetite of the College, as a significant economic downturn would be required to put the investment at risk. Transactionally, the Financial Controller (External Affairs) has a direct link to the College's relationship manager with RBS in Aberdeen to monitor the amounts invested throughout the period. The College also has safeguards in its banking processes which sets limits on the amounts paid by the College. The College's bank accounts are all with RBS, and amounts are monitored as part of the bank reconciliations, and interest rates are not credited to the balance until the maturity of the investment.

In 2022, the College had temporary surplus cash within its reserves in its bank account and identified an increase in interest rates due to the UK's ongoing economic situation, the Financial Controller (External Affairs) then got in touch with RBS to establish whether they could invest a portion of the cash. The SFC can recover any overpayments at the end of each fiscal year although, at the time of the initial investment, the College was unclear as to how much would be recovered.

In December 2022, the College invested in a fixed term deposit with RBS, with the investment proposed by the Financial Controller (External Affairs) as a result of temporary cash resources being held by the College, prior to the SFC assessing the College's funding at the end of March 2023. The Financial Controller (External Affairs) then went to the VP of Finance & Resources, who considered the investment and provided their approval via email. The College undertook a fixed term deposit, from December 2022 to March 2023, of £3 million at a rate of 2% which matured on 10 March 2023. From this the College earned £24,657.53 in interest, which was subsequently banked. The College then took out another fixed term deposit for four months, commencing on 15 March 2023, at a rate of 3.2%, and the College received £32,613.70 in interest upon the investment maturing in July 2023. As a result of these investments, the College has receipted circa an additional £57k into its cash funds, which can be utilised in fulfilling its obligations. From discussions with the Financial Controller (External Affairs), it was noted that the College intends on undertaking a similar exercise again in the Autumn of 2023.

Objective 4: The College's treasury management arrangements are in line with good practice (continued).

In terms of reporting, an exercise to generate cost savings / income within the College was carried out as it knows the cash restrictions that will be implemented in 2023. This investment was Finance's contribution to these measures, as a method of income generation. It was noted that minutes are not taken for the Senior Leadership Team (SLT) meetings and, as such, there is no record of the investment being discussed at length however we did review the spreadsheet detailing each department's initiatives and noted the inclusion of the investment proposals.

Comparison with Good Practice

A high-level review of the College's practices against those defined within a Chartered Institute of Public Finance and Accountancy (CIPFA) internal control questionnaire for Treasury Management, the Scottish Public Finance Manual (SPFM) and the SFC's Financial Memorandum did not identify any issues.

Objective 4: The College's treasury management arrangements are in line with good practice.

Observation	Risk	Recommendation	Management Response	
We reviewed the initial investment of £3 million in a fixed term deposit with RBS in December 2022 and there was no evidence of the Finance & Resources Committee authorising the investment before it was made. In addition, there was no evidence of the SLT review of the proposal as minutes are not taken at SLT meetings as standard. Oversight of the College's investments rests with the VP of Finance & Resources, and their approval could be evidenced. However, the Finance & Resources Committee is required to oversee sort of transactions (as set out within the Financial Regulations Policy), and therefore effective overboard oversight should be evidenced.	There is a risk that key financial decisions are not documented as being reviewed by the SLT or Finance & Resources Committee, where this is defined requirement per the Financial Regulations Policy.	R1 It is recommended that all future investment options be presented for consideration by the SLT, with minutes taken, and these options should subsequently be presented to the Finance & Resources Committee to ensure that the proposed investment option recommended is adequately reviewed and approved, with the approval formally documented.	<p>Agreed.</p> <p>To be actioned by: Financial Controller (External Affairs)</p> <p>No later than: 31 October 2023</p>	
			Grade	3

AUDIT & RISK COMMITTEE	
Meeting of 29 September 2023	
Title: Annual Audit Plan 2022/23: External Audit - Audit Scotland	
Author: Anne MacDonald, Audit Scotland	Contributor(s): Muir Wilson
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 consider the external auditor's Annual Audit Plan for the audit of the College's 2022/23 financial statements.	
Linked to Strategic Theme: 4. Delivering Excellence and Innovation	
Linked to Strategic Risk(s): n/a	
Executive Summary: The Annual Audit Plan 2022/23 has been prepared by Anne MacDonald, Audit Scotland, the College's external auditor. The plan has been agreed with Muir Wilson, Financial Controller. This is year one of a five-year audit appointment. The plan sets out the respective roles and responsibilities of the College and the auditor with regard to the financial statements. It also sets out the key risks identified by the auditor and the reporting timescales for the audit. The auditor is scheduled to report on the outcome of the 2022/23 audit to the Committee on 29 November 2023.	
Recommendation: It is recommended that the Committee consider the proposed Audit Plan.	
Previous Committee Recommendation/Approval (if applicable):	
Equality Impact Assessment: Positive Impact <input checked="" type="checkbox"/>	

Negative Impact ☐

No Impact ☐

Evidence:

North East Scotland College

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for North East Scotland College
June 2023

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2022/23 external audit of North East Scotland College. The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the financial statements, leading to an independent audit opinion
- independent audit opinions on other statutory information published within the financial statement including the audited part of the Remuneration and Staff Report, Performance Report, and the Governance Statement
- consideration of arrangements in relation to Best Value and wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Audit Appointment

2. We are pleased to be appointed as the college's external auditor for the period 2022/23 to 2026/27 inclusive. You can find a brief biography of your audit team at [Appendix 1](#).

3. In the first year of the audit appointment, we invest significant time gaining an understanding of your business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

4. The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

Adding value

5. We aim to add value to the college through our external audit work by being constructive and forward looking, identifying and encouraging good practice and by making recommendations. In so doing, we will help the college promote improved standards of governance, better management and decision making and more effective use of resources.

Respective responsibilities of the auditor and North East Scotland College Regional Board

6. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the college. Key responsibilities are summarised below.

Auditor responsibilities

7. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

8. Auditors in the public sector give an independent opinion on the financial statements and other information provided with the accounts. We also review and report on the wider scope arrangements in place at the college. In doing this, we aim to support improvement and accountability.

Regional Board responsibilities

9. The Regional Board is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

10. The Regional Board has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to deliver their objectives.

Financial statements audit planning

Introduction

11. The financial statements are an essential part of demonstrating the college's stewardship of resources and its performance in the use of those resources.

12. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

13. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2022/23 audit

14. We assess materiality at different levels as described in [Exhibit 1](#), including materiality values.

Exhibit 1

2022/23 Materiality levels for North East Scotland College

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the college's operations. For the year ended 31 July 2023, we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2021/22.	£1,000,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 65% of planning materiality.	£650,000

Materiality	Amount
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this at 5% of planning materiality.	£50,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

15. Our risk assessment draws on our cumulative knowledge of the college, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, consideration of the work of internal audit and a review of supporting information.

16. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available as the audit progresses. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

17. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2022/23 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing, make inquiries of relevant officers about inappropriate or unusual activity relating to the processing of journal entries and other adjustments and consider the need and extent of detailed journal entry testing. Evaluate significant transactions outside the normal course of business.

Significant risk of material misstatement	Sources of assurance	Planned audit response
		<ul style="list-style-type: none"> Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. Substantive testing of income and expenditure transactions around the year-end and accruals and prepayments to confirm they are accounted for in the correct financial year.

Source: Audit Scotland

18. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk as most of the funding is received from the Scottish Funding Council. This funding is clearly communicated and can be readily agreed to third party confirmations. The college's other income streams comprise of individually high volume, low value transactions, and we have concluded there are limited opportunities and incentives for management to manipulate the recognition of income in the financial statements to a material effect.

19. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. We have rebutted this risk as the college's main expenditure streams can be readily forecast based on a predictable pattern of spend and comprise a high volume of low value items. These include staff costs, interest payment and non-cash costs such as depreciation which are not considered areas of risk. This limits the opportunities to manipulate the way expenditure is recognised.

20. As a result, we have not incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

21. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the

risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

22. The areas of specific audit focus are:

- **Estimation in the valuation of land and buildings:** There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.

Land and buildings were subject to full independent valuation in 2019/20 with a desktop valuation exercise at 31 July 2022 which resulted in a net book value of £104m. We anticipate that with the sharp rise in inflation, there may be significant changes in the value of the college's properties by 31 July 2023. Where this is likely to be the case, this increases the risk of material misstatement in the financial statements. Our work in this area includes using the work of an expert. In this case, we will draw assurance from the work of the valuer.

- **The value of the net pension position:** The college's employees belong to one of two principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS), an unfunded scheme, or the Local Government Pension Scheme which is funded. STSS is treated for accounting purposes as a defined contribution scheme because the college is unable to identify its share of the underlying assets and liabilities of the scheme.

There is a degree of subjectivity in the measurement and valuation of the net pension position due to the specialist and management assumptions adopted. The significant increase in inflation rate this year could have a material impact on these assumptions. Changes in the assumptions could result in material changes in the valuation at the year end.

Our work in this area also includes using the work of an expert. In this case, we draw assurances from the work of the actuary. We also consider the report by Audit Scotland's consulting actuary on actuarial valuations across Scottish local government pension funds. We will determine whether the net pension position at the year end is accounted for and presented in the financial statements in line with relevant guidance.

- **Other sources of grants:** The college receives other grants (c£6.3m in 2021/22) which may not be correctly recognised in the financial statements. Income recognition is dependent on whether the funder has specified any conditions and the extent to which any such conditions will be met by the college. We will review a sample of other grants for evidence of compliance with any performance conditions and ensure they are correctly accounted for in line with guidance.

Group Consideration

23. As group auditors, we are required under International Standard on Auditing (ISA) (UK) 600: *Audits of group financial statements (including the work of component auditors)* to obtain sufficient appropriate audit evidence on which to base our audit opinion on the group financial statements.

24. The college has a group which comprises two subsidiaries. While the audits of the financial information of the other components are performed by other auditors, we do not plan to place reliance on the work of those auditors. We will however consider the assurances the college obtains for its group accounts including year end reconciliations and the consolidation process.

25. Group income, expenditure, assets and liabilities are not significantly different from those included in the college's single entity accounts and therefore we did not consider it necessary to set separate materiality values for the group accounts. Our work will therefore be limited to ensuring that the amounts consolidated into the group accounts agree to the component entities' respective financial statements and other direct confirmation of balances.

Wider Scope and Best Value

Introduction

26. The [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

27. In summary, the four wider scope areas cover the following:

- **Financial management** - means having sound budgetary processes. We will consider the arrangements to secure sound financial management including the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial sustainability** - means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs. We will consider the extent to which audited bodies have shown regard to financial sustainability and are planning ahead effectively. We look at planning for the medium term (two to five years) and longer term (longer than five years). The audit will include consideration of the use of the going concern basis of accounting. as part of the annual audit. We will also comment on financial sustainability in the longer term.
- **Vision, leadership and governance** - audited bodies must have a clear vision and strategy, and work together with partners and communities to improve outcomes and set priorities for improvement. We will consider the college's arrangements to deliver its vision, strategy and priorities. We will also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** - audited bodies must make best use of their resources to meet stated outcomes and improvement objectives. We will consider how the college demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

Wider scope risks

28. We have identified wider scope audit risks in the areas set out in [Exhibit 3](#). This exhibit sets out the risks, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risks.

Exhibit 3**2022/23 wider scope risks**

Description of risk	Sources of assurance	Planned audit response
<p>1. Financial Sustainability</p> <p>The further education sector as a whole is facing financial challenges. Nescol is forecasting a £1m deficit in each of the financial years, 2022/23 and 2023/24. Uncertainties continue to exist around the potential scale of any pay awards.</p> <p>There is a risk that the college will not find sufficient efficiency savings and commercial income to return a break-even position in the medium term.</p> <p>Consequently, the quality and volume of service delivery may reduce.</p>	<ul style="list-style-type: none"> • Regular budget monitoring • Quarterly management accounts • Medium term financial planning arrangements. 	<ul style="list-style-type: none"> • Review financial and savings plans. • Discuss current financial situation and forecasts with officers and the various initiatives being explored to fill funding gaps. • Review board and committee minutes and papers. • Conclude our findings in the Annual Audit Report.

Source: Audit Scotland

29. Our planned work on our wider scope responsibilities is risk based and proportionate and in addition to local risks we consider challenges which are impacting the public sector as a whole. In 2022/23 we will consider tackling climate change and responding to cyber security threats.

30. Climate change – The public sector has a key role to play in ensuring that national climate change targets are met and in adapting the impacts of climate change. The Auditor General is developing a programme of work on climate change. As part of this work, auditors will gather information in 2022/23 on the college's arrangements for responding to climate change covering areas such as the development of climate change strategies and the monitoring and reporting of progress against targets for reducing emissions.

31. Cyber security - There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In our 2022/23 audit, we will consider the college's arrangements for managing and mitigating such risks.

Duty of Best Value

32. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within the college.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

33. All Annual Audit Plans and the outputs, as detailed in [Exhibit 3](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

34. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

35. We will provide an independent auditor's report to the college, the Scottish Parliament and the Auditor General setting out our opinions on the financial statements. We will provide the college and the Auditor General with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

36. [Exhibit 4](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 31 December 2023.

Exhibit 4 2022/23 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	30 June 2023	29 September 2023
Independent Auditor's Report	31 December 2023	29 November 2023
Annual Audit Report	31 December 2023	29 November 2023

Source: Audit Scotland



Timetable

37. To support an efficient audit, it is critical that the timetable for producing the financial statements for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 5](#) that has been discussed with management.

38. We intend to take a hybrid approach to the 2022/23 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 5

Proposed timetable for the audit of the financial statements

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited financial statements with complete working papers package.	29 September 2023
Latest date for final clearance meeting with the Vice Principal Finance and Resources	3 November 2023
Agreement of audited and unsigned financial statements	17 November 2023
Issue of draft Letter of Representation and proposed Independent Auditor's Report	17 November 2023
Issue of Annual Audit Report to those charged with governance.	22 November 2023
Signed Independent Auditor's Report	29 November 2023

Source: Audit Scotland

Audit fee

39. In determining the audit fee, we have taken account of the risk exposure of North East Scotland College and the planned management assurances in place. The proposed audit fee for 2022/23 is £60,040.

40. Our fees have increased in 2022/23 and this is a reflection of the current audit market and the rising costs in delivering high quality audit work. There are increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work audit must cover.

41. In setting the fee for 2022/23, we have assumed that the college has effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

42. It is the college's responsibility to establish adequate internal audit arrangements. Services are provided by Henderson Loggie.

43. From our initial review of internal audit plans, we intend to use the work of internal audit in the following areas to provide some assurance for our audit procedures on aspects of the financial statements:

- General ledger
- Credits audit
- Student support funds.

44. We also intend to draw general assurance from internal audit when assessing the college's governance arrangements and our wider scope responsibilities.

Independence and objectivity

45. Auditors appointed by the Auditor General for Scotland must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors.

46. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual '*fit and proper*' declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

47. The appointed auditor for North East Scotland College is Anne MacDonald, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the college.

Audit Quality

48. Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives.

49. Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC (UK) 1). This set out an audit practice's responsibilities for its system of quality control for audits.

50. ISQC(UK) 1 has been replaced by two new audit quality standards: Internal Standards on Quality Management (ISQM (UK) 1) applicable from 15 December 2022 and (ISQM(UK) 2) effective for the 2023/24 audits. Work is underway at Audit Scotland to meet the requirements of these quality standards.

51. Audit Scotland is committed to delivering high quality audits. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the [Code of Audit Practice](#) (and [supplementary guidance](#)) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

52. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

Appendix 1. Your audit team

53. The audit team involved in the audit of North East Scotland College have significant experience in public sector audit.

Anne MacDonald

Senior Audit Manager/Engagement Lead

amacdonald@audit-scotland.gov.uk

Arlene Deeming

Senior Auditor

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Deirdre Sim

Auditor

dsim@audit-scotland.gov.uk

54. The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

North East Scotland College

Annual Audit Plan 2022/23

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



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AUDIT AND RISK COMMITTEE	
Meeting of 29 September 2023	
Title: Committee Terms of Reference	
Author: Susan Lawrance, Secretary to the Board	Contributor(s):
Type of Agenda Item: For Decision <input checked="" type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input type="checkbox"/> Reserved Item of Business <input type="checkbox"/>	
Purpose: To enable the Committee to review its Terms of Reference.	
Linked to Strategic Theme: 1. Being agile and responsive.	
Executive Summary: Attached as Appendix 1 to this paper is the Committee's current Terms of Reference. The Terms were last considered by the Committee in November 2022. Members are asked to review the attached and consider if the Committee's Specific Duties accurately reflect its main areas of focus.	
Recommendation: It is recommended that the Committee review its Terms of Reference.	
Previous Committee Recommendation/Approval (if applicable): None	
Equality Impact Assessment: Positive Impact <input type="checkbox"/> Negative Impact <input type="checkbox"/> No Impact <input checked="" type="checkbox"/> Evidence:	

AUDIT AND RISK COMMITTEE		
1.1	Membership	<p>A minimum of 6 Members, one of whom shall be appointed Committee Chair.</p> <p>The internal audit service provider and representatives of the external auditor will be expected to attend meetings of the Audit and Risk Committee and to be provided with the agenda and papers for meetings.</p>
1.2	Quorum	No less than one half of the members entitled to vote.
1.3	Remit	<p>General</p> <p>The Audit and Risk Committee shall make its recommendations to the Regional Board as appropriate. The Committee shall make its decisions and report these to the Regional Board. The Audit and Risk Committee shall observe the Standing Orders in all its business.</p> <p>The Audit and Risk Committee is established in accordance with the Financial Memorandum between the Scottish Funding Council (SFC) and the Regional Board of North East Scotland College.</p> <p>The Audit and Risk Committee is an advisory body with no executive powers, and will adopt and ensure compliance with Audit Scotland's Code of Audit Practice.</p> <p>Specific Duties</p> <p>The following provides a summary of the main duties of the Audit and Risk Committee</p> <p>Internal Control</p> <ul style="list-style-type: none"> Reviewing and advising the Regional Board of the Internal Audit Services (IAS) and the external auditor's assessment of the effectiveness of the College's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness reviewing and advising the Regional Board on its compliance with corporate governance requirements and good practice guidance. <p>Internal Audit</p> <ul style="list-style-type: none"> Advising the Regional Board on the selection, appointment or reappointment and remuneration, or removal of the IAS provider where the service is contracted-out Advising the Regional Board on the terms of reference for the IAS; reviewing the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit and advising the Regional Board on these matters Advising the Regional Board of the Audit and Risk Committee's approval of the basis for and the results of the internal audit planning process Reviewing the IAS's monitoring of management action on the implementation of agreed recommendations reports in internal audit assignment reports and internal audit annual reports Considering salient issues arising from internal audit assignment reports, progress reports, annual reports and management's response thereto and informing the Regional Board thereof

- Informing the Regional Board of the Audit and Risk Committee's approval of the IAS's annual report
- Ensuring appropriate liaison and co-ordination between internal and external audit
- Ensuring good communication between the Committee, the Head of IAS and the external auditor
- Responding appropriately to notification of fraud or other improprieties received from the Head of IAS or other persons.

External Audit

- In conjunction with the Finance & Resources Committee, considering and approving the College's annual financial statements and the external auditor's report prior to submission to the Regional Board. (This should include consideration of the external audit opinion, the Statement of Member's Responsibilities and any relevant issue raised in the external auditor's management letter)
- Reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations contained therein
- Advising the Regional Board of salient issues arising from the external auditor's management letter and any other external audit reports and of management's response thereto
- Reviewing the statement of corporate governance as part of the consideration of the College's annual financial statements
- Reviewing the external audit strategy and plan
- Holding discussions with external auditors and ensuring their attendance at Audit and Risk Committee and Regional Board meetings as required
- Considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken, by the external auditor's firm and advising the Regional Board of any potential conflict of interest
- Securing appropriate liaison and co-ordination between external and internal audit.

Value for Money

- Establishing and overseeing a review process for evaluating the effectiveness of the College's arrangements for securing the economical, efficient and effective management of the College's resources and the promotion of best practice and protocols, and reporting to the Regional Board thereon
- Advising the Regional Board on potential topics for inclusion in a programme to undertake individual assignments considering the required expertise and experience
- Advising the Regional Board of action that it may wish to consider in the light of national value for money studies in the further education sector.

Risk Management

- Reviewing the Risk Management Policy, ahead of its consideration by the Regional Board.
- The Committee will be responsible for satisfying itself that risks are being managed and will seek assurance on the adequacy of their management, including from Internal and External Auditors and the Executive Team.

Governance

- Reviewing the College's governance arrangements in line with the Code of Good Governance for Scotland's Colleges.

	<p>Advice to the Board</p> <ul style="list-style-type: none"> • Reviewing the College's compliance with the Code of Audit Practice and advising the Board on this • Producing an annual report for the Regional Board • Advising the Board of significant, relevant reports from the SFC, Audit Scotland and the Auditor General and, where appropriate, management's response thereto • Reviewing reported cases of impropriety to establish whether they have been appropriately handled.
1.4	<p>Meetings / Reporting</p> <p>The Audit and Risk Committee will normally meet four times per year.</p> <p>The Chair of the Finance and Resources Committee may attend meetings of the Audit and Risk Committee in an observer's role.</p> <p>Once a year, subsequent to a meeting of the Audit and Risk Committee, Lay members of the Audit and Risk Committee will meet with the internal audit service provider and representatives of the external auditor. The Regional Chair may elect to attend this meeting.</p> <p>At its discretion, the Audit and Risk Committee may sit privately without any non-Members present for all or part of a meeting if they so decide.</p> <p>The Audit and Risk Committee will report to the Regional Board on a regular basis, and the Audit Chair will produce an Annual Report for submission to the Board following the end of the financial year.</p>
1.5	<p>Senior Management Support</p> <p>The following member of the Executive Team provides objective, specialist advice to support the Committee to discharge its remit:</p> <ul style="list-style-type: none"> • Vice Principal – Finance & Resources

Version: September 2023

AUDIT & RISK COMMITTEE – PROGRAMME OF BUSINESS AY2023-24

Please note that the Programme of Business will be amended as required to include agenda items that arise throughout the academic year.

29 SEPTEMBER 2023
For Decision
Committee Terms of Reference
Programme of Business AY2023-24
Internal Audit Plan 2023-24
Internal Auditors Annual Report 2022-23
Letter to those Charged with Governance
For Discussion
Draft Annual Report of the Audit & Risk Committee to the Regional Board 2023
Strategic Risk Register (Standing Item)
Committee Evaluation Feedback
For Information
National Fraud Initiative Update on 2022/23 exercise
Data Protection Report for AY2022/23

29 NOVEMBER 2023 *(Joint F&R Committee)
For Decision
Draft Audited Financial Statements, 12 months to 31 July 2023 (Reserved Item with Finance & Resources Committee)
For Discussion
Audit Certification of Student Activity & Support Fund Year-End Returns
Strategic Risk Register (Standing Item)
Internal Audit Report(s)
External Annual Report
For Information
Annual Procurement Report

21 FEBRUARY 2024
For Decision
Internal Audit Report(s)
Internal Audit Tender Documentation
For Discussion
Strategic Risk Register (Standing Item)
For Information

29 MAY 2024
For Decision
Internal Audit Report(s)
Draft External Audit Plan 2024/25
Draft Internal Audit Plan 2024/25 (provisional)
For Discussion
Strategic Risk Register (Standing Item)
Code of Good Governance for Scotland's Colleges – Review of Compliance
Meeting with External and Internal Auditors (without management present)
For Information



Agenda Item 11-23

AUDIT & RISK COMMITTEE	
Meeting of 29 September 2023	
Title: Draft Annual Report of the Audit and Risk Committee to the Regional Board 2023	
Author: J Kirkwood, Financial Controller – Business Management	Contributor(s): S Lawrance, Secretary to the Regional Board
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 consider the draft Annual Report of the Committee to the Regional Board.	
Linked to Strategic Goal: 5. Optimise the use of our available resources to deliver financial and environmental sustainability.	
Linked to Strategic Risk(s): <i>All</i>	

Executive Summary:

It is a requirement of the Financial Memorandum that the Audit and Risk Committee prepares an annual report on its activities for approval by the governing body. The report should include the Audit and Risk Committee's assessment of the adequacy and effectiveness of the College's internal control systems. This assessment should be based on the results of the work of the internal audit service (IAS) as reported in the IAS annual report, and the external auditor's opinion on the financial statements as well as the management letter and report issued to those charged with governance of the College.

A draft of the 2022-23 Report is attached for consideration. Shaded in Green are items that in particular the Committee will have a view on. In blue awaits the Internal auditors annual report. Note in yellow, the report still requires to be updated for the opinions of the external auditors.

A final draft will be presented for approval at the meeting scheduled for 29 November 2023

Template Version: August 2019

Recommendation: Committee discuss the contents of the draft report and propose any amendments to be made before finalisation.

Previous Committee Recommendation/Approval (if applicable): n/a

Equality Impact Assessment:

Positive Impact ☐

Negative Impact ☐

No Impact ☒

Evidence:

NORTH EAST SCOTLAND COLLEGE

Annual Report of the Audit and Risk Committee to the Regional Board – Activities Undertaken for the year ended 31 July 2023

1. Introduction

- 1.1. Effective from 14 October 2008, current arrangements for Audit and Accounting are incorporated in the Financial Memorandum issued by the Scottish Further and Higher Education Funding Council (SFC).
- 1.2. The current Financial Memorandum was issued, effective 01 December 2014. This requires the preparation of an Annual Report from an institution's audit committee (or equivalent) to the Regional Board.
- 1.3. This report details the activities of the Audit and Risk Committee for the year ended 31 July 2023.

2. Committee Constitution and Terms of Reference

- 2.1. The following Committee members served during the year, together with possible and actual number of meetings attended: -

Name	Possible Attendance	Actual Attendance	Percentage Attendance
David Anderson	3	2	66%
Andrew Russell	3	3	100%
Susan Elston	3	2	66%
Jim Gifford	3	2	66%
Leona McDermid	3	3	100%
Sheena Ross	1	1	100%
Iain Watt*	1	1	100%
Bryan Hutcheson*	1	0	0%

* Denotes new members Iain Watt and Bryan Hutcheson
 Committee Chair – David Anderson meeting 21/9; Andrew Russell meeting 30/11 onwards
 Committee Vice Chair – Andrew Russell meeting 21/9
 Co-opted Member – David Anderson meeting 31/5 onwards

- 2.2. The following Members of the Regional Board may attend and participate in meetings, but may not vote: -
 - Chair of the Regional Board;
 - Chair of the Finance and Resources Committee; and
 - Principal and Chief Executive.

- 2.3. The Terms of Reference for the Audit and Risk Committee were reviewed by the Regional Board at its meeting on 21 September 2022,

having due regard to the provisions of the Code of Good Governance for Scotland's Colleges. The Terms of Reference are attached at **Appendix A**.

3. Internal Audit Service

- 3.1. The Regional Board appointed Henderson Loggie as internal audit service provider, for a three year period with effect from 01 August 2019. In June 2022, the Audit and Risk Committee agreed to extend the appointment for a further year to 31 July 2023. This was extended for a further year to 31 July 2024 at the May 2023 meeting. Full tender process will be undertaken at the start of 2024.
- 3.2. The internal audit work carried out during the year was based on the Audit Needs Assessment, drawing on the College's Strategic Plan, Enhancement Plan and Strategic Risk Register, and approved at Audit and Risk Committee in September 2022. The Plan was systematically followed and the areas addressed during the year were: -
- Debtors and income (requested audit);
 - Health and Safety (requested audit);
 - Financial Planning (requested audit);
 - General Ledger (requested audit);
 - IT Digital Strategy (requested audit);
 - Cash & Bank/Treasury Management (requested audit);
 - Follow-up reviews (standard audit requirement);
 - Credits Audit (required audit); and
 - Student Support Funds (required audit).
- 3.3. Summaries of the issues arising in relation to each system or activity examined by the internal audit work in 2022-23 have been reported separately to the Audit and Risk Committee. All reports contained action plans detailing responsible officers and implementation dates. The reports were discussed and agreed with management prior to submission to the Audit and Risk Committee.
- 3.4. The internal auditor grades the areas reviewed as: -
- Good – System meets control objectives;
 - Satisfactory – System meets control objectives with some weaknesses present;
 - Requires Improvement – System has weaknesses that could prevent it achieving control objectives; and
 - Unacceptable – System cannot meet control objectives.
- 3.5. In 2022-23, of the six requested audits, the internal auditor graded four areas reviewed as 'good'. The other two as satisfactory.
- 3.6. The Committee and the internal audit service provider have established arrangements for grading recommendations arising from the Programme of internal audit review. Recommendations are graded as 'Priority 1', 'Priority 2' and 'Priority 3' (with 'Priority 1' representing matters requiring urgent attention).

- 3.7. In 2022-23, the internal auditor made 12 audit recommendations across the six requested reviews and two required reviews, with only one recommendation being Priority 2 and the other recommendations being Priority 3. There were no Priority 1 recommendations.
- 3.8. In addition, the internal audit service highlighted the existence of significant strengths and good practice across all areas reviewed.
- 3.9. Overall input to the audit assignments was 50 days, including those for Audit Management. The auditors presented their Annual Report 2022-23 to the Audit and Risk Committee on 29 September 2023. A copy of that report is attached as **Appendix B**.
- 3.10. The auditors have reported that: -

"In our opinion, the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2022/23 and in the prior years following our appointment in 2019/20."

4. External Audit Service

- 4.1. With effect from 01 January 2002, Audit Scotland has been responsible for the audit of all incorporated further education colleges in Scotland. External audit services for the financial year ended 31 July 2023 were provided by Audit Scotland themselves. This was the first year of Audit Scotland's appointment term. The audit started in early October, as planned. The auditors presented their Annual Report to the College's Audit and Risk Committee on 29 November 2023. No audit qualifications were necessary to the financial statements for the year to 31 July 2023. Their conclusions stated: -

"Opinion on financial statements"

In our opinion the accompanying financial statements:

- *give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2023 and of its deficit for the year then ended;*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and*
- *have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).*

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue to adopt the going concern basis of accounting for a period of at least 20 months from when the financial statements are authorised for issue.

Other information in the annual report and accounts

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinions on matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters."

- 4.2. The College retains authority to appoint the external auditor of its wholly owned trading subsidiary – Aberdeen Skills and Enterprise Training Limited (ASET). Following a competitive tendering exercise Hall Morrice was appointed as external auditor of ASET for 3 years to 31 July 2025.
- 4.3. Hall Morrice carried out the external audit of ASET for the 12-month reporting period to 31 July 2023. As in previous years, Hall Morrice issued an unqualified audit opinion on the financial statements of ASET.

5. Value for Money Programme

- 5.1. The College had an approved Procurement Strategy covering the period to 31 July 2023, encompassing the principles of Value for Money assurance, including: -
 - Collaborative Procurement
 - Competitive Tendering
 - Use of e-Procurement
 - Contracts Register Maintenance
 - Active Supplier Management
 - Internal Audit Studies
 - Performance and Practice Review
- 5.2. The internal audit programme for the period 01 August 2022 to 31 July 2023 also addressed value for money issues. The programme was designed to address arrangements to ensure that the College secures economy, efficiency and effectiveness in carrying out its activities. Most internal audit assignments contain an element of value for money review.
- 5.3. The Committee considered the College's Annual Procurement Report at its meeting of 31 May 2023.
- 5.4. The Committee is content that these measures enable the College to demonstrate achievement of value for money in its activities.

6. Risk Management

- 6.1. The Committee last reviewed the College's Risk Management Policy at its meeting of 31st May 2023 and discussed the College's Risk Register at each meeting throughout 2022-23.

7. Governance

- 7.1. The Committee reviewed compliance with the Code of Good Governance for Scotland's Colleges at its meeting of 31 May 2023.

8. Fraud and Impropriety

- 8.1. No instances of fraud, theft or impropriety have been brought to the Committee's attention during the year or up to the date of approval of this report.

9. COVID-19 Pandemic

- 9.1. The COVID-19 pandemic has had a significant effect on College operations, including the work of both internal and external audit functions, with much work taking place remotely.
- 9.2. The Committee is content that governance arrangements have remained robust throughout the period of the pandemic to date and that actions going forward are also appropriate.
- 9.3. The Committee has considered the risks arising from the pandemic and is content that these were appropriately recognised in the College's Risk Register and that management have identified and implemented appropriate mitigating actions wherever possible.

10. Self-Evaluation

- 10.1. The Regional Board undertakes an annual self-evaluation, including a review of its effectiveness against the Code of Good Governance for Scotland's Colleges which is considered by the Committee.
- 10.2. The Committee undertakes an annual self-evaluation reflecting upon performance against remit and the provision of Executive support which also feeds into the Board's annual self-evaluation
- 10.3. The Committee Chair is annually evaluated by the capturing of Members' observations of the office bearer's performance through the use of an anonymous online questionnaire. The questionnaire feedback is discussed at the Committee Chair's Annual Development Meeting with the Regional Chair.

11. Events since 31 July 2022

- 11.1. There are no other matters which have been brought to the Committee's attention which would impact on the opinion expressed in this report.

12. Conclusion

- 12.1. The Committee has obtained assurance that internal control systems are adequate and effective. This is based on the evidence provided by the results of the internal audit service provider in the 12 months to 31 July 2023 and the external auditor's **unqualified opinion** on the financial statements for the 12-month reporting period to 31 July 2023.
- 12.2. The Committee is satisfied that, on the basis of the information provided to it by internal auditors, arrangements operate to allow the College to secure value for money.
- 12.3. The Committee is satisfied that the Regional Board has complied with the 'mandatory requirements' set by the Scottish Further and Higher Education Funding Council and has discharged its responsibilities in relation to audit and accounting.
- 12.4. The Committee **is satisfied with the performance of Audit Scotland as external auditor to the College for the 12-month reporting period to 31 July 2023** and Henderson Loggie as internal auditor to the College for the 12 months to 31 July 2023.
- 12.5. The various reports and Committee minutes have been circulated to Board members.

Jim Gifford
Chair
Audit and Risk Committee

29 November 2023

AUDIT AND RISK COMMITTEE	
Meeting of 29 September 2023	
Title: Committee Evaluation Feedback	
Author: Susan Lawrance, Secretary to the Board	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 provide the Committee with an opportunity to consider Members' feedback relating to the Committee's performance.	
Linked to Strategic Goal:	
Linked to Annual Priority:	
Executive Summary: Attached as Appendix 1 is feedback submitted by Committee Members on the performance of the Committee. The feedback was gathered through the use of an online anonymous questionnaire.	
Recommendation: It is recommended that the Committee discuss the information provided and agree if any actions are required to strengthen the performance of the Committee.	
Previous Committee Recommendation/Approval (if applicable): None	
Equality Impact Assessment: Positive Impact <input type="checkbox"/> Negative Impact <input type="checkbox"/> No Impact <input checked="" type="checkbox"/> Evidence:	

Audit and Risk Committee Annual Evaluation Survey

4

Responses

17:32

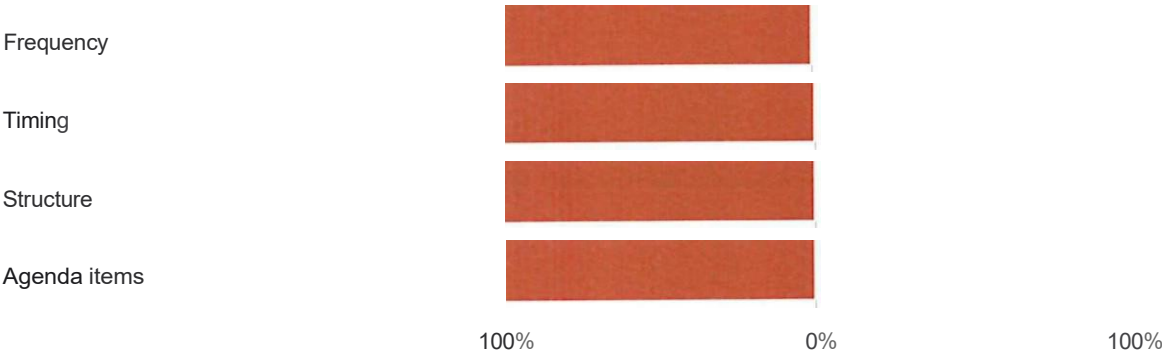
Average time to complete

Active

Status

1. How satisfied are you that the meeting arrangements are appropriate and support the overall effectiveness and remit of the Committee?

Very satisfied Somewhat satisfied Neither satisfied nor dissatisfied Somewhat dissatisfied
Very dissatisfied



2. Please provide any additional supporting comments in relation to question 1, including any proposed agenda items/areas of focus for consideration.

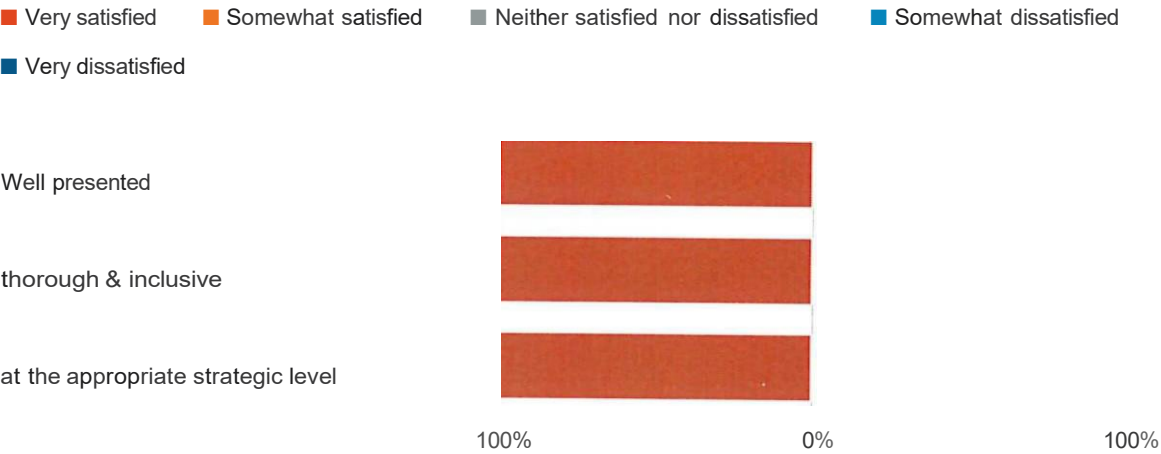
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Responses

Latest Responses

"I've only been to one meeting so far, however I believe it cov...

3. How satisfied are you that the support and information provided to the Committee by members of the Executive and Leadership team is:



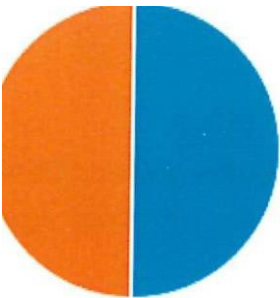
4. Please provide any additional supporting comments in relation to question 2, including any suggested improvements.

2
Responses

Latest Responses
"The information provided is clear and allows for an effective..."

5. Do you agree that Committee Members are fully engaged, ensuring there is a thorough discussion of Agenda items and constructive challenge is provided as appropriate.

Strongly Agree	2
Agree	2
Disagree	0



6. Please provide any additional comments including suggestions to encourage further engagement

2

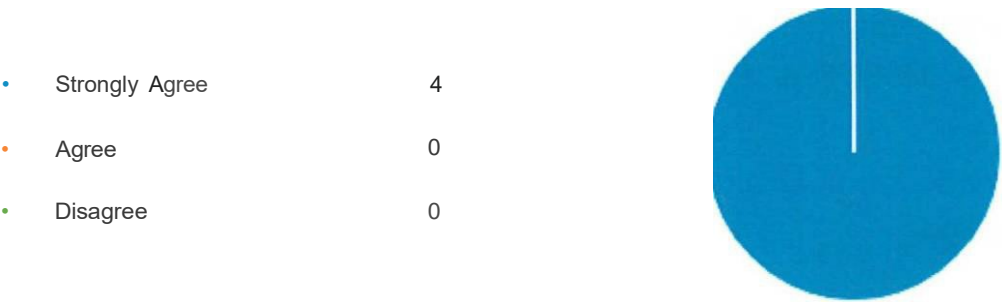
Responses

Latest Responses

"The new chair will bring stability and encourage engagem...

"Very early days for me, but the opportunity exists to challen...

7. Do you agree that the collective skills, knowledge and experience of Committee members allow the Committee to fulfill its governance role and remit?



8. Please provide any additional comments in relation to Committee Members collective skills, knowledge and experience.

1

Responses

Latest Responses

9. In considering your own skills, knowledge and experience, please comment on how well you believe you contribute to the work of the Committee, highlighting how this could be enhanced.

4

Responses

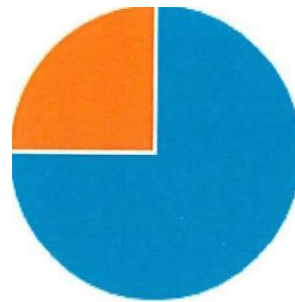
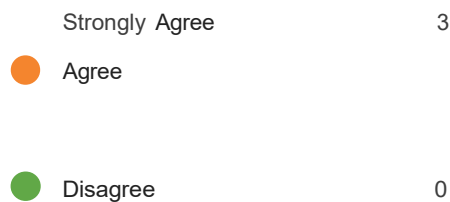
Latest Responses

"I hope I add value to the discussions at Committee but am a...

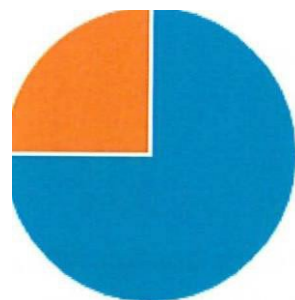
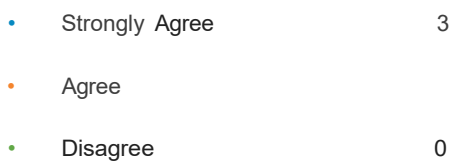
"Staying up to date with all developments will help me contri...

"I believe I contributed at my first meeting and received positi...

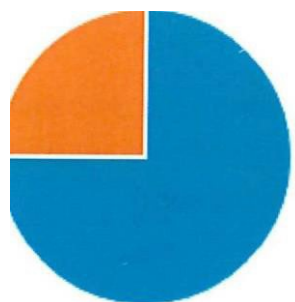
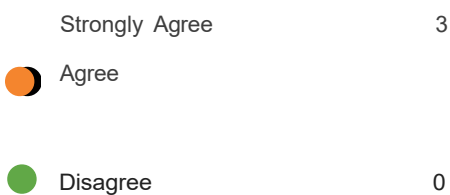
10. Do you agree that the Chair provides strong leadership to ensure that the Committee's work effectively supports the College's strategic ambitions?



11. Do you agree the Chair effectively communicates with meeting attendees, encouraging equality of participation from all Members. This includes listening; explaining; questioning; influencing and challenging constructively.



12. Do you agree the Chair provides attendees with sufficient time to debate and decide issues in an informed and rigorous manner ensuring issues are properly discussed, decisions are clear and Committee Members accept collective responsibility?



13. Please provide any additional comments you may wish to make on the Committee Chair's performance.

3
Responses

Latest Responses

"The new choir will take time to fully learn the role and maxi...

"The Choir of the meeting has now been replaced by a new C...

Audit and Risk Committee Evaluation Feedback

Additional Comments

Qstn 2: Proposed agenda items/areas of focus for consideration:

- Audits are thorough, decision making on focus is clear and accountability is strong in ensuring actions are followed up in a timely manner.
- I've only been to one meeting so far, however I believe it covered the right topics with appropriate time allowed for discussion/questions.

Qstn 4: Suggested improvements in relation to information provided to Committee by members of ET and LT:

- Significant work goes into the data gathering and management of the various areas the Audit and Risk Committee consider. There is an improvement culture in action.
- The information provided is clear and allows for an effective review.

Qstn 6: Comments including suggestions to encourage further engagement:

- Very early days for me, but the opportunity exists to challenge constructively and some of that was evident at the last meeting
- The new chair will bring stability and encourage engagement by all members, following a period of change, I am sure.

Qstn 8: Comments in relation to Committee Members' collective skills, knowledge and experience:

- the committee provide a high level of scrutiny, are well prepared and information and data are discussed and suggestions provided too drawing on experience of committee members.

Qstn 9: How well do you believe you contribute to Committee work, any enhancements required:

- I feel I have a relatively good grasp of understanding risk across the various areas that can be audited. I feel I can contribute ideas and ask questions. I am always learning and have access to CDN and other learning sources.
- I believe I contributed at my first meeting and received positive feedback from the outgoing Chair afterwards.
- Staying up to date with all developments will help me contribute to discussion / debate as and when appropriate.

- I hope I add value to the discussions at Committee but am always keen to hear advice and suggestions from others who may have different expertise

Qstn 13: Any additional comments on the Committee Chair's Performance:

- The chair was able to hold a balance around scrutiny and discussions and keeping these at the level required.
- The Chair of the meeting has now been replaced by a new Chair who hasn't had the opportunity to lead the meeting yet, so the answers above relate to the outgoing Chair only. I believe the incoming Chair will be just as effective.
- The new chair will take time to fully learn the role and maximise his own performance. I am always available and happy to support in that personal development if he would like any assistance.

AUDIT & RISK COMMITTEE	
Meeting of 29 September 2023	
Title: National Fraud Initiative update on 2022/23 exercise	
Author: Muir Wilson, Financial Controller (External Affairs)	Contributor(s): Payroll, Accounts Payable.
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 inform the Committee of the 133 outputs from the College's participation in the 2022/23 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 2022/23 exercise, and the outputs from that exercise. Following investigation of matches identified under the NFI, no cases of fraud were 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

LEADERSHIP TEAM

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. Cumulatively, the NFI has identified £2.4bn in fraud, the cumulative Scottish total is £158.5m, with £14.9m of that being attributable to the 2020-21 exercise. The most recent report from Audit Scotland is available here: -

[The National Fraud Initiative in Scotland 2022 \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/the-national-fraud-initiative-in-scotland-2022)
- 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, and 2020-21 exercises.

3.0 Data Submission and Analysis

- 3.1 The College provided data within set deadlines and covering set periods. For Payroll matching, a period of six months data was requested, and this amounted to 671 records. For the Creditors matches (payments made to third parties), a period of three years' data was requested, and this amounted to nearly 19,300 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: -

NFI Matches					
NFI Code	Match	2016/17	2018/19	2020/21	2022/23
66	Payroll to Payroll	-	5	-	1
68.1	Payroll to Payroll - Phone number	-	2	1	-
81	Payroll to Creditors	-	-	-	1
701	Duplicate Creditors by creditor name	1	4	-	1
702	Duplicate Creditors by address detail	7	-	8	3
703	Duplicate Creditors by bank account number	-	1	-	1
707	Duplicate records by reference, amount and creditor reference	2	-	17	2
708	Duplicate records by amount and creditor reference	44	88	151	118
709	VAT Overpaid	-	-	64	-
711	Duplicate records by invoice number and amount but different creditor reference and name	-	2	3	4
713	Duplicate records by postcode,invoice amount but different creditor reference and invoice number and date	-	-	2	-
750	Procurement - Payroll to Companies House (Director) - Management	1	2	1	2
752	Procurement - Payroll to Companies House (Director) - Board	1	1	2	-
		56	105	249	133

3.4 No evidence of fraudulent activity has been uncovered. At the time of writing, we have been informed that further matches could be released, although the impact on the College of these further matches is expected to be minimal. If any further action is necessary as a result of concluding the investigations, this will be reported at a later stage.

3.5 The largest amount of matches identified from the College's data is against code 708 – Duplicate records by amount and creditor reference. The main reasons for duplicate records include 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.

MUIR S. WILSON
Financial Controller (External Affairs)

31 July 2023

AUDIT & RISK COMMITTEE	
Meeting of September 2023	
Title: Annual Report 2022-23 by Data Protection Officer	
Author: Marcelyn Akun, DPO	Contributor(s): Linda Taylor
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 enable the Committee to read NESCol's progress in relation to it 's Data Protection responsibilities	
Linked to Strategic Theme:	
4. Delivering Excellence and Innovation	
Linked to Strategic Risk(s):	
<i>Insert relevant risk reference number 6.1</i>	
Executive Summary: NESCol continues to use the Shared Services for Data Protection offered by HEFESTIS Ltd. In June 2022 the Data Protection Officer assigned to NESCol resigned, and it took several months to find a replacement. Marcelyn Akun is now assigned to NESCol working totally remotely. The report highlights the areas that the DPO has worked with NESCol over the last academic year, in ensuring our ways of working meet our responsibilities, embedding Data Protection matters in any new or updated processes and systems.	
Recommendation: It is recommended that the Committee note the contents of the report	
Previous Committee Recommendation/Approval (if applicable):	
Equality Impact Assessment:	
Positive Impact	<input checked="" type="checkbox"/>
Negative Impact	<input type="checkbox"/>
No Impact	<input type="checkbox"/>
Evidence:	

Data Protection Annual Board Report Aug 2022 – July 2023

Northeast Scotland College

Marcelyn Akun, Data Protection Officer

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Introduction

At the beginning of the 2022-23 academic year, North East Scotland College (NESCol) started off with a new Data Protection Officer (DPO) via the HEFISTIS Ltd Shared Service, who started in October 2022.

This annual DPO report summarises the key activities and outcomes of work carried out by the Data Protection arm of the college during the 2022-23 college year. It also provides an oversight of organisational data protection compliance and assurance. This is a Board summary report of key data protection and information governance activity and issues to date. It serves as NESCol's Data protection and information governance annual assurance report. NESCol operate a Data Protection Governance Group which meets quarterly throughout the year which is attended by various departmental heads such as Director of Student Access and Support, Head of Planning & Academic Partnerships, Infosec Lead and a host of others. Progress against the Annual DPO Compliance Plan and the college's DP accountability framework are discussed in detail in those meetings and as required on a priority basis throughout the year.

Data Protection Impact Assessments

Assessments reviewed

Data Protection Impact Assessments (DPIA) are the means by which NESCol evidences that Privacy by Design is being implemented into new processes, services and technologies.

Article 35 (GDPR) requires a DPIA to be completed where the “nature, scope, context and purposes of the processing, is likely to result in a high risk to the rights and freedoms of natural persons [living people].” The GDPR requires that “The controller shall seek the advice of the data protection officer, where designated, when carrying out a data protection impact assessment.”

The use of a DPIA to review legitimacy, risks and controls for processing of personal and special category data is central to an organisations understanding and management of that processing and reflects a core organisational management tool that is of high interest to senior management of the College. Not all processing or intended processing is likely to result in high risks. However, in line with national and industry recommendations, it is highly recommended that a DPIA is utilised as the default tool for identifying risks and designing controls for processing of personal data. Article 36 (GDPR) requires that the organisation consult with the supervisory authority (ICO) where a DPIA indicates that “the processing would result in a high risk in the absence of measures taken by the controller to mitigate the risk.”

Review Date	DPIA title
April 2023	Schools-College Partnership Procedures (242, 243, 244, 245)
June 2023	Staff Wellbeing & Disability Agreement
April 2023	Arlo Training Management Software
On going	Report and Support by Culture Shift
On going	Library Management System

Policy & Procedure DPO review

Review or new	Policy 7 Procedure title	Date reviewed	Recommendations or changes implemented
Review	Procedure 415: Business & Community Development Learning Skill-Scan and Induction Procedure	Feb 2023	June 2025
Review	Procedure 1035 - Scanning and Storing Student Funding Supporting Documents	June 2023	June 2025
Review	Procedure 1055 – School-College Links Provision of Free School Meals	Mar 2023	Mar 2025
Review	Procedure 1057 – FE & HE Discretionary and Childcare Funding	May 2023	May 2025
Review	Procedure 1098 – Data Sharing Procedure	Apr 2023	Apr 2025
Review	Procedure 1100 – Subject Access Requests from 3 rd Parties (including Police) Procedure	June 2023	June 2025
Review	Procedure 1122 - Individual Rights Procedures – How to Handle Requests	Apr 2023	Apr 2025
New	Procedure 1124: Managing the Security of Internal Assessment Materials	July 2023	July 2025
New	Staff Wellbeing & Disability Agreement	Mar 2023	Mar 2025
Review	Procedure 1096 – Subject Access Request Procedure	May 2023	May 2025
Review	Student Advice & Support Teams procedures	Jul 2023	To be completed

Data Protection Incidents and Breaches

An overall summary of incidents logged throughout the year and notified to ICO.

Category		Reported	Data subject reportable
1.	Breach of confidentiality	No	Yes but not required
2.	Email	No	No
3.	Email	No	No
4.	Breach of confidentiality	No	N/A
5.	Unauthorised access	No	No
6.	Email	No	No

Reported incidents

NESCol have a high awareness when it comes to incident reporting and are keen to capture all incidents, implementing lessons learnt. In the year 2022-23, NESCol have recorded six DP related incidents, none of which have required reporting to the ICO.

Subject Access Requests (SARs)

There have been five subject access requests received in the year 2022-23. The DPO has identified that SAR is an area where training to individual teams could be required to ensure significant improvement in the internal knowledge base in order to enable NESCol to manage a compliant subject access request service.

SAR Breaches and lessons learnt

There have been no breach to SAR nor any complaints to the ICO this year to date.

Internal/external Audit Report

There has been no requirement for an external audit to be carried out for NESCol. However, there has been an internal audit - IT / Digital Strategy and Systems Development - which included elements of Data Protection e.g. Data by Design, Record of Data Processing Activity

The outstanding actions from previous internal audits in the Follow-Up Review Audit Report on GDPR Compliance are now all complete.

Contracts and Agreements

July 2023	Data sharing agreement – Healthcare pathways
In progress	Advanced Procurement for Universities and Colleges Limited (APUC) Framework Agreement for the Supply of Library Management Systems & Associated Services ITS 1028 AAP. PO Number NE94824
July 2023	National Articulation Database - SFC
Apr 2023	NESCol and RGU – data share

Training Materials Produced by DPO

Jul 2023	Reviewed and updated online training course on Blackboard, part of regular training for all staff

Other DPO Engagement inc. CPD for DPO

July 2023	International Data transfers Training

Overall Annual Summary and Opinion

Throughout the 2022-23 year, NESCol have been enthusiastic and proactive in embedding and improving its organisational practices and culture with regards to data protection operational working and culture. This has been reflected primarily through NESCol close-working and engagement with its DPO who has worked as a key member of the organisational governance structure and whose operational input has driven this forward. Note should be given to the engagement by the organisation with Data Protection Impact Assessments, their commitment to and achievement of organisational information governance training and their determination in upholding data subject rights and freedoms as described within UK GDPR / Data Protection Act (2018), and in particular subject access requests which often poses significant challenges for most organisations. Through their continued and practical close engagement with the Data Protection Officer, NESCol can

reflect a sincere organisational commitment to embedding data protection within its organisation.