NORTH EAST SCOTLAND COLLEGE

AUDIT AND RISK COMMITTEE

Meeting of Thursday 03 September 2026.
held via Microsoft Teams

AUDIT & RISK COMMITTEE

NOTICE
There will be a meeting of the Audit & Risk Committee on Thursday 03 September 2026 at 1:00pm held via Microsoft Teams.

AGENDA

Agenda Item		**Paper**
	Consider if you have had sufficient time to consider all the papers	
01-26/27	Apologies for Absence	
02-26/27	Declaration of any Potential Conflicts of Interest in relation to any Agenda Items	
03-26/27	Minute of Previous Meeting (03/06/26)	X
04-26/27	Matters Arising Report	x
	Matters for Decision	
05-26/27	A&R Committee Terms of Reference AY2026/27	x
06-26/27	A&R Committee Programme of Business AY2026/27	x
07-26/27	Confirmation of Internal Audit Plan 2026/27	x
	Matters for Discussion	
08-26/27	Internal Audit Report(s) • Estates Strategy – Capital Projects Audit Report • Externally Facilitated Effectiveness Review • Budgetary Control Audit Report	 X X x
09-26/27	Governance Action Plan Following Externally Facilitated Effectiveness Review	x
	Reserved Matters for Discussion	
10-26/27	Strategic Risk Register	x
11-26/27	ASET Strategic Risk Register	x
	Matters for Information	
12-26/27	The National Fraud Initiative in Scotland 2026 (Audit Scotland Report)	x
13-26/27	**Any Other Business**	
14-26/27	**Summation of Actions and Date of Next Meeting** The next meeting of the Audit and Risk Committee will be the joint meeting scheduled for	

NORTH EAST SCOTLAND COLLEGE
REGIONAL BOARD

AUDIT & RISK COMMITTEE

NOTE OF MEETING
Draft Minute of the Meeting of the Audit & Risk Committee held on Wednesday 03 June 2026 at 10:00am in G10, City Campus, with the option to join via Microsoft Teams.

Agenda Item	
	Present: Jim Gifford (chair) Leona McDermid **Present via Teams:** Iain Watt (Vice Chair) Gerry Lawrie Caroline Laurenson Bryan Hutcheson, from 10:12am Ellie Zemani **In Attendance:** Anne MacDonald, Senior Audit Manager, Audit Scotland Stuart Thompson, Vice Principal Finance & Resources Adam Wilson, Assistant Principal Finance & Estates Susan Lawrance, Board Secretary Karen Fraser, Minute Secretary **In Attendance via Teams:** David Archibald, Partner, Henderson Loggie
41-25	**Apologies for Absence** Full attendance was noted. Members were introduced to A Wilson - Assistant Principal Finance & Estates – following his commencement at NESCol on 25/05/26.
42-25	**Declaration of any Potential Conflicts of Interest in relation to any Agenda Items** J Gifford declared a transparency statement by virtue of his position with Aberdeenshire Council. L McDermid declared a transparency statement by virtue of her position with Aberdeen Foyer.
43-25	**Minute of Previous Meeting (25/02/26)** The Minute was approved as a true and accurate record.
44-25	**Matters Arising Report** Members noted the updates applied to the 4 Matters Arising and captured in the shared report.
	Matters for Decision

45-25	**Draft External Audit Plan AY2025/26** Guest attendee A MacDonald asked Members to consider the proposed plan for the auditing of the 2025-26 financial statements. In discussion, the accounting treatment of ETSH and the outreach vehicle was referenced, with S Thompson providing context of no significant risks. **Decision = proposed Audit Plan approved as presented.**
46-25	**Internal Audit Plan AY2026/27** Members considered the Internal Audit Plan as presented by guest attendee D Archibald to sense-check intentions for the upcoming AY. Conversation highlighted the UN Convention on the Rights of the Child agreement as mentioned at the 21/05/26 C&Q Committee and its timely relevance when focusing on student experience audits. The timing of ASET's audit was debated. The desire to allow for the implementation of the previous audit recommendations alongside organisational and leadership changes was recognised. It was agreed to prioritise the ASET audit as the first of AY2027/28. Regarding business development, the risk associated with increasing commercial income and operating in a changing economic landscape was highlighted. In response, D Archibald acknowledged the College's need to understand where opportunities exist and to be able to demonstrate the existence of proper processes to facilitate delivery of a sustainable income stream. The increased risks associated with cyber security and AI was brought to the attention of attendees, and the auditing of AI specifically was noted as not having been previously undertaken. In response, D Archibald confirmed this audit is to take place in the early part of AY2027/28 and suggested opportunity as well as risk with regard to AI use. In addition, S Thompson referenced the approval of a 24/7 cyber security contract being purchased as part of additional spending in the AY2026/27 budget to enhance IT security measures. A query was raised regarding the existence of a specific Committee focused on NESCol's IT risks. S Thompson confirmed the formation of the Our Digital Ambition Sub-Strategy's Committee, together with NESCol's ability to collaborate with external partners and industry experts. Acknowledgement of the planned risk management and business continuity audit was noted, owing to its' scope being likely to include digital resilience and disaster recovery. The necessary balance sought when juggling audit timings and cost between AYs was given consideration. D Archibald confirmed flexibility in terms of audit days attributed to each of the AYs in the remainder of the 4-year Plan. **Decision = the proposed Audit Plan for AY2026/27 was approved as presented.**
	Matters for Discussion
47-25	**Internal Audit Reports** Reports were presented by D Archibald to enable consideration of their overall levels of assurance and any associated recommendations. **Corporate Governance (Verbal)** D Archibald confirmed all interviews having been completed, the analysis of questionnaires having been actioned, and information from the desktop review in hand. The issuing of the draft Report is anticipated this week, and due to be presented at the 17/06/26 Regional Board meeting. In terms of non-compliance, attendees were advised that there are no issues to be brought to the attention of the Committee. D Archibald also advised the Report's recommendations will be shared to enable NESCol to build upon the good foundations already in place. **Follow Up Reviews 25/26** D Archibald confirmed the routine nature of the follow-up reviews, carried out

	to determine whether the recommendations of 2024/25 audits have been fully executed. The Report concluded 5 of the 9 recommendations categorised as fully implemented, and 4 as partially. Of these 4, those relating to the Zellis HR system and to timetabling were considered to be of medium priority owing to their associated work volumes and timescales to progress. D Archibald confirmed there being no adverse exposure for NESCol whilst these are unresolved and their revised implementation dates having been approved by management. In response to a query regarding the level of comfort derived from the revised dates, S Thompson expressed confidence in them being both accurate and achievable. **Internal Audit Progress Report** The summation of the delivery of the 2025/26 Plan was referenced, with there being no issues to bring to the attention of the Committee.
48-25	**Code of Good Governance for Scotland's Colleges (Compliance Review)** S Lawrance spotlighted new changes to the document having been highlighted green. In discussion, D Archibald provided context for its' undertaking and emphasised NESCol being different to other Colleges in terms of its' completion and presenting to Committee, as many other institutions choose not to action. **Action: S Lawrance to share NESCol's Code with SFC.** Supplementary content in relation to NESCol's partnership working and specific involvement with employability partnership was suggested. **Action: S Lawrance to incorporate additional wording in relation to NESCol's partnership working.** Thanks were expressed to S Lawrance for the Code's completion.
	Reserved Matters for Discussion
49-25	**Strategic Risk Register**
50-25	**ASET Strategic Risk Register (ASET Board Papers due 29/05/26)**

51-25	**Any Other Business** No other business was raised.
52-25	**Summation of Actions and Date of Next Meeting** The actions were summarised by S Lawrance and the next meeting proposed as Thursday 03/09/26, subject to the AY2026-27 Meeting Schedule being approved at 17/06/26 Regional Board.
	NESCol attendees left the Meeting at 11:24am
	Private Matter for Discussion
53-25	**Committee Members-only discussion with Internal and External Auditors**

Actions from the Audit & Risk Committee Meeting – 03 June 2026			
Agenda Item	**Action**	**Responsibility of**	**Deadline**
48-25	**Code of Good Governance for Scotland's Colleges:** document to be shared with SFC.	S Lawrance	Immed.
48-25	**Code of Good Governance for Scotland's Colleges**: additional wording in relation to NESCol's partnership working to be incorporated.	S Lawrance	Immed.
49-25	**Strategic Risk Register:**		
50-25	**ASET Strategic Risk Register:**		

NORTH EAST SCOTLAND COLLEGE REGIONAL BOARD

Agenda Item 04-26

AUDIT & RISK COMMITTEE

An update on matters arising from the meeting of the Audit and Risk Committee held on 03/06/26.

Agenda Item	Action
48-25	**Action: Code of Good Governance for Scotland's Colleges:** document to be shared with SFC.
	Status: Complete. To be shared with SFC by R Laird (Outcome Manager) at their upcoming Outcome Framework & Assurance Model meeting.
48-25	**Action: Code of Good Governance for Scotland's Colleges**: additional wording in relation to NESCol's partnership working to be incorporated.
	Status: Complete. Additional working incorporated.
49-25	**Action: Strategic Risk Register:**
	Status:
50-25	**Action: ASET Strategic Risk Register:**
	Status:

Agenda Item 05-26/27

AUDIT AND RISK COMMITTEE Meeting of 3 September 2026	
Title: Committee Terms of Reference	
Author: Susan Lawrance, Secretary to the Board	**Contributor(s):** Stuart Thompson, Vice Principal Finance and Resource
Type of Agenda Item: **For Decision** ☒ **For Discussion** ☐ **For Information** ☐ **Reserved Item of Business** ☐	
Purpose: To enable the Committee to review its Terms of Reference.	
Linked to Core Objective: 1. Delivering Outstanding Education and Training	
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 September 2025. Members are asked to review the attached and consider if the Committee's Specific Duties accurately reflect its main areas of focus, noting no amendments have been offered to the existing Terms of Reference.	
Recommendation: It is recommended that the Committee review its Terms of Reference.	
Previous Committee Recommendation/Approval (if applicable): None	
Equality Impact Assessment: **Positive Impact** ☐ **Negative Impact** ☐ **No Impact** ☒ **Evidence:**	

AUDIT AND RISK COMMITTEE		
1.1	**Membership**	A minimum of 6 Members, one of whom shall be appointed Committee Chair. 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.
1.2	**Quorum**	No less than one half of the members entitled to vote.
1.3	**Remit**	

General
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.

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.

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.

Specific Duties
The following provides a summary of the main duties of the Audit and Risk Committee

Internal Control
- 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. Advising the Regional Board on its compliance with corporate governance requirements and good practice guidance.

Internal Audit
- 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.

	Advice to the Board • Reviewing the College's compliance with the Code of Audit Practice and advising the Board on this • 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	**Meetings / Reporting** The Audit and Risk Committee will normally meet four times per year. The Chair of the Finance and Resources Committee may attend meetings of the Audit and Risk Committee in an observer's role. 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. 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. 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 to be included in the Annual Report & Accounts.
1.5	**Senior Management Support** The following member of the Executive Team provides objective, specialist advice to support the Committee to discharge its remit: • Vice Principal – Finance & Resources

Version: September 2026

AUDIT & RISK COMMITTEE – PROGRAMME OF BUSINESS AY2026/27

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

3 SEPTEMBER 2026
For Decision
Committee Terms of Reference
Programme of Business AY2026/27
For Discussion
Internal Audit Reports
Strategic Risk Register (Standing Item)
ASET Risk Register
Internal Audit Plan 2026-27 Update
Governance Action Plan (from EREF)
For Information

25 NOVEMBER 2026 (Joint F&R Committee)
For Decision
Draft Audited Financial Statements, 12 months to 31 July 2026 (Reserved Item with Finance & Resources Committee)
External Audit Report 2025/26
For Discussion
Internal Audit Reports
Audit Certification of Student Activity & Support Fund Year-End Returns AY2025/26
Annual Internal Audit Report 2025/26
Strategic Risk Register (Standing Item)
ASET Risk Register
Committee Evaluation Feedback
For Information
Annual Procurement Report for AY2025/26
Data Protection Report for AY2025/26
National Fraud Initiative – 2025/26 Update Report

24 FEBRUARY 2027
For Discussion
Internal Audit Report(s)
Strategic Risk Register (Standing Item)
ASET Risk Register
Governance Action Plan Update
For Information

26 MAY 2027
For Decision
Draft External Audit Plan AY2026/27
Internal Audit Plan AY2026/27
For Discussion
Internal Audit Reports
Strategic Risk Register (Standing Item)
ASET Risk Register
Code of Good Governance for Scotland's Colleges – Review of Compliance
Meeting with External and Internal Auditors (without management present)
For Information

Agenda Item 07-26/27

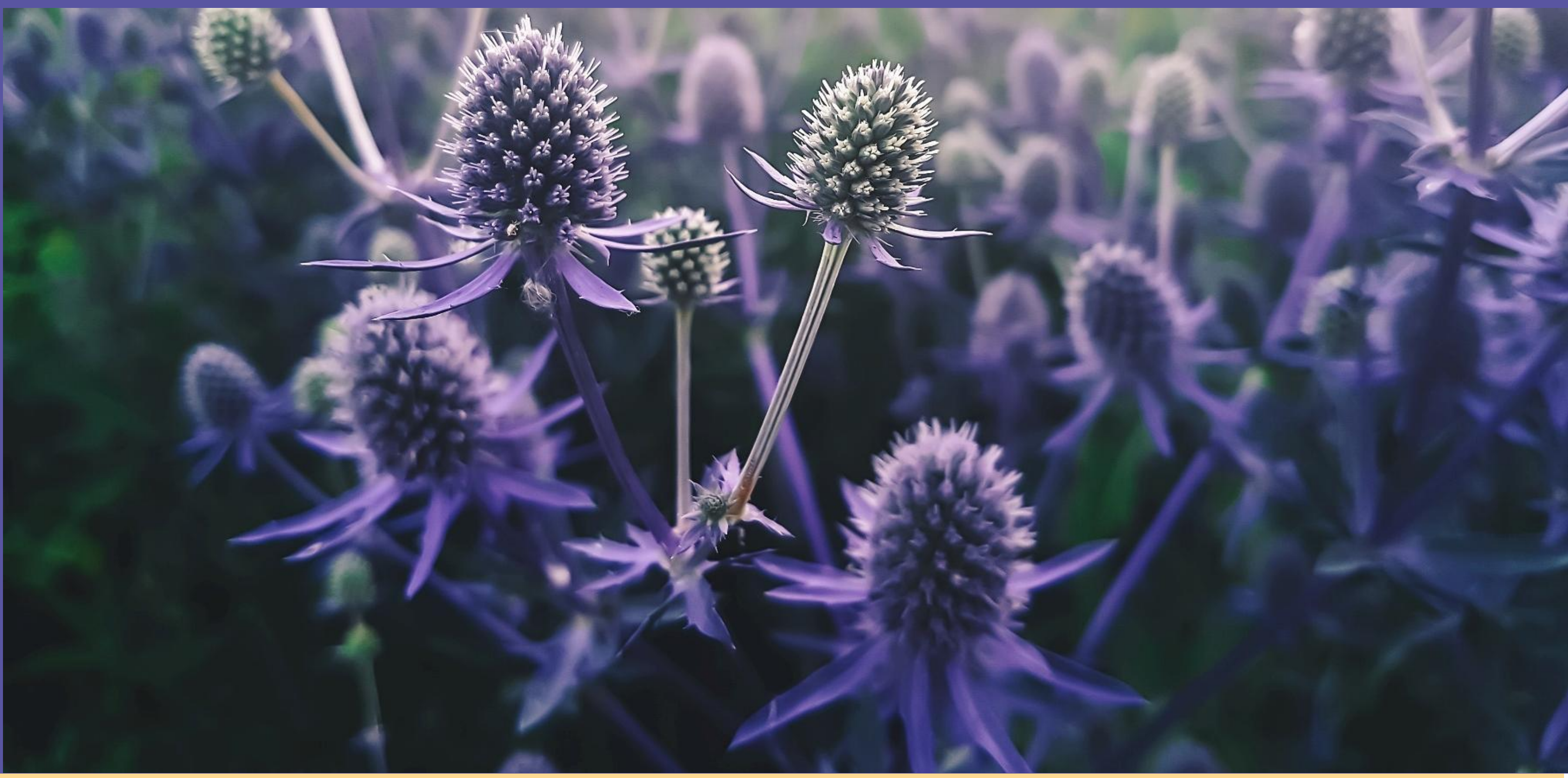
North East Scotland College

Internal Audit Annual Plan 2026/27

Internal Audit report No: 2027/01

Draft issued: 25 May 2026

Final issued: 26 August 2026



Henderson Loggie

Contents

Introduction

1.1 The purpose of this document is to present for consideration by the Audit and Risk Committee the annual operating plan for the year ending 2026/27. The plan is based on the proposed allocation of audit days for 2026/27 set out in the Audit Needs Assessment and Strategic Plan 2024 to 2028. The preparation of the Strategic Plan involved dialogue with management and the Audit and Risk Committee approved the plan at its meeting on 26 February 2025.

1.2 The annual operating plan for 2026/27 is in line with the allocation set out in the Strategic Plan 2024 to 2028. A copy of the Strategic Internal Audit 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 2026/27, together with the audit approach. These have been arrived at following consideration by the Vice Principal Finance & Resources. 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.

1.5 We have produced this document and carry out all our internal audit practice in line with the requirements of the Global Internal Audit Standard (effective from 9 January 2025) and the Global Internal Audit Standards in the UK Public Sector (effective from the 1 April 2025).

Strategic Plan 2024 to 2028

Proposed Allocation of Audit Days

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

Internal Audit Annual Plan 2026/27

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

Internal Audit Annual Plan 2026/27

	Category	Priority	Actual 24/25 Days	Actual 25/26 Days	Planned 26/27 Days	Planned 27/28 Days	Previous IA Coverage
			_____	_____	_____	_____	
Total			48	52	53	52	
			====	====	====	====	

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

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

Outline Scope and Objectives

Audit Assignment:	Student Learning Experience (Physical and Digital Estate – including focus on Learner Voice)
Priority:	Medium
Fieldwork Timing	May 2027
Audit and Risk Committee Meeting:	September 2027
Days:	5

Scope

This audit will review the learning technologies utilised in all College libraries and classrooms and the use of digital learning tools to enhance the learner experience.

Objectives

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

- the College has exploited the potential of new technology in order to widen access to the curriculum and enhance the learner experience;
- investment in new learning technologies aligns with curriculum planning;
- resources are aligned with the needs of both staff and learners as captured through feedback mechanisms; and
- sufficient service desk support is available to maintain access to online learning platforms out of normal College hours.

Our audit approach will be:

We will assess whether the above objectives have been met through discussions with key managers and staff, and through review of relevant documentation including the Strategic Plan 2025-2030, 'Our Student Experience', 'Our Digital Ambition' and 'Our Spaces' sub-strategies.

Audit Assignment:	Staff Wellbeing
Priority:	High
Fieldwork Timing	November 2026
Audit and Risk Committee Meeting:	February 2027
Days:	5

Scope

The scope of this audit will be to consider the adequacy and effectiveness of policies, procedures and plans for staff wellbeing.

Objectives

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

- specific activity has been undertaken to identify the wellbeing needs of staff and to implement a framework of wellbeing activity to meet the needs of staff at all levels across the College.

Our audit approach will be:

The College's policies, procedures and plans, including the Strategic Plan 2025-2030, 'Our Colleagues' sub-strategy and Wellbeing Plan 2024-2027, will be reviewed, and relevant staff will be interviewed. Walkthrough and detailed compliance testing will be carried out to consider the overall efficiency and effectiveness of the procedures and the extent to which risks are being identified and managed regarding the above objective.

We will also review the outcome of the latest staff surveys and ensure that action has been taken, or is planned, to address any wellbeing issues identified.

Audit Assignment:	Building Maintenance and Estates & Facilities Contract VFM
Priority:	Medium
Fieldwork Timing	March 2027
Audit and Risk Committee Meeting:	May 2027
Days:	5

Scope

The College has outsourced facilities management services for its main campuses and satellite buildings. The following services are included in the scope of the facilities management contract:

- Management – including provision of a Property & Facilities Manager and on-site support team to provide the services, including the provision of 24-hour emergency call-out services; and the management and monitoring of services provided by external contractors and suppliers;
- Property and Facilities Management Services – including the provision of a manned service desk based within the College; a team of technically trained staff and access to professional services; Revenue Monitoring System; Response Repair and Emergency Repairs; and Planned Maintenance of Plant, Services & Equipment; and
- Cleaning Services -- all daily and periodical cleaning as required.

This audit will review the arrangements in place to monitor the performance of the contractor against the terms of the facilities management contract, with a particular focus on response and emergency repairs and planned maintenance.

Objectives

The objective of the audit will be to determine whether appropriate controls have been put in place to ensure that the contractor is meeting its key responsibilities under the facilities management contract, including in respect of response and emergency repairs and planned maintenance, and providing the College with value for money.

Our audit approach will be:

We will review the terms of the facilities management contract to identify the key contractor responsibilities. Through discussion with the Vice Principal Finance & Resources, Property & Facilities Manager and other relevant managers and staff, and review of documentation, we will then establish what systems and controls have been put in place to ensure that these responsibilities are met. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.

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

Audit Assignment:	Financial Planning
Priority:	Medium
Fieldwork Timing	February 2027
Audit and Risk Committee Meeting:	May 2027
Days:	5

Scope

This audit will review the College's long-term financial planning arrangements, to consider whether these are in line with good practice. This will include a review of the extent to which planning assumptions are updated to reflect changes in SFC guidance.

Objectives

The objectives of the audit will be to ensure that:

- the College has developed a long-term financial strategy, which includes long-term financial forecasts;
- assumptions utilised in the financial forecasting returns submitted to the SFC are robust, realistic and are applied consistently;
- any departure from the SFC guidance on common sector assumptions is justified to the Regional Board and the SFC; and
- there is adequate reporting to senior management and the Regional Board on the delivery of the College's financial plan and any deviation from the financial plan (or the assumptions which underpin the financial plan) are clearly articulated to all stake holders in a timely manner (including the impact on the College's cash flow).

Our audit approach will be:

The Vice Principal Finance & Resources, and a sample of key staff involved in developing and monitoring the longer-term financial plan will be interviewed, and financial plans, forecasts and reports reviewed, to determine current working practices in financial planning and reporting.

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

Audit Assignment:	Business Development
Priority:	High / Medium
Fieldwork Timing	November 2026
Audit and Risk Committee Meeting:	February 2027
Days:	5

Scope

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

Objectives

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

Secondary objectives will be to ensure that:

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

Our audit approach will be:

From discussion with the Vice Principal Finance & Resources, Director of Business Development, Director of Marketing & Communications and other relevant staff, and review of relevant documents, we will establish the key controls in place within the above areas and consider their adequacy.

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

Audit Assignment:	Risk Management and Business Continuity
Priority:	Medium
Fieldwork Timing	April 2027
Audit and Risk Committee Meeting:	September 2027
Days:	6

Scope

Risk Management
The scope of this aspect of the audit will be to consider whether there are corporate procedures in place to adequately assess risk and minimise the possibility of unexpected and unplanned situations developing, which are in line with good practice.

Business Continuity
We will also undertake a high-level review of business continuity planning arrangements to consider whether there are adequate plans in place to minimise disruption to College's operations following loss of life, buildings or equipment and restore business processes.

Objectives

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

Risk Management

- Key risks have been identified and are being appropriately controlled, mitigated, reported and discussed at appropriate levels of management and the Regional Board;
- the processes in place reflect good practice in risk management;

Business Continuity

- Business Continuity Plans are in place covering all of the College's activities and locations;
- the Business Continuity Plans are workable, properly communicated to members of staff, and have been adequately tested; and
- the processes and procedures in place follow recommended good practice.

Our audit approach will be:

Risk Management
Obtain and review a copy of the College's risk management policies, procedures, Strategic Risk Register and operational risk registers and assessments, and discuss the risk management arrangements in place with the Vice Principal Finance & Resources and other key staff.

The College's risk management arrangements will then be benchmarked against relevant good practice guidance.

We will consider whether all relevant key risks have been identified and included on the Risk Register and ensure that these are monitored and adequately reported on.

Audit Assignment:	Risk Management and Business Continuity (Continued)

Our audit approach will be (continued):

Business Continuity
Obtain copies of Business Continuity Plans in place and consider whether they cover all of the College's activities and locations.

Discuss the College's approach with the Vice Principal Finance & Resources and other key staff, and review evidence of how plans have been communicated to staff and the extent to which plans have been tested.

An assessment of the key processes and internal controls will be performed with reference to relevant good practice guidance.

Audit Assignment:	Credits Audit
Priority:	Required audit
Fieldwork Timing	August 2027
Audit and Risk Committee Meeting:	November 2027
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 2027
Audit and Risk Committee Meeting:	November 2027
Days:	8

Scope

We will carry out an audit on the College's student support funds for the year ended 31 July 2027 and provide an audit certificate. Two specific fund statements will require an audit:

- Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return; and
- Higher Education Discretionary Fund.

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 and SAAS;
- payments to students are genuine claims for hardship, childcare or bursary, 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 2027 is in agreement with underlying records.

Our audit approach will be:

- Reviewing new guidance from the SFC and SAAS 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.

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Fieldwork Timing	April 2027
Audit and Risk Committee Meeting:	May 2027
Days:	2

Scope

This review will cover reports from the 2025/26 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.

Aberdeen: 1 Marischal Square, Broad Street, AB10 1BL **T:** 01224 322 100
Dundee: The Vision Building, 20 Greenmarket, DD1 4QB **T:** 01382 200 055
Edinburgh: Level 5, Stamp Office, 10-14 Waterloo Place, EH1 3EG **T:** 0131 226 0200
Glasgow: Suite 5.3, Kirkstane House, 139 St Vincent Street, G2 5JF **T:** 0141 471 9870

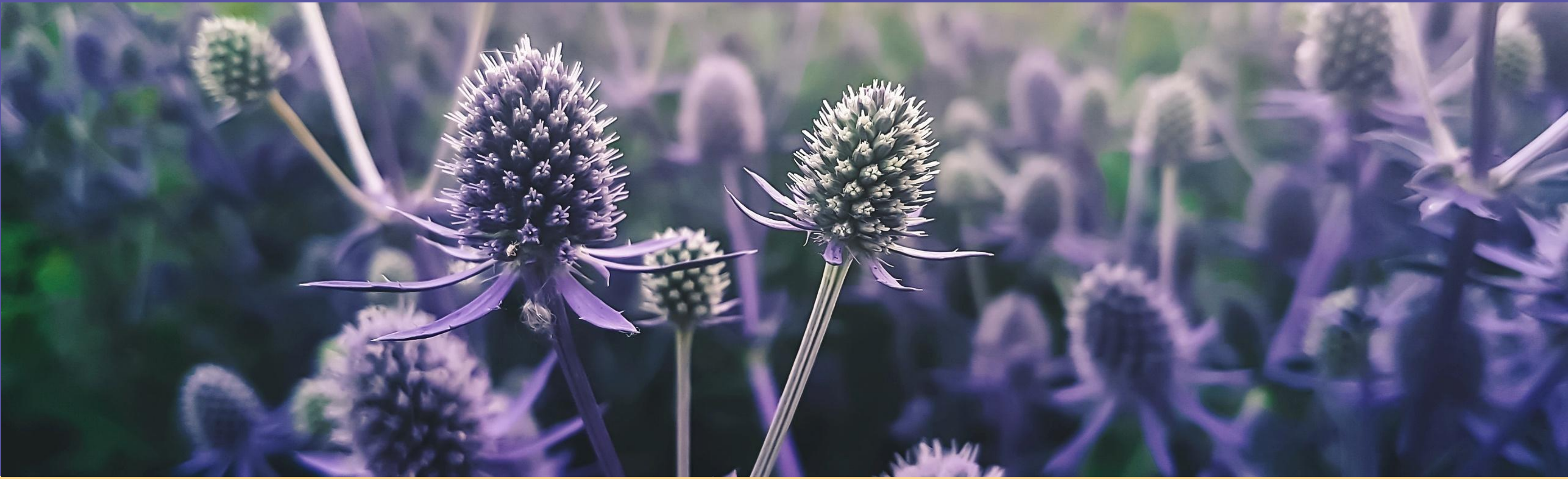
Agenda Item 7-26/27

North East Scotland College

Internal Audit Progress Report

Audit and Risk Committee: 3 September 2026

Issued: 26 August 2026



Henderson Loggie

Internal Audit Progress Report September 2026

Progress with the annual plan for 2025/26 is shown below.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit & Risk Committee	Comments
Internal Audit Annual Plan 2025/26	February 2025	Draft: 07/02/25 2nd Draft: 18/02/25 Final: 01/09/25	2026/01	**N/A**	26/02/25	
Payroll	February 2026	Draft: 04/02/26 Final: 09/02/26	2026/02	**Good**	25/02/26	
Estates Strategy / Capital Projects	September 2026	Draft: 24/08/26 Final: 25/08/26	2026/07	**Satisfactory**	03/09/26	
Budgetary Control	May 2026	Draft: 25/08/26 Final: 25/08/26	2026/05	**Good**	03/09/26	The audit start date was delayed at the request of College management with reporting moved to the September ARC meeting.
Corporate Governance	May 2026	Draft: 10/06/26 2nd Draft: 12/08/26 Final: 14/08/26 Final reissued: 24/08/26	2026/06	**N/A**	03/09/26	The draft EFER report was discussed at the Regional Board meeting on 17 June 2026.
IT Network Arrangements	February 2026	Draft: 18/02/26 Final: 19/02/26	2026/03	**Good**	25/02/26	

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit & Risk Committee	Comments
Credits Audit	November 2026					Fieldwork started 10/08/26, at review stage with some information outstanding.
Student Support Funds	November 2026					Agreed start date for fieldwork was 01/09/26. FES now expected 04/09/26 with audit starting on 07/09/26.
Follow-Up Reviews	May 2026	Draft: 25/05/26 Final: 26/05/26	2026/04	N/A see comments	03/06/26	5 Fully Implemented 4 Partially Implemented 9 in total

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.

The proposed timetable for the programme of internal audit work for 2026/27 is shown below.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit & Risk Committee	Comments
Internal Audit Annual Plan 2026/27	June 2026	Draft: 25/05/26 Final: 26/08/26	2027/01	**N/A**	03/06/26	
Student Learning Experience (Physical and Digital Estate – including focus on Learner Voice)	September 2027					Proposed start date for fieldwork 03/05/27.
Staff Wellbeing	February 2027					Proposed start date for fieldwork 23/11/26.
Building Maintenance and Estates & Facilities Contract VFM	May 2027					Proposed start date for fieldwork 01/03/27.
Financial Planning	May 2027					Proposed start date for fieldwork 08/02/27.
Business Development	February 2027					Proposed start date for fieldwork 02/11/26.
Risk Management and Business Continuity	September 2027					Proposed start date for fieldwork 26/04/27.
Credits Audit	November 2027					Proposed start date for fieldwork 09/08/27.
Student Support Funds	November 2027					Proposed start date for fieldwork 06/09/27.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit & Risk Committee	Comments
Follow-Up Reviews	May 2027					Proposed start date for fieldwork 05/04/27.

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Agenda Item 08-26

North East Scotland College

Externally Facilitated Effectiveness Review

Draft issued: **10 June 2026**

2nd Draft issued: **12 August 2026**

Final issued: **14 August 2026**

Final reissued: **24 August 2026**

Henderson Loggie

1. Background

1.1 The Code of Good Governance for Scotland's Colleges (2024) states that:

"*D24 The board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should also be an externally facilitated evaluation of its effectiveness every three to five years. The board should determine the timing for this externally facilitated review as part of the annual effectiveness review. The board must send its self-evaluation (including an externally facilitated evaluation) and board development plan (including progress on previous year's plan) to its funding body and publish them online".*

1.2 As the appointed internal auditors for North East Scotland College, we have been commissioned, as part of the approved internal audit programme for 2025/26, to conduct the latest iteration of the full externally facilitated effectiveness review (EFER) described in the Code, which builds on the previous EFER, which was issued in March 2021.

1.3 The College Development Network (CDN) Guidance Note on Conducting Externally Facilitated Effectiveness Reviews, which was updated in June 2022, states that "*External Effectiveness Reviews (EERs) should be carried between three to five years after the previous review. The Board should determine the timeframe for the next external review as part of their annual effectiveness review, considering progress against the action plan that resulted from the previous review and the outcome of the annual effectiveness review. The timeframe should meet the governance related development needs of the board and should be responsive to the dynamic nature of governing as a process and may change year on year"*.

1.4 The Foreword by the Chair of the Good Governance Steering Group, which oversaw the updates made to the 2022 Code, states that:

"*Colleges and regional strategic bodies receive substantial public funding and also operate in an increasingly commercial and enterprising way. We value the significant contribution college board members make to governing our colleges and regional strategic bodies, and to their stewardship of taxpayer's money, ensuring its efficient and effective use. Boards are expected to innovate, pursue new opportunities and take measured risks in delivering what is best for their stakeholders. Against this background, it is right and proper that the highest standards of governance and propriety are expected of our boards and those individuals who serve them.*

This Code of Good Governance codifies the principles of good governance for learners and learning that already exist in our colleges and promotes accountability and continuous improvement in how colleges and regional strategic bodies are governed. The Code is based on key principles and has been written in a way that is mandatory and anticipates compliance. All colleges that receive funding from the Scottish Funding Council (SFC) or from a regional strategic body must comply with the Code as a term and condition of grant. Exceptions should be rare and must be explained publicly. In addition to demonstrating good governance, colleges and regional strategic bodies must also ensure compliance with their statutory and other obligations.

The governance professional role is vital in providing guidance to the board on its legal and other obligations. Colleges have an important individual and collective role to play in promoting economic, social and cultural well-being. We expect this Code to provide the essential underpinning to help discharge that role to the highest standards possible".

2. Scope and Objectives

2.1 The scope agreed with the College for the 2025/26 iteration of the review was to observe the 18 March 2026 meeting of the Regional Board in Fraserburgh, as required by the Code. The CDN Guidance on how to conduct the EFER states the following:

"It is suggested that the effectiveness review should cover the five sections of the Code of Good Governance:

- *Leadership and Strategy*
- *Quality of the Student Experience*
- *Accountability*
- *Effectiveness*
- *Relationships and Collaboration"*

2.2 The objective of our review was to fulfil the role of external faciltator, as described in the CDN Guidance note, in order to assess the College's compliance with the Code of Good Governance for Scotland's Colleges and to identify any improvement actions which could be added to the College's rolling governance action plans to strengthen the governance arrangements within the College.

3. Approach

3.1 Following discussion with the Secretary to the Regional Board (in their role as governance professional for the College), and following consultation between the Secretary to the Regional Board and the Chair of the Regional Board, it was agreed that Option 3iii, as described in the Guidance Note, would be completed; namely '*The facilitator undertakes 1 to 1 interviews with some or all Board Members and staff based on the proforma / questionnaire*'.

3.2 One to one interviews were arranged with all Board Members, including the College Principal. In addition, a questionnaire was issued to all Board Members. This allowed the questions covered in each of the one-to-one discussions to be tailored for the individual Regional Board Member and allowed detailed discussion on the specific areas of the Code which were most pertinent to their specific role on the Board and Board sub committees.

3.3 The information gathered during these individual interviews was collated and analysed. This allowed themes to be identified around strengths in the existing governance arrangements and allowed potential areas for improvement or strengthening in arrangements to be identified and explored. It was then triangulated and pressure tested as part of a desktop review of a suite of documentation collated by the Secretary to the Regional Board (and other documentation which is accessible via the College website).

3.4 The results of these discussions have been collated and mapped against the Code. This included the identification of a range of documentation to evidence compliance with specific sections of the Code. We also examined the way in which the improvement actions from the previous EFER have been monitored to implementation.

4. Overall Conclusion

4.1 Overall, our review concludes that from a Regional Board Member perspective, the College governance arrangements are well established and operating effectively, with a number of strengths and areas of good practice highlighted. The information gathered from the completed questionnaires and from the one to one discussions did highlight some recurring themes and we explored these issues with the Regional Board Members to "road test" the specific improvement actions required to address the issues flagged. These improvement actions are designed to enhance the existing governance arrangements and build on the solid foundations already developed. This feedback, together with our own review of the College's own alignment with the Code, allows us to conclude that the College continues to demonstrate high levels of compliance with the requirements of the Code.

4.2 One of the key changes introduced in the 2022 iteration of the Code was the introduction of Trade Union members on to the Board. It was evident from our interviews with Trade Union members on the Regional Board that the College has adapted well to this change. In conducting this review we have taken cognisance of the fact that the role of a Trade Union member on a Regional College Board is extremely challenging, given the current financial environment for the sector, where significant reductions in staffing and changes in delivery models have been required to deliver a workable financial model.

4.3 There was a high degree of Non-Executive Board Member engagement during this review, which reflects a high degree of engagement with the College in their role as individual Regional Board Members. This, despite the fact that there are a number of relatively new Board Members on the Regional Board, who are still adapting to their new roles on the Regional Board and on Board sub committees.

4.4 It is clear from our discussions that increased financial pressures facing the College have resulted in an extremely challenging period for the Board, with a number of difficult decisions having to be taken. This has included consideration of the decision to partner with ETZ Limited and to operate the Energy Transition Skills Hub. It was also evident that the reshaping of the ASET International Energy Training Academy has also required significant Regional Board input, recognising that although this organisation has an independent Board, ASET is a wholly owned subsidiary of the College.

4.5 The Regional Board Members interviewed demonstrated a high degree of ownership of the strategic priorities set out in the NESCOL Strategic Plan 2025-2030. This includes ownership of the supporting sub-strategies and the overarching tagline of the Plan, which is "Bringing Learning to Life". This has been achieved through positive engagement with the Regional Board in the development of the Strategic Plan 2025-2030, and through a clear articulation by the College Strategic Leadership Team (SLT), on how this overarching strategic document links into the financial plan, workforce planning, estates strategy and the digital strategy for the College.

4.6 Our attendance at the March 2026 meeting of the Board of Management demonstrated that the Regional Board provides a good balance between support and challenge. The challenging financial position for the College, and the wider HE/FE sector, has meant that there has been an understandable focus on financial sustainability in the last 12 months. Several Board Members highlighted an understandable fatigue in discussing financial issues, whilst recognising that this is an inevitable consequence of the current HE/FE funding model.

4.7 Regional Board Members acknowledged that the proactive steps taken by the College have delivered a financial position which compares favourably with many peer Colleges. However, the need to avoid complacency was also highlighted by several Regional Board Members, as was the need to strengthen the level of financial expertise on the Board going forward, recognising that the financial challenges are unlikely to dissipate in the foreseeable future.

4. Overall Conclusion (Continued)

4.8 Although not necessarily from an accountancy background, several Regional Board Members demonstrated a high level of understanding of the financial context in which the College is operating. Their expertise in both commercial and education arenas means that they are well placed to maintain the strategic oversight required to allow the College to navigate this challenging period for the sector. Despite the March 2026 announcement regarding additional funding, the financial challenges facing the FE sector in Scotland remain, and NESCOL is not immune to these challenges, despite being proactive in managing costs and developing and delivering commercial opportunities. Therefore the maintenance of openness and transparency in communicating any changes required to the College curriculum and delivery model will be imperative in maintaining a good relationship between the Regional Board and staff, students and stakeholders.

4.9 The membership across the Regional Board and Board sub committees includes a diverse range of skills, which are available to provide an effective level of support and challenge to the College SLT. The non-executive Board Members interviewed explained that their primary motivation for joining the Regional Board was not necessarily to oversee the implementation of cost cutting measures, which may well have an impact on both staff and students. Rather, their motivation was to challenge College management to identify the current and future strategic priorities and to support them in deliver on these priorities for the people of the North East of Scotland.

4.10 The general feedback from interviewees presented a positive perception of compliance with the Code of Good Governance for Scotland’s Colleges and this was corroborated by the results of the completed questionnaires (which are summarised below). The non-executive Regional Board Members interviewed demonstrated a high degree of trust in the competency of the College Principal, the two Vice Principals and the Assistant Principal - People Services in providing high quality Board and committee papers. Interviewees also highly the efficiency and professionalism of the Secretary to the Regional Board and the importance of the support provided by the administrative functions of the College, which allow the governance arrangements to function effectively.

4.11 It was evident from our interviews that several members of the Regional Board are members of more than one Board subcommittee. However, this is not possible without a high degree of Board Member commitment, particularly for those Board Members who are in full time employment or who may have other non-executive commitments.

4.12 The willingness to identify and explore new partnership opportunities - and to work collaboratively with a wide range of stakeholders - was a recurring theme during our discussions, and is evident from our review of Regional Board papers. The College demonstrates a strong commitment to being “outward looking” and several interviewees highlighted the importance of maintaining the profile and reputation of the College – both regionally and nationally. Several Regional Board Members praised the work of the Chair of the Regional Board and the College SLT in enhancing both the regional and national perceptions of the College and in influencing the wider debate around the future of tertiary education in Scotland.

4.13 We would highlight the development of the Regional Board Governance Manual as an example of good practice. This document brings together in a single publicly available manual: the statuary and regulatory responsibilities of the College; the Constitution and Standing Orders; the Scheme of Delegation, Evaluation mechanisms for the activities of the Board and Board sub-committees; the Regional Board Code of Conduct; Board and Committee terms of reference; and details on College companies. The annual review of the Governance Manual was reported to the Regional Board in March 2026.

5. Acknowledgements

We would like to take this opportunity to thank the College Non-executive Board Members, the College Principal and the Secretary to the Regional Board, who provided the input required to allow us to complete this independent review.

6. Findings

6.1 As highlighted above, our review provides independent confirmation that the positive view of the governance framework expressed by Regional Board Members, both in the completed questionnaires and in the one to one meetings, is robust and that the College can demonstrate a high level of compliance with the Code. Our review highlighted a number of areas where the College can demonstrate particular strengths in specific aspects of the Code. Our review also highlighted specific areas where there is perhaps scope for improvement or enhancement to the current arrangements. Both strengths and areas for improvement are summarised below.

6.2 The detailed observations, recommendations and agreed management responses for each of the improvement actions is set out below, grouped under each of the five sections of the Code. It is proposed that any improvement actions arising from this review should be incorporated into a rolling Governance Action Plan, which we would advocate should be monitored through the Audit and Risk Committee, thereby building on any governance improvement activity already underway. These suggested improvement actions are summarised in Section 7 below.

6.3 The recommendations arising from the last Externally Facilitated Effectiveness Review, which was issued in March 2021, have been supplemented by actions arising from the College's own annual self-evaluation process and actions arising from the annual Board Member self-evaluation process. The previous recommendations spanned all five of the headings within the Code:

- *Section A – Leadership and Strategy*
- *Section B – Student Experience*
- *Section C – Accountability*
- *Section D – Effectiveness*
- *Section E – Relationships and Collaboration*

6.4 A total of 11 questionnaires were returned. 10 were completed by the Non-Executive Board Members, with one being completed by the College Principal. The summary outputs from these questionnaires is shown below:

- Not all questions were answered by all respondents. This was specifically requested in the covering email which accompanied the questionnaire and is designed to avoid a scenario where a Regional Board Member is not in a position to provide an informed response, so adds a response rather than leaving blank. This has been factored into our scoring methodology.
- Responses on the scale from Very Poor to Very Good were given a weighted score. So, a response of Very Poor scored 1 while a response of Very Good scored 5.
- No specific questions scored an average of less than 4.00 out of 5.
- The average score for each section of the Code was as follows:

  Section A – Leadership and Strategy: 4.52 out of 5

  Section B – Quality of the Student Experience: 4.51 out of 5

  Section C – Accountability: 4.46 out of 5

  Section D – Effectiveness: 4.59 out of 5

  Section E – Relationships and Collaboration: 4.44 out of 5

This means that the average score across all respondents equates to a score of between Good and Very Good for every individual question and all five sections in the Code of Good Governance. These are exceptionally high scores, demonstrating the confidence of the Regional Board in the level of compliance with the Code.

Strengths

Our review identified a number of strengths in the existing governance arrangements, and these are summarised below:

6.5 **Section A – Leadership and Strategy**

a) The Code of Conduct for members of the Regional Board, specifically references the Ethical Standards in Public Life etc. (Scotland) Act 2000 and the nine general Principles of Public Life in Scotland. The Code of Conduct is published on the College website as part of the Regional Board Governance Manual, which was approved by the Regional Board in March 2024.
b) In general Regional Board Members advised that they feel that they can shape the vision, direction, character and values of the College through Regional Board meetings. As highlighted in our one to one discussions with Regional Board Members, there has been considerable Board engagement in helping to shape the Strategic Plan 2025-2030. Several Regional Board members praised the efforts of the College SLT in engaging with the Regional Board over an extended period of time to ensure collective ownership of the priorities and also the agreed direction of travel for the College (as described in the supporting sub strategies). The important role of the Strategy Days in allowing effective input from a range of stakeholders was also highlighted by several interviewees. Crucially, a number of Regional Board members highlighted that they could see the feedback provided being taken on board, through the various iterations of the strategy document, which had been shared as the document evolved over time.
c) Given the nature of the discussions required to develop the Strategic Plan 2025-2030, this has resulted in difficult conversations around the implications of the decisions taken to manage reduce costs in order to manage the College's financial position, which have corresponding implications for staff (and therefore staff and trade union representatives on the Board) and students (and therefore the Student President and Vice-President). These financial considerations have also required considerable Regional Board involvement in shaping the strategic direction of a range of commercial activities, which are designed to reduce the College's reliance on core grant funding (in line with SFC expectations) while meeting regional need.
d) It was highlighted that a concerted effort has been made to match up the College Principal's objectives with the priorities set out in the Strategic Plan 2025-2030, to ensure alignment between personal and organisational priorities and to enhance accountability. We noted that a Progress Update on the Principal's Performance Management Objectives was considered in private session at the Regional Board meeting on 18 March 2026.
e) It was evident from our discussions that there is a high degree of trust between non-executive members of the Regional Board and the College SLT (and the Assistant Director - People Services). This level of trust has been developed over an extended period of time and is built on an understanding that management have demonstrated that they will bring any emerging strategic issues to the Regional Board in a timely manner and will do so in an open and transparent manner. It is also rooted in an understanding amongst the non-executive Board Members that the current SLT are highly respected experts in their respective fields and are viewed as an extremely effective and cohesive unit.
f) Overall, Board Members demonstrated that they were satisfied with the level of performance information provided, although several interviewees highlighted the potential to leverage the use of PowerBI to further enhance reporting capabilities for both staff and for the Regional Board. This is included as an improvement action below.

6. Findings (Continued)

Strengths (Continued)

6.5 **Section A – Leadership and Strategy (Continued)**

g) Several Board Members interviewed demonstrated a clear understanding of the need to monitor achievement of the SFC's Outcomes Framework and Assurance Model guidance, which sets out accountability arrangements for colleges and universities, including:
- the removal of Regional Outcome agreements to be replaced with a new national Outcome Framework and submission of annual Contextual Commentary reports; and
- a new Tertiary Quality Enhancement Framework (TQEF), a much-reduced role for Education Scotland and a new peer-led review model overseen by the Qualifications Assurance Agency (QAA). Colleges and universities will also have to submit annual Self-Evaluation and Activity Plan (SEAP) reports.

h) Given the impact of the financial challenges which the College has faced, and continues to face, we had some concerns around the way that this might impact on the requirement set out in Section A of the Code which stipulates that "*The Board exercises its functions with a view to improving economic, cultural and social wellbeing in the locality of the organisation or region. It must have regard to social and economic needs and social inclusion*". However, the Strategic Plan 2025-2030 includes five strategic priorities, which are supported by six sub-strategies. One of these sub-strategies is "*Our Region – Putting an emphasis on the ambition to be a catalyst for regional social and economic growth, aligning with industry needs and the needs of learners*".

i) Appendix D of the Governance Manual sets out the role of the Equality and Diversity Champion. The specific purpose of this role is "*To help ensure that the Bord observes good practice in regard to equality and diversity; to further embed equality and diversity in the Board's strategic and decision-making process; and to help ensure that the Board complies with its legal obligations in regard to equality and diversity and meets the requirements of the Equality Act 2010 and the Public Sector Equality Duty*". The standard format for Board and Board sub-committee meetings includes a section on an equality impact assessment. The Terms of Reference for the Regional Board include a specific requirement to "*Provide leadership in equality and diversity*".

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6. Findings (Continued)

Strengths (Continued)

6.6 **Section B – Quality of the Student Experience**

a) Our interviews with the President and Depute President of the Students' Association confirmed that the student voice is heard and that student representatives on the Regional Board were warmly welcomed and treated as full members of the Regional Board.
b) The President and Depute President of the Students' Association both highlighted the excellent support they have received from the College to help them to discharge their responsibilities on the Regional Board and on Board sub committees. It was also highlighted that a "Board Buddy" system is in operation, with support provided by the Support Staff Representative on the Regional Board. While this buddy arrangement has allowed useful discussion prior to Regional Board meetings, it has been suggested that the arrangement could be reviewed for academic year 2026/27 to make sure that it meets the needs of the incoming President and Depute President. An improvement action on this point has been included below.
c) The Term of Reference for the Regional Board set out the Board's responsibility for "*approval of the Students' Association constitution and the election regulations for student officers*".
d) A Student Partnership Agreement is in place which is available on the website. The current iteration was agreed in academic year 2023/24. The document has not been updated following advice received from Sparqs and because of the new Tertiary Quality Enhancement Framework, and associated changes. Instead the College has set up a Student Partnership Forum and will be undertaking a Student Partnership Review next year, which will inform how the College take the Student Partnership Agreement forward and will consider any changes required to the format.
e) We explored the potential for providing advance warning, at the agenda setting stage, of any agenda items where specific input from a student perspective would be helpful. It was agreed that this would be a welcome development and therefore an improvement action has been raised on this point.
f) The terms of reference for the Curriculum and Quality Committee includes specific responsibility to:
   - Ensure that the College undertakes effective external engagement with key stakeholders to support evidence based approaches to curriculum and quality related developments;
   - Monitor key College student activity, student outcome and quality related performance indicators, including the consideration of national benchmarking data where available;
   - Ensure that appropriate mechanisms are in place for the effective oversight of the quality and inclusivity of the learning experience in the College;
   - Support meaningful ongoing engagement and dialogue with students, the Students' Association and, as appropriate, staff in relation to the quality of the student experience;
   - Consider the results of key student surveys and monitor related action plans that impact on the quality of learners' experience;
   - Ensure that learners are effectively supported to achieve the best possible outcomes;
   - Support and monitor the implementation of the Partnership Agreement between the College and the Students' Association;
   - Consider the recommended Students' Association annual budget proposal ahead of its inclusion in the College's draft annual budget.

6. Findings (Continued)

Strengths (Continued)

6.7 **Section C – Accountability**

a) Our discussions with Board Members confirmed that they are content with the current meeting timetable which has a blend of face to face and remote meetings of the Regional Board and Board sub-committee. Although the volume of the Board pack for some Regional Board meetings was highlighted by some Regional Board Members, they were content that the current frequency of meetings does not need to change.

b) In common with the previous EFER, Regional Board Members collectively praised the Regional Chair and the Chairs of the Board Sub Committees for the collaborative way in which in-person and remote meetings have been conducted and the inclusive approach which has been taken to ensure that all participants can contribute effectively. This was evident at the March 2026 Regional Board meeting, where the Regional Chair took the time to allow all Board Members to express their views. This demonstrates alignment with paragraph 3.45 in the Standing Orders, which states that "T*he Chair shall be responsible for the general conduct of meetings and shall:*

- *preserve order and ensure every member has a fair hearing;*
- *decide upon all matters of order, competency and relevancy; and*
- *determine all questions of procedure in reference to which no express provision is made in legislation or under these Standing Orders.*

All business at Board and Committee meetings shall be conducted through the Chair by members indicating to the Chair that they wish to speak. The Chair shall be heard without interruption".

c) A register of interest for all Board Members is maintained and is published on the College website. We noted that the most recent iteration published on the website is dated August 2025.

d) A "Declaration of Any Potential Conflicts of Interest in Relation to Any Agenda Items" is a standing agenda item for all Regional Board meetings and Board sub-committee meetings. The Standing Orders have a section on "Board Members Interests" which requires that:
"*A Board member who has any financial or material interest in:*

- *the supply of work or goods to or for the purpose of the College;*
- *any contract or proposed contract concerning the College; or*
- *any other matter relating to the College*

must, at any meeting when the item is considered, declare an interest and withdraw from the meeting, unless the Board allows the member to remain when she or he may talk on the item, but they may not vote on any question in relation to it. In considering whether to make a declaration in any proceedings, members must consider not only whether they will be influenced but whether anybody else would think that they might be influenced by the interest. Members must keep in mind that the test is whether a member of the public, acting reasonably, might think that a particular interest could influence a member's actions".

e) Based on our one-to-one interviews with Board Members, the quality of Board and Board subcommittee papers is considered to be very good, with papers mostly received timeously. However, two Regional Board Members did highlight the occasional dissemination of late papers for the Regional Board.

f) The consensus is that the balance between the business considered at Regional Board meetings and at Board subcommittees is good, with adequate opportunity to ask for more detail on the business conducted at Board subcommittees when the Report by Committee Chairs is presented at the Regional Board. We noted that this report highlights both a summary of key business discussed at each sub-committee meeting, together with a list of agreed actions. We would commend this as an example of good practice.

g) There has been significant work undertaken by senior management, led by the Vice Principal Finance and Resources, to refresh the College's approach to risk management, with work being completed to redesign the format of the Strategic Risk Register. An Opportunities Register has also been introduced. It is recognised that further work is required to develop a risk appetite statement for the College but we were advised that this issue has already been raised at the Regional Board. Therefore, no improvement action has been made on this issue.

6. Findings (Continued)

Strengths (Continued)

6.7 **Section C – Accountability (Continued)**

h) The Audit and Risk Committee has delegated authority, on behalf of the Regional Board, to review all College strategic risks via the Strategic Risk Register at each of its quarterly meetings. In addition, the ASET risk register is also considered at the Audit and Risk Committee. There has been significant discussion at the two most recent Audit and Risk Committee meetings regarding the format of the ASET risk register, with the ASET Board taking the decision not to bring the format of the ASET risk register in line with the format of the College Strategic Risk Register. Both the Strategic Risk Register and the Opportunities Register were presented to the March 2026 meeting of the Regional Board.

i) The consideration of any risks emerging from committee discussions is captured as part of a risk review standing agenda item which ensures that consideration is given to the implications on the risk register in terms of new or changed risks for the College.

j) The Audit and Risk Committee is well established, and although the current membership does not include a qualified accountant, we are comfortable that the membership includes members with "recent relevant financial or audit experience" as stipulated by the Code.

k) The remit of the Audit and Risk Committee specifically references the committee's responsibility around "*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*".

l) The specific duty to review reports submitted by the College's internal auditors, and to monitor progress in implementation, is reflected in the terms of reference of the Audit and Risk Committee, as is the requirement to monitor the recommendations raised by College's external auditors.

m) A closed session with the internal and external auditors is built into the Audit and Risk Committee annual workplan, in line with good practice.

n) The Terms of Reference of the Finance and Resource Committee specifically precludes the Chair of the Finance and Resource Committee from serving on the Audit and Risk Committee. However, the Chair of the Finance and Resources Committee may attend meetings of the Audit and Risk Committee in an observer's role, as set out in the terms of reference for the Audit and Risk Committee.

o) Regional Board meeting papers, agendas and minutes are available to view on the College website.

p) Board papers follow a standard structure with clear purpose and recommendations. Section 3.59 in the Standing Orders states that "*The Secretary to the Board shall ensure the circulation of papers to Board or Committee members at least five working days prior to the meeting. Where this timescale is not possible, the Secretary to the Board shall advise members of this and advise of the reason for the delay and when papers might be expected*". Bearing in mind the point raised regarding period receipt of late Board papers, one proposed enhancement would be to include a standing prompt for Committee Chairs to ask at the start of each meeting whether committee members have had sufficient time to considered all of the papers. This has been included as a proposed improvement action in Section 7 below.

q) The Audit and Risk Committee provides an annual report to the Regional Board setting out the work undertaken during the financial year and provides an overall opinion, based on review of reports by internal audit, external audit and other agencies, on the Colleges financial management, control and protection of assets, corporate governance and the control environment.

r) The Code of Conduct stipulates that Regional Board members must treat other Board members and College staff with respect and courtesy, and this requirement is covered in the formal induction provided to all new Board Members.

6. Findings (Continued)

Strengths (Continued)

6.8 **Section D – Effectiveness**

a) Meeting agendas are deliberately structured to ensure that agenda items for decision are covered first, in order to allow that there is sufficient time to explore what may be complex areas. This also ensures that these important topics are raised in the earlier part of the meetings when attendees are fresh, rather than at the end of a lengthy meeting.

b) The relationship between the Chair of the Regional Board and the SLT is viewed by other Regional Board Members as effective in delivering for the College.

c) All Regional Board Members interviewed stated that they felt encouraged to contribute in Regional Board meetings and did not feel inhibited in challenging the Principal and the rest of the SLT, where appropriate.

d) All Regional Board Members interviewed advised that they feel they are treated as full members of the Board and that there is a collaborative and respectful approach to meetings. This included Trade Union members of the Regional Board and Student members of the Regional Board.

e) The working relationship between the Chair of the Regional Board and the Principal and the Secretary to the Regional Board was confirmed as being excellent and therefore engagements are both constructive and professional.

f) The role description for the Senior Independent Member is set out within an appendix to the Regional Board Governance Manual.

g) Annual Development Meetings are held in the summer each year, which are informed by a standard Annual Development Proforma. As part of our review, we examined the schedule of one to one discussions held with the Chair in 2025 to confirm that all Board Members had taken part in this process. We also confirmed, as part of our one-to-one discussions, that these discussions are considered to be useful, two-way, conversations which provide the opportunity for members of the Regional Board to raise any issues they may be having or to make suggestions on ways to improve the existing governance processes.

h) While all members of the Regional Board were content that the induction process prepared then for their role on the Regional Board, the view was expressed by most Board members that tailored induction for Board sub-committees would be useful. An improvement action has been raised on this point.

i) Although the Chairs Committee was confirmed as a useful mechanism to consider complex or sensitive matters, often at short notice, the view was expressed that a greater focus on horizon scanning at the Chairs Committee would make this forum more forward looking and would leverage the experience of the attendees. An improvement action has been raised on this point.

j) Although there was a general consensus amongst Regional Board Members that there were no significant skills gaps on the current Regional Board, the need for further resilience and strength in depth in financial acumen was highlighted by several interviewees, who advised that there is only one member of the current Regional Board who is a qualified accountant. This is a known issue for management and a Board Recruitment exercise was launched in early 2026 to attract a Board Member with specific financial expertise. Unfortunately no responses were received which met the agreed person/skills specification. We have been advised that several networking discussions have taken place with the Regional Board and SLT members to try to find a new Regional Board Member who has this specific background. A new recruitment advert will be posted in June 2026 and will be shared via paid social media channels; the chamber of commerce, local accountancy firms; federation of small businesses; the seven incorporated trades; and other relevant networks. Given the ongoing activity in this rea, no improvement action has been raised on this point.

k) A skills matrix is maintained which captures the details for each individual member of the Regional Board. This is utilised to inform succession planning arrangements, with the end of Board tenures phased to ensure that Board recruitment activity can be managed effectively.

6. Findings (Continued)

Strengths (Continued)

6.9 **Section E – Relationships and Collaboration**

a) Information from a range of bodies, including the Community Planning Partnership and employers, is taken into account in considering the student experience, employability and relevance of learning to industry. The College plays an active role in the Community Planning Partnership for Aberdeen City but is not engaged in the same way in the Aberdeenshire Community Planning Partnership. Accordingly an improvement action has been raised on this point.

b) As highlighted above, interviewees welcomed the ongoing efforts of the Chair of the Regional Board and the SLT to actively engage with external partners. This includes a specific partnership with Robert Gordon University. Previous efforts have been made to bring together the members of the University Courts at Aberdeen University and Robert Gordon University with the members of the College Regional Board and we were advised that there are plans to repeat this event in order to build partnership links between the College and the two local universities.

c) It was evident that while the Board is aware of key partnership activity, largely via updates provided by the Principal, there is a need to demonstrate the impact of this partnership activity in delivering strategic priorities as part of future reporting to the Board on the delivery of the Strategic Plan 2025-2030. As a result we have included an improvement action on this point.

d) As highlighted above, several interviewees confirmed their view that the College is outward looking and is proactive in seeking to build partnerships and shape the landscape of the tertiary sector. Recent examples of this are the attendance at the conferences of two political parties to allow direct engagement with politicians.

7. Improvement Action Plan

We have grouped the improvement actions under the relevant sections of the Code of Good Governance below:

Section A – Leadership and Strategy

Observation	Recommendation
We are aware that steps have been taken to revisit the Key Performance Indicators to ensure that they remain fit for purpose. As highlighted above, under paragraph 6.5f) Board Members were generally content with format and the level of detail in the performance information provided. However, several interviewees highlighted the potential to leverage the use of PowerBI to further enhance reporting capabilities for both staff and for the Regional Board. This could include more visual reporting on student data and reporting on performance metrics which link directly into strategic priorities.	**R1** It is recommended that work should be completed to leverage the use of PowerBI, to collate stakeholder requirements and to enhance existing performance reporting arrangements, which will ensure that future performance reporting is aligned with the five pillars in the NESCol Strategic Plan 2025-30, thus creating a "golden thread" between strategic priorities and performance reporting.
Management Comments	**Timescales and Responsible Person**
Work is ingoing to develop a dashboard for the Executive Team, which will in turn inform enhanced reporting to the Regional Board. A paper will be presented to the Regional Board meeting in September 2026 by the Assistant Principal – Student Services, which will set out future aspirations for leveraging PowerBI to enhance reporting.	**Action by:** Assistant Principal – Student Services **Timescale:** 30 June 2027 (to coincide with the June 2027 meeting of the Regional Board)

7. Improvement Action Plan (Continued)

Section B – Quality of the Student Experience

Observation	Recommendation
The potential for providing advance warning, at the agenda setting stage, of any agenda items where specific input would be helpful, from a student perspective, was discussed with the Student President and Depute President. Advance warning that the Regional Chair will be seeking student input would allow time for discussion in advance of the Regional Board meeting and would provide the opportunity for a more cohesive response to be provided.	**R2** Consideration should be given to the identification, at the agenda setting stage, of any Board agenda items where input from a student perspective would be helpful.
Management Comments	**Timescales and Responsible Person**
Discussions have already taken place with the Student president and the Student Engagement & Wellbeing Manager to progress this recommendation. The opportunity to meet fellow Regional Board members at the in-person meeting was highlighted as a positive way to enhance engagement with the Student President. Discussion will take place before each Board meeting to ensure that agenda items where the student voice would be beneficial are flagged in advance.	**Action by:** Regional Board Chair **Timescale:** 30 September 2026

Observation	Recommendation
A “Board Buddy” system is in operation, with support provided by the Support Staff Representative on the Regional Board. While this buddy arrangement has allowed useful discussion prior to Regional Board meetings, it has been suggested that the arrangement could be reviewed for academic year 2026/27 to make sure that it meets the needs of the incoming Student President and Depute President.	**R3** A review of the current “Board Buddy” system should be conducted to ensure that the approach is tailored to meet the needs of the incoming Student President and Depute Student President of the Students’ Association. This should include consideration of the benefits of arranging a meeting with each of the relevant Board sub-committee Chairs before the student representatives attend their first meeting.
Management Comments	**Timescales and Responsible Person**
Discussions have taken place which confirm that there is a willingness from all parties to continue the Board buddy arrangements. The induction process for the new student President and Depute President now incorporates meetings with the Board sub-committee Chairs.	**Action by:** Secretary to the Regional Board lead on the induction element. Regional Board Chair to lead on the review of how the Board buddy system is operating, later in the academic year. **Timescale:** 31 January 2027

7. Improvement Action Plan (Continued)

Section C – Accountability

Observation	Recommendation
Some Board Members highlighted the occasional late dissemination of Board papers. While not always a significant issue, we were advised that there have been some occasions where papers on complex and/or important matters were issued fairly close to Regional Board meeting. One remedy suggested by some Board Members would be the addition of a new standing agenda which would introduce a prompt for Board and Board sub-committee Chairs to ask at the start of each meeting whether committee members have had sufficient time to consider all of the papers.	**R4** Consideration should be given to the addition of a new standing agenda which would introduce a prompt for Board and Board sub-Committee Chairs to ask at the start of each meeting whether committee members have had sufficient time to considered all of the papers.
Management Comments	**Timescales and Responsible Person**
The addition of a new standing agenda item, which will act as a prompt for Board and Board sub-Committee Chairs to ask at the start of each meeting whether committee members have had sufficient time to considered all of the papers, will commence from the 20September 2026 meeting onwards.	**Action by:** Secretary to the Regional Board **Timescale:** 30 September 2026

Improvement Action Plan (Continued)

Section D – Effectiveness

Observation	Recommendation
Although Board Members were complimentary regarding the effectiveness of the existing induction process in preparing them for their role on the Regional Board, several Regional Board members expressed the view that there would be merit in developing tailored induction for new members of the Audit and Risk Committee, the Finance and Resources Committee, the Human Resources Committee and the Curriculum and Quality Committee to ensure that members of these committees can "hit the ground running" in contributing to the business of these sub-committees.	**R5** Consideration should be given to the development of tailored induction for new members of the Audit and Risk Committee, the Finance and Resources Committee, the Human Resources Committee and the Curriculum and Quality Committee, to ensure that new members of these sub-committees have a deeper understanding on the core business for each of these sub-committees from the outset.
Management Comments	**Timescales and Responsible Person**
The latest remember recruited to the Regional Board has met with the Executive Leadership Team and with the sub committee Chairs. Going forward the induction for new members of the Regional Board will include specific induction relevant to the specific sub-committee (or sub-committees) which the new Regional Board Member is assigned to. Internal audit have offered to provide a session for any new members of the Audit & Risk Committee to explain the internal audit planning and reporting processes, in advance of their first Audit & Risk Committee meeting.	**Action by:** Secretary to the Regional Board **Timescale:** 31 December 2026

Observation	Recommendation
Although the Chairs Committee was confirmed as a useful mechanism to consider complex or sensitive matters, often at short notice, the view was expressed that a greater focus on horizon scanning at the Chairs Committee would make this forum more forward looking and would leverage the experience of the attendees.	**R6** The terms of reference for the Chairs Committee should be revisited to explore whether a greater focus on horizon scanning would allow the committee to be more forward looking.
Management Comments	**Timescales and Responsible Person**
The terms of reference for the Chairs Committee will be reviewed to ensure that consideration is given to the identification of issues which should be considered for coverage at future Board strategy or Board development days.	**Action by:** Chair of the Regional Board and Secretary to the Regional Board **Timescale:** 31 March 2027

Improvement Action Plan (Continued)

Section E – Relationships and Collaboration

Observation	Recommendation
The College plays an active role in the Community Planning Partnership for Aberdeen City but is not engaged in the same way in the Aberdeenshire Community Planning Partnership.	**R7** Work should be undertaken to explore the possibility of the College engaging in the Aberdeenshire Community Planning Partnership.
Management Comments	**Timescales and Responsible Person**
The Principal has already proactively engaged with the Chief Executive and the Director of Education and Children's Services in Aberdeenshire Council to explore ways in which the College can engage more effectively with the Council moving forward. Therefore, it is felt that the actions taken by the Principal address the spirit of the recommendation, recognising that there are variations in the way that the Community Planning Partnerships operate within Aberdeen City and Aberdeenshire.	**Fully implemented**
Observation	**Recommendation**
There is a need to demonstrate the impact of "business critical" College partnership activity in delivering strategic priorities as part of future reporting to the Board on the delivery of the Strategic Plan 2025-2030.	**R8** We would recommend that future reporting on the delivery of the priorities set out in the Strategic Plan 2025-2030 should incorporate a specific section which quantifies the impact of activity delivered through partnership for each of the agreed strategic priorities, where relevant.
Management Comments	**Timescales and Responsible Person**
Regular updates are already provided on partnership activity across the College. In addition, the opportunities register now captures opportunities for expansion of partnership activity. However, it is accepted that more could be done to structure the updates in a way which explicitly groups the partnership activities together in a way which allows Regional Board members to see how this partnership activity connects to the delivery of strategic priorities.	**Action by:** Secretary to the Regional Board (who will act as the liaison person to the individual report authors). **Timescale:** 28 February 2027

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LEVEL OF ASSURANCE
Satisfactory

Agenda Item 08-26

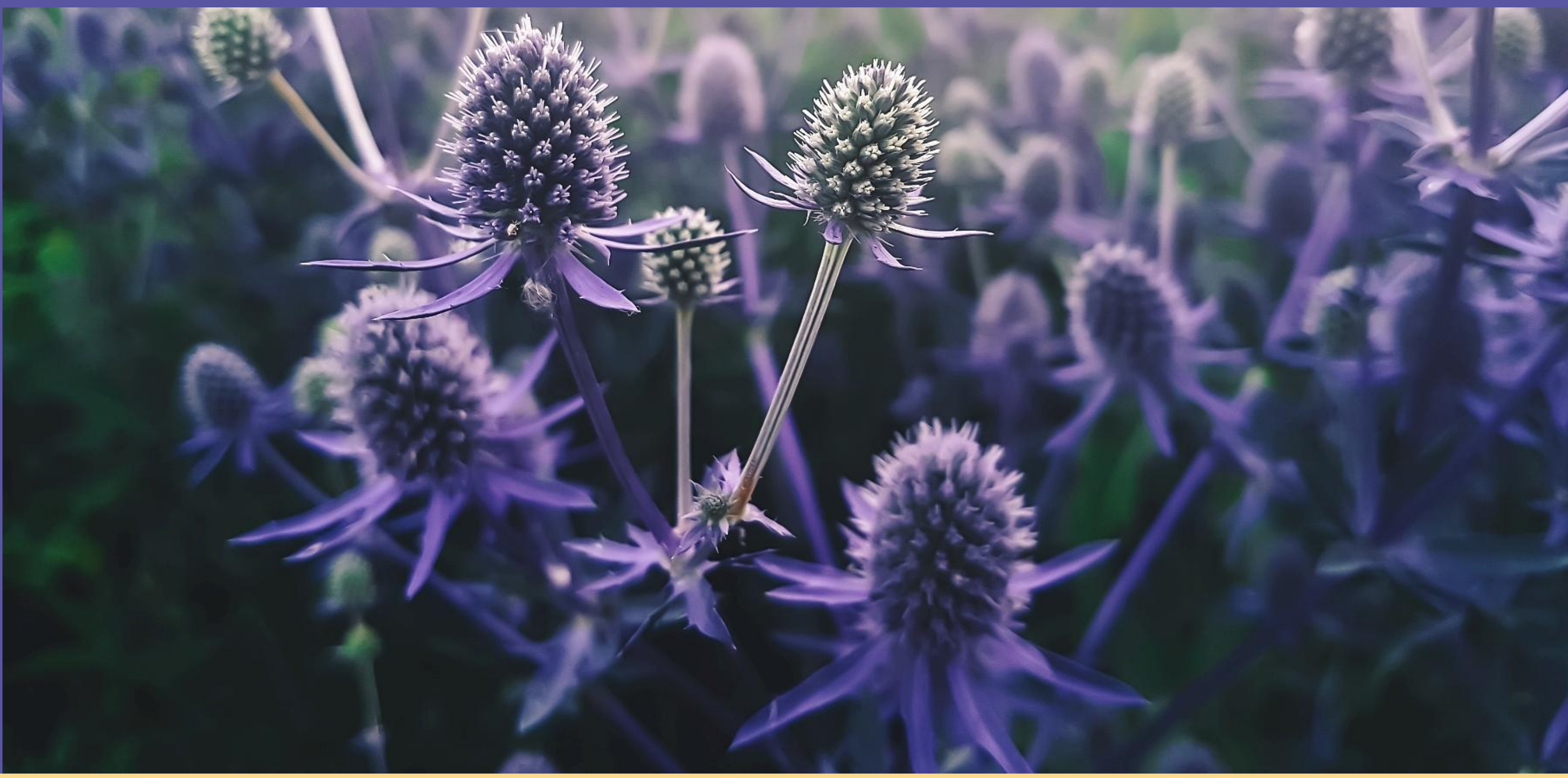
North East Scotland College

Estates Strategy / Capital Projects

Internal Audit report No: 2026/07

Draft issued: 24 August 2026

Final issued: 25 August 2026



Contents

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

This review focused on the controls in place to mitigate the following risks on the North East Scotland College's (the College) Strategic Risk Register, which was tabled at the Regional Board meeting held on 17 June 2026:

- Strategic goal 4 Building a stronger and more sustainable College, Risk 4.3 - Insufficient funding to maintain modern fit-for-purpose buildings, infrastructure and equipment negatively impacting the quality of the student experience, current risk score 6, low risk and within appetite.

Background

As part of the Internal Audit programme at the College for 2025/26, we carried out a review of the systems in place for Estates Strategy / Capital Projects. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Audit and Risk Committee and management that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College recently brought delivery of estates capital projects in-house, having previously utilised the appointed facilities contractor. Following this change, the College has introduced procedures covering the project lifecycle from initial concept to project delivery. Estates capital projects are funded principally through the Scottish Funding Council, with the College also pursuing other funding opportunities, including the UK Government's Transition Fund.

Estates capital project plans are prepared and updated annually by the Vice Principal Finance and Resources and are then submitted to the Senior Leadership Team (SLT) for approval before being presented to the Finance and Resources Committee and the Regional Board. The Vice Principal Finance and Resources has corporate oversight of estates capital projects, with delivery of approved plans primarily undertaken by the College's Project & Procurement Manager and Estates Manager, who operate under the oversight of the Assistant Principal Finance and Estates. The estates capital plans for the 2025/26 financial year were delivered on time and within budget.

This audit assessed the effectiveness of the current arrangements for the delivery of estates capital projects within agreed timescales and budget, and in supporting the achievement of the College's wider strategic objectives.

Scope, Objectives and Overall Findings

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

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

Objective	Findings			
The specific objectives were to obtain reasonable assurance that the policies and procedures for estates planning and capital-project delivery are aligned with the Scottish Public Finance Manual, Scottish Funding Council, and other good practice guidance, in relation to the following requirements:	**Level of Assurance**	**1**	**2**	**3**
		No. of Agreed Actions		
1. The Estates Strategy has been developed and aligned with key strategic priorities and also takes cognisance of supporting strategies and plans (such as the financial plan, curriculum planning, digital strategy, and people strategy).	**Satisfactory**	0	0	1
2. The capital project identification and appraisal process, including the information provided to management and the Regional Board and its committees for decision making purposes is adequate.	**Satisfactory**	0	0	1
3. Risk management and contingency planning on capital projects are proportionate.	**Satisfactory**	0	0	1
4. The selection and management of consultants and contractors, including the tendering process and performance management, is adequate.	**Good**	0	0	0
5. The monitoring of progress made on projects and expenditure against budget, by management and by Regional Board committees, is reasonable.	**Good**	0	0	0
Overall Level of Assurance	**Satisfactory**	**0**	**0**	**3**
		System meets control objectives with some weaknesses present.		

Audit Approach

We reviewed documentation including: relevant strategies, policies, procedures, estates capital project appraisal documents etc. relating to estates capital projects and discussed the procedures adopted with College staff.

We considered whether the policies and procedures were in line with good practice in relation to planning, control and monitoring of estates capital projects and, for a sample of recent estates capital projects, we tested compliance with these policies and procedures.

Summary of Main Findings

Strengths

- The Estates sub-strategy aligns with the Strategic Plan and includes measurable targets, such as improving student campus satisfaction, increasing teaching space utilisation, investing at least £1.5m annually, and increasing the number of external lets / community events.
- The estates capital-planning process is linked to the annual budget setting process, with draft budgets reviewed by SLT and final estates capital proposals submitted to the Finance and Resources Committee for their consideration and approval.
- New project-management procedures have been introduced which clearly set out minimum expected business-case and project delivery controls.
- Project risks are identified through business cases, specialist consultant input, procurement checks, supplier due diligence, and contractor progress monitoring.
- Delivery risks are managed through project logs, assigned risk owners, escalation routes, formal change control mechanisms, and early contingency planning where project delays could impact on teaching or accommodation availability.
- Estates capital works are procured through Public Contracts Scotland (PCS) for both open competitive and quick quote tenders, with invitations to tender, published scoring criteria, supplier evaluation, and contract award reports in place.
- Successful contractors are approved in line with the College's scheme of financial delegation, with contract award reports confirming compliance with procurement requirements.
- The Estates Capital Plans in place for the 2025/26 financial year were delivered on time and within the approved budget envelope.

Controls recently introduced.

- The College has recently introduced a comprehensive project management approach. These arrangements were not in place when the current year's estates capital projects were approved. As a result, while business cases were prepared at that time, they were not as comprehensive as the format of business cases which are now required.
- The recent introduction of these project management procedures is the main reason for the satisfactory assurance rating, as we were not able to assess their effectiveness in practice during this review as this methodology has not yet been in operation through a complete annual project lifecycle. In addition, in our opinion the new project management controls require further strengthening.

Weaknesses

- The Our Spaces sub-strategy identifies the need for an estates masterplan. However, this estates masterplan has yet to be finalised.
- Further clarity is required within the newly introduced project management process over project assessment, approval, reporting and early planning for complex summer works.

Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during the course of our review.

Main Findings and Action Plan

Objective 1 - The Estates Strategy has been developed and aligned with key strategic priorities and also takes cognisance of supporting strategies and plans (such as the financial plan, curriculum planning, digital strategy, and people strategy).

The College's Strategic Plan 2025–30 sets out the ambition to remain the leading provider of education and training in the North East of Scotland, with priorities focused on student success, digital innovation, staff capability, and alignment with employer and community needs. The College's Our Spaces sub-strategy supports delivery of this plan by setting out the commitment to sustainable, efficient, and fit-for-purpose campuses. It focuses on net zero, green campus initiatives, sustainable operations, infrastructure investment, and improved learning environments. By 2030 the stated objectives are to:

- Increase student satisfaction in relation to the experience of our campuses to over 90%.
- Ensure our estate matches demand, delivers value for money.
- Continue to invest at least £1.5m per annum in capital projects and improvements.
- Embed the 'Energy on the Move' vehicle to promote energy transition and outreach delivery.
- Develop design principles to improve the quality and consistency of teaching facilities and public spaces across our campuses.
- Increase teaching space utilisation by 15%.
- Increase the number of external lets and community events held annually by 20%.

These aims and objectives align the Our Spaces sub-strategy with other supporting strategies by linking estates investment to future curriculum needs through stakeholder feedback and consistent design principles. The Our Spaces sub-strategy also makes specific reference to the development of an estates masterplan. They also support safe, accessible, and inclusive campuses for students, staff, and communities, while strengthening the College's role as an anchor institution through increased campus access, commercial lets, partner activity, co-location, and outreach.

Overall, the sub-strategy supports sustainability, financial resilience and continuous improvement by optimising the use of available space, prioritising capital investment, reducing carbon emissions and improving value for money. However, a key element of the sub-strategy remains incomplete because the development of an estates masterplan has not been completed. Without a finalised estates masterplan, effective oversight of the delivery of the sub-strategy is reduced, as described in the observation set out below.

Objective 1 - The Estates Strategy has been developed and aligned with key strategic priorities and also takes cognisance of supporting strategies and plans (such as the financial plan, curriculum planning, digital strategy, and people strategy) (Continued).				
Observation	**Risk**	**Recommendation**	**Management Response**	
The Our Spaces sub-strategy identifies the need for an estates masterplan, but the masterplan has not yet been finalised or approved.	Without an approved estates masterplan, annual estates capital decisions may be reactive or may not provide sufficient clarity on strategic alignment, estate condition, curriculum requirements, sustainability, affordability, and student experience.	**R1 -** The College should agree a target date for completion and approval of the estates masterplan. The masterplan should identify and prioritise the estates capital projects required to deliver the Our Spaces sub-strategy, with priorities informed by strategic alignment, estate condition, curriculum need, student experience, sustainability, affordability, and value for money. It should be reviewed at defined intervals and used to inform future annual estates capital planning.	The estates masterplan will be completed and presented to SLT and the Regional Board. **To be actioned by:** Assistant Principal Finance & Estates **No later than:** 31 January 2027	
			Grade	**3**

Objective 2 - The capital project identification and appraisal process, including the information provided to management and the Regional Board and its committees for decision making purposes, is adequate.

The College has recently brought its estates capital projects process back in-house and has developed a new project management methodology covering the project lifecycle from initial concept through to project delivery. The methodology requires projects to be supported by business cases which define the project need, rationale, scope, expected benefits, objectives, success criteria, affordability, resource requirements, governance arrangements, risks, and controls. It also requires projects to establish delivery arrangements, monitoring processes and change control procedures prior to implementation.

The new arrangements were introduced after the estates capital plan for 2026/27 had been agreed and therefore although business cases had been prepared for the majority of projects we reviewed, the new methodology had not yet been fully embedded or tested through a complete project cycle. We also identified a number of areas where the guidance could be strengthened. In particular, the methodology does not clearly define project assessment criteria, cost appraisal requirements, approval authorities, reporting arrangements, or ownership of the estates capital planning process.

We reviewed the College's newly developed project management documentation and assessed whether it incorporated the key controls expected within a capital project governance framework. We also reviewed a sample of project business cases, including the SMA Simulator and East Block Kitchen projects, to assess the quality of the project appraisal mechanisms and the supporting information which was provided prior to approval. In addition, we discussed the current arrangements with relevant staff responsible for project planning and delivery.

Our testing identified that the sample business cases reviewed provided a clear explanation of project need and strategic rationale, with the SMA Simulator business case providing particularly strong evidence of strategic alignment, expected benefits and financial considerations. Our review also confirmed that, prior to the introduction of the new methodology, there was no formal project management framework governing the delivery of estates capital projects.

The College has taken proactive steps to strengthen project governance by introducing a comprehensive project management methodology and business case approach. Once fully implemented, these arrangements should significantly improve assurance over the identification, appraisal, and delivery of estates capital projects. However, the framework remains relatively new, and a number of important governance requirements require further clarification. These are explored in more detail below.

Objective 2 - The capital project identification and appraisal process, including the information provided to management and the Regional Board and its committees for decision making purposes, is adequate (Continued).			
Observation	**Risk**	**Recommendation**	**Management Response**
We reviewed the newly introduced project management process and identified the following areas which require clarification or further refinement: • There are currently no clearly defined criteria set for assessing estates capital funding applications, including strategic alignment, student experience, digital improvement, or wider College priorities. • The project management guidance does not explain how costs should be calculated or when Finance or HR input is required, including calculation of indirect costs (such as staffing, backfill or training). • Project approval authority and final decision-making responsibilities are not clearly defined. • Reporting requirements are unclear, including reporting lines, recipients, frequency, and relevant governance forum. • The guidance does not define how estates capital projects and related plans are developed or who is responsible for completion of this task...	Without clear assessment criteria, there is a risk that estates capital projects may lack ownership, be uncoordinated, fail to support the College's current and future needs, and may not be able to demonstrate value for money.	**R2 -** The College should further strengthen its estates capital project management guidance by clearly defining capital bid assessment criteria, cost appraisal requirements, approval routes, reporting arrangements, and ownership of the estates capital planning process.	The guidance and process will be reviewed and amended. **To be actioned by:** Assistant Principal Finance & Estates **No later than:** 31 December 2026 **Grade** 3

Objective 3 - Risk management and contingency planning on capital projects are proportionate.

In addition to the strategic risk highlighted at the beginning of this report, project risks are currently identified through individual business cases, specialist consultant input, procurement processes, and contractor monitoring arrangements. The College also operates formal change control procedures and where project delays may impact on teaching accommodation, project staff work with curriculum teams to put in place proportionate contingency arrangements. Estates capital projects delivered during 2025/26 were completed successfully, while projects planned for 2026/27 were reported as being on track at the time of our audit fieldwork.

The recently introduced project management methodology further strengthens arrangements by requiring risks, assumptions, issues, dependencies, and actions to be captured within a project reporting log and escalated through a formal governance process. However, the effectiveness of these new controls could not yet be fully assessed because they had not operated throughout a complete annual project lifecycle. We also identified weaknesses within the current annual planning cycle. For some summer projects, detailed requirements are not confirmed until relatively late in the year, thus reducing the time available to prepare business cases, obtain approvals, secure funding, and complete procurement activity before works commence. This presents a particular challenge for more complex projects that require significant design, specification, or procurement lead-in times.

We reviewed the College's risk management and project management arrangements, including project business cases, project monitoring documentation, and examples of completed and ongoing projects. We also reviewed the annual estates capital planning process and discussed project delivery arrangements, risk management practices, and contingency planning measures with management.

Our review confirmed that risks are considered during project development and delivery. However, risk management updates were not routinely evidenced within the project-monitoring records we reviewed, and the current planning process does not formally distinguish between routine projects and more complex projects which may require extended lead-in times. We noted that business cases for the 2026 summer programme were largely developed during February and March 2026, which compressed the timeframe available for planning and procurement.

While the College has established reasonable arrangements for managing project risks and mitigating operational disruption during project delivery, the new project management methodology should provide a more robust framework for identifying, monitoring, and escalating project risks once fully embedded. However, the annual estates capital planning process does not currently identify complex works that may require additional planning time to allow effective mitigation of the risk of delivery overruns, which could in turn adversely impact upon curriculum delivery and teaching activities.

Objective 3 - Risk management and contingency planning on capital projects are proportionate (Continued).

Observation	Risk	Recommendation	Management Response
We were advised that although the College has an annual estates capital planning process, some complex or high-risk summer works are not confirmed until departments identify requirements around Easter time. As summer provides the main opportunity to complete estates capital works, while students are off site, this reduces the time available to plan and deliver works that cannot reasonably be undertaken during term time. Starting this process in February or March compresses the timeframe for completing business cases, securing approvals, confirming funding, and undertaking procurement. This increases the risk of project delay, while contractor availability may also be reduced where suppliers are already committed to other work. As a result, works may continue into term time, thus impacting upon teaching accommodation and the student experience where classes require to be relocated or may be held in unsuitable spaces. Where delays are likely to occur, the Project and Estates Manager works with curriculum teams to agree and implement contingency arrangements in order to minimise disruption.	Late estates capital planning increases the risk of project delays, cost overruns, and disruption to teaching or accommodation where works cannot be completed during the summer period.	**R3 -** The College should establish an annual timetable which would allow earlier evaluation and identification of potential complex summer works prior to the Christmas break. Any complex works identified should be assessed against the following risk factors: • technical complexity. • procurement lead time. • dependency on external funding. • specialist contractor availability. • impact on teaching space. • requirement for statutory or regulatory approvals.	We will develop an annual timetable with longer lead in time for major projects. **To be actioned by:** Assistant Principal Finance & Estates **No later than:** 31 December 2026 **Grade** 3

Objective 4 - The selection and management of consultants and contractors, including the tendering process and performance management, is adequate.

The College's Procurement Strategy sets out the required approach for commissioning project works. The Project Manager also acts as the procurement lead for capital projects and is responsible for overseeing the associated procurement processes. Due to the value of estates capital project works, projects are generally procured through open competition, unless a suitable framework allows a more limited / tailored tender exercise. Opportunities are advertised through the PCS website.

Prior to publication on PCS, an Invitation to Tender (ITT) document is prepared and, where required, specialist input is obtained to support the College in developing the specification. The ITT describes the scoring criteria which will be deployed in assessing tender submissions. Following completion of the evaluation process, a preferred supplier is identified, and a contract award report is prepared and submitted to the relevant Director for final approval, in line with the College's scheme of financial delegation. The contract award report also provides positive confirmation on compliance within the College's procurement approach.

Estates capital project procurement activity is included within the annual procurement report. Given the short delivery timescales for these contracts, contractor performance is managed against the agreed works schedule by either the College's project management team or the specialist consultant appointed to manage the project on the College's behalf.

Our audit testing of current estates capital projects in place and planned for 2026/27 confirmed compliance with the required procurement approach and current legislative requirements.

Objective 5 - The monitoring of progress made on projects and expenditure against budget, by management and by Regional Board committees, is reasonable.

Estates capital projects are monitored by the College's project manager, with reporting requirements agreed at the outset through contractor kick-off meetings. For projects lasting more than three weeks, fortnightly face-to-face update meetings are held with contractors to review progress, alongside written progress reports.

We reviewed a sample of current and completed projects, which confirmed that monitoring arrangements were in place. In addition, monthly Finance reports compare estates capital project expenditure against approved budgets. These monitoring controls will be strengthened through the new project management process, which requires weekly project progress reports to be completed for all future projects.

The Vice Principal Finance and Resources provides regular capital project updates to SLT, with progress and budget information included in finance reports. Estate capital budget and project progress are standing agenda items at the Finance and Resources Committee, with updates provided throughout the year to support ongoing oversight and accountability. Finance and Resources Committee minutes are submitted to the Regional Board, alongside finance reports which include updates on capital spend and project progress.

Our review of Finance and Resources Committee and Regional Board minutes confirmed compliance with this reporting approach.

Henderson Loggie

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LEVEL OF ASSURANCE
Good

Agenda Item 08-26

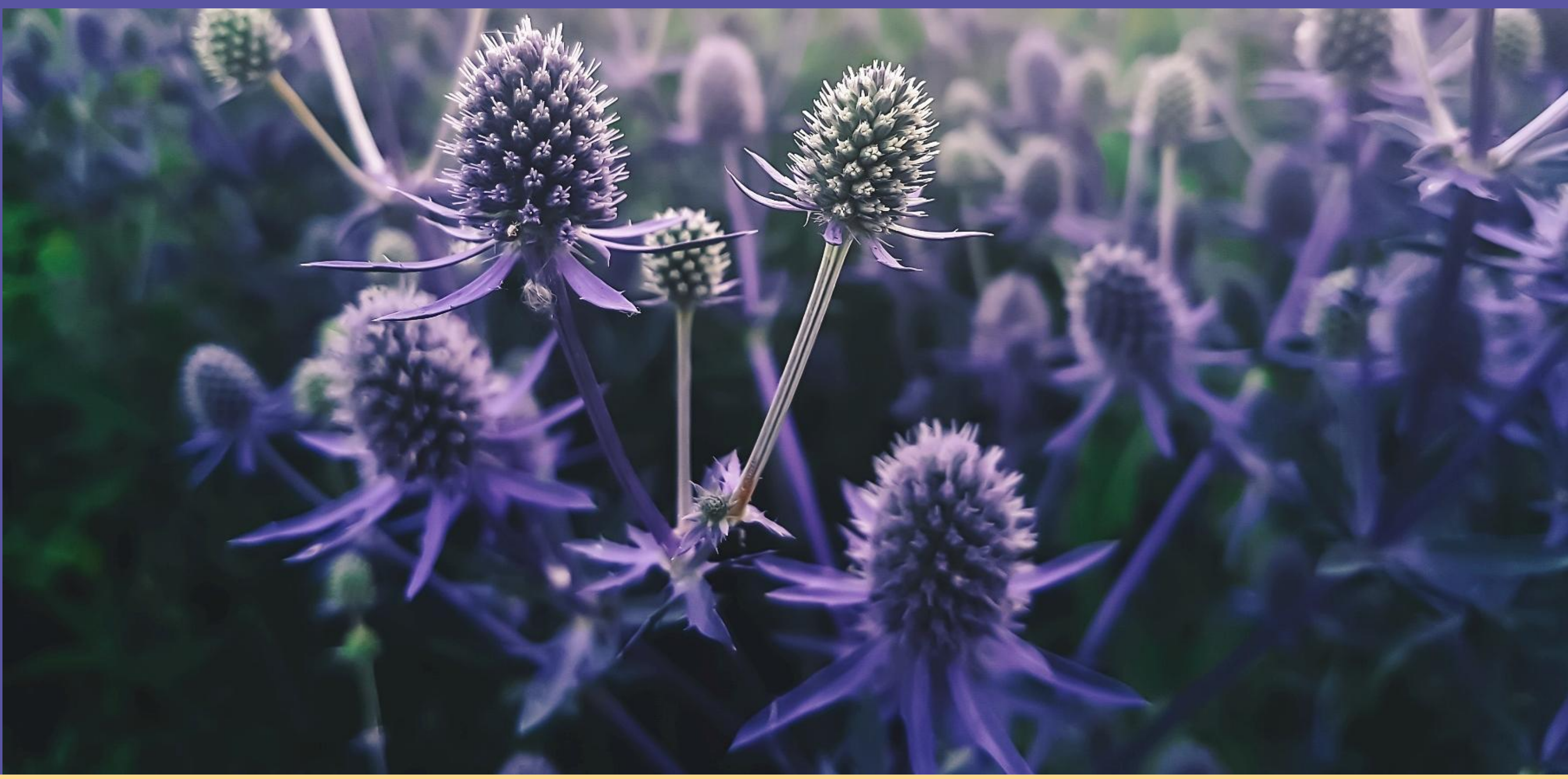
North East Scotland College

Budgetary Control

Internal Audit report No: 2026/05

Draft issued: 25 August 2026

Final issued: 25 August 2026



Henderson Loggie

Contents

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

Good	System meets control objectives.

Risk Assessment

This review focused on the controls in place to mitigate the following risks on the North East Scotland College ('NESCol' or 'the College') Strategic Risk Register (as at June 2026):

- Risk 5.1 - Funding and increasing cost pressures will reduce the College's ability to achieve a balanced budget and challenge future sustainability (Current Risk Rating = 12).

Background

As part of the Internal Audit programme at the College for 2025/26 we carried out a review of the systems in place for Budgetary Control. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Audit and Risk Committee and management that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College Financial Regulations and procedures support budget holders to fulfil their roles and responsibilities. Budgets are set annually, with the staffing budget collated centrally based on the resources required to deliver the agreed curriculum, and non-staffing budgets being agreed between budget holders, Finance staff, and the Executive Team, to determine an adequate overall budget position. The budget is considered by the Finance and Resources (F&R) Committee in advance of formal consideration and approval by the Regional Board.

Regular reports on budget variances and forecast outturn are provided to the Executive Team, the Senior Leadership Team (SLT), and delegated budget holders, by Finance. There is also regular reporting to the F&R Committee and the Regional Board.

Scope, Objectives and Overall Findings

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

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

Objective		Findings			
To ensure that:	**Level of Assurance**	**1**	**2**	**3**	**Actions Already in Progress**
		No. of Agreed Actions			
1. Budgets are controlled in accordance with the Financial Regulations and Procedures	**Good**	0	0	0	
2. Budget setting is linked to corporate and operational planning processes and budgets are revisited and revised when spending plans change or income targets are not achieved	**Good**	0	0	0	
3. Information is available to management in Faculties and Support Teams which is up-to-date and in a format that can be easily understood	**Good**	0	0	0	
4. Budget holders have the necessary skills for managing budgets	**Good**	0	0	0	✓
5. Budget variations are reported and acted upon	**Good**	0	0	0	
6. There is accurate cash flow reporting	**Good**	0	0	0	
7. Senior management and the Regional Board regularly review the College's overall financial position	**Good**	0	0	0	
Overall Level of Assurance	**Good**	**0**	**0**	**0**	
		System meets control objectives.			

Audit Approach

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

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

We also established and reviewed the budget monitoring information provided to the SLT and the Regional Board, including progress in delivering on any savings plan activity.

Summary of Main Findings

Strengths

- There is a clear linkage between the College's Strategic Plan (2025 – 2030) and the budget setting process, ensuring that financial resourcing is aligned to strategic priorities. This is further supported by the wider strategic framework, including the six sub-strategies.
- The College maintains comprehensive and up-to-date Financial Regulations (February 2026) which are aligned to good practice and relevant regulations.
- Responsibilities in relation to budgetary control are clearly set out across key roles including the Vice Principal Finance and Resources, budget holders, and Regional Board and sub-committees ensuring appropriate management and oversight of the budget
- There is a robust budget setting and planning process which is supported by cash flow forecasts, capital planning, and subject to approval by the Regional Board.
- There is regular monitoring and reporting through monthly management reports and variance analysis, which is further supported through business partnering meetings between Finance and budget holders. This allows for ongoing discussion and timely monitoring of the budget position.
- Review of a sample of monthly budget holder reports showed that reports were clear and easy to understand, with clear highlighting for any variances between budget lines. For Income, Protocol / Agency Costs and Supplies & Services Costs a comparison is shown against budget and actual for the current period, year to date, and year end. For Staffing Costs, only actual figures are shown on the monthly budget holder reports and monitoring against budget is carried out centrally by the Finance team.
- Discussions with a sample of budget holders determined that budget holders are comfortable that they have the necessary skills to monitor and manage their budget area. Support is available from Finance through business partnering and an initial induction discussion is held with all new budget holders to ensure understanding of their role and the documentation used.
- Budget variations are identified as part of ongoing reporting and review by both the budget holders and Finance team. Any variations, positive or negative, are discussed to determine the cause and to decide on corrective action where needed.
- Regular, detailed cash flow monitoring and reporting is in place with a monthly Cash Flow Forecast provided to the SFC.
- As of June 2026, the College has also introduced a separate cash flow report to the Audit and Risk Committee to enhance transparency and understanding of the cash flow position
- Regular reporting is provided to the F&R Committee and Regional Board on the College's overall financial position and longer-term financial planning.

Actions Already in Progress

- During testing, it was noted that there is currently no formal training in place for new budget holders however support is provided by the Finance team through business partnering arrangements. The development of targeted training for budget holders without a financial background is under consideration, to further enhance support and ensure they are equipped with the necessary skills to manage budgets effectively.

Weaknesses

- No significant weaknesses were identified during the review

Acknowledgments

We would like to take this opportunity to thank the staff at the College who helped us during the course of our review.

Main Findings

Objective 1 - Budgets are controlled in accordance with the Financial Regulations and Procedures

The College's Financial Regulations were reviewed and approved by the Finance and Resources (F&R) Committee in February 2026, and apply to both the College and its subsidiaries, providing practical guidance on policies that relate to financial control. The regulations provide control over the College's resources and provide management with assurances that resources are being properly utilised for the achievement of the Strategic Plan and business objectives. The regulations were designed in conjunction with other relevant legislative and regulatory guidance, such as those issued by the Scottish Funding Council (SFC), Audit Scotland and the Government Financial Reporting Manual.

The Regional Board has ultimate oversight of the College's financial performance and activities, with several delegated sub-committees in place to ensure that the College's finances are managed effectively. The F&R Committee is responsible for monitoring the College's financial position and control system and ensure that short-term budgets are in line with the overarching strategy and long-term plan in place.

Further to this, the Vice Principal Finance and Resources is the College's designated Chief Financial Officer and is responsible for a variety of activities, including preparing accounts, management information and the monitoring and control of expenditure against budgets. They prepare a revenue budget and capital programme annually for submission to the F&R Committee, and subsequently the Regional Board. This includes monthly cash flow forecasts for the upcoming year and a projected end-of-year balance sheet. From this, detailed budgets are prepared to support adequate resource allocation and are communicated to the appropriate budget holders following their approval by the Regional Board. The Vice Principal Finance and Resources is also responsible for submitting revised budgets throughout the financial year for consideration by the F&R Committee.

Section 12 of the Financial Regulations sets out Financial Control within the College, including budgetary control and financial information. As per the regulations, the control of income and expenditure within an agreed budget is the responsibility of the designated budget holder, who are provided with management Information (MI) to help them undertake their duties. Any departures from the agreed budgets are reported to the Vice Principal Finance and Resources for awareness and, where necessary, to allow for correction.

As per the Budget Handling Procedures, the College's financial year runs from 1 August to 31 July, budget holders are expected to submit their budget proposals in March / April each year.

Objective 1 - Budgets are controlled in accordance with the Financial Regulations and Procedures (continued)

The parameters for proposals, specifically related to increases due to inflation, and any savings or improvements to be made, are established by the Vice Principal Finance and Resources. In June, the Regional Board will consider and set the budget for the upcoming year. Proposals are collated when preparing the draft budget and, at the beginning of the academic year, will be reconfirmed with the relevant College Managers and revised in line with the levels of student recruitment. The new role of Assistant Principal Finance and Estates is responsible for producing monthly reports outlining the actual, budget and outturn reports for each budgetary area, alongside a staffing analysis. Finance staff also meet monthly with budget holders to establish performance and any variances in the budget, and subsequently corrective action to be taken in the form of revising spending or figures.

The College Financial Handbook 2025 sets out the overarching framework for the implementation of effective financial governance, management and other controls that are consistent with the College’s obligations. From review of the College’s regulations, procedures and F&R Committee papers, we can see that the budgetary control processes are adequately in line with this.

From our review of the Financial Regulations, we found that the current provisions were in line with the College’s operational processes. Through review of Regional Board and sub-committee papers, financial information reported to the SFC, and budget information prepared by Finance for management and budget managers, we found that budgets were being controlled in accordance with the process described in the Financial Regulations.

Budgetary Control

Objective 2 - Budget setting is linked to corporate and operational planning processes and budgets are revisited and revised when spending plans change or income targets are not achieved

The College's Strategic Plan 2025 – 2030 details the five core objectives for the College over the five-year period:

- Delivering outstanding education and learning
- Building a better future with students
- Strengthening our region's communities and economy
- Building a stronger and more sustainable College
- Striving to deliver excellence and growth

Each of these is supported by a series of objectives to facilitate the achievement of these overall strategic goals. These are also six sub-strategies which have been mapped to the strategic priorities and include student experience, digital ambition, region, colleagues, secure future, and spaces.

As part of the College's budget planning process, meetings are held between Finance staff and budget holders. At those meetings, the current financial situation for the College, and for the wider Higher and Further Education sector, is discussed. As of 2025/26, the College is in a stronger financial position with increased funding issued to the College from the SFC. In years of funding shortfall, discussions would take place to identify any areas of deficit and scope for efficiency savings. The Finance team, in collaboration with budget holders, then develops a draft annual budget based on actual financial performance from the previous year. Potential staffing costs, services, other income, and expenditure are all reviewed as part of this process. The completed budget for each budget holder forms the basis of the overall College budget presented to the Regional Board for approval.

Through this process, consideration is made to the above strategic objectives, ensuring that both profitability and quality across the College are maximised. The paper presented to the F&R Committee in February 2026, outlining the budget assumptions for the following year, 2026/27, outlined the financial context of the College and the wider Higher and Further Education sector, as well as detailing the potential impact on delivery of the College's strategic objectives.

Budgetary Control

Objective 3 - Information is available to management in Faculties and Support Teams which is up-to-date and in a format that can be easily understood

Monthly Management Accounts are generated from the SUN finance system, detailing actual and budgeted spend, and highlighting any variance. Payroll expenditure is recorded monthly via a journal upload from the Payroll system, with income also receipted into SUN. Procurement and purchasing activity is managed through PECOS, an electronic purchase-to-pay system, which strengthens control through role-based access and adherence to the College's scheme of financial authorities. As part of our review, we examined the format of the monthly Management Accounts Reports to understand whether they provide relevant and adequate information to enable budget holders to effectively manage their budgets and based on discussion with budget holders and managers, consider that the reports are clearly presented, user-friendly, and provide a solid basis for budget management, with appropriate support available from Finance.

Month-end processes support the accurate allocation of income and expenditure to the appropriate period and cost centre. Management and budget holders identified that at this time, no commitment reports are produced by Finance, however members of the Finance team do monitor that and discuss upcoming commitments with budget holders as appropriate. In addition to this, discussions with budget holders noted that they are generally aware of upcoming commitments and consider this in spend decisions.

Budget holder reports are issued monthly following completion of month-end processes, typically around the 10th of each month, once final journals are posted. Expenditure is categorised into key areas, including staffing, supplies and services, and agency, to support effective monitoring. Detailed transaction listings are also provided via Excel extracts from SUN, enabling line-by-line review.

We noted that, for Staffing Costs, only actual figures are shown on the monthly Management Accounts Reports and monitoring against budget is carried out centrally by the Finance team. The Vice Principal Finance & Resources advised that historically actual and budgeted Staffing Costs had been included on the budget holder reports. However, these costs are not controlled at that level and therefore a breakdown by cost centre is no longer included on the Management Accounts Reports. A spreadsheet is maintained showing budgeted and actual Staffing Costs broken down into areas of the College overseen by each member of the Leadership Team. The Head of Finance performs a monthly comparison of actual costs versus year-to-date budget and discusses these figures with the Vice Principal Finance & Resources. Any requests for new posts, which are not built into the budget, must be authorised by the Executive Team and therefore costs are controlled in that way.

Reporting is supported by monthly business partnering meetings between Finance and budget holders, providing an opportunity to review performance, discuss variances and enhance understanding.

Budgetary Control

Objective 4 - Budget holders have the necessary skills for managing budgets

From discussions with a sample of budget holders, it was established that they felt comfortable that they had sufficient skills to undertake their role and were familiar with the reporting and analysis provided to them by the Finance team. The Finance team has also been very supportive of budget holders and is available to provide answers to queries or additional support.

Where new budget managers are identified, Finance provides training for them as part of monthly business partnering meetings, tailored to their needs. Finance staff have a rolling programme of meetings with budget managers which provides an opportunity for Finance staff to give support and advice on budgetary control. During discussions with Finance, it was noted that there are plans to introduce further training to support new budget holders, ‘Accounting for the Non-Accountant’.

Objective 5 - Budget variations are reported and acted upon

Finance staff have a programme of rolling meetings with budget managers to review budget performance, and provide them with monitoring reports, which includes review of variances and discussion of corrective action, where applicable. From our discussions with a sample of budget managers, we were advised that items are identified for follow-up by either themselves or the Finance team. In either case, staff advised that they would seek to understand the reason for variances and consider whether specific corrective action is required to be undertaken. Any significant variances are reported to the Vice Principal Finance and Resources in accordance with the Financial Regulations. Changes proposed to the approved budget will be first considered by the F&R Committee, which will make proposals to the Regional Board as appropriate.

From review of budget reports, and discussions with budget holders, it was established that significant variances rarely arise, however when they do this is raised promptly to ensure that corrective action can be taken. Action may include movement from other budget lines where possible and savings in other areas. Variances are highlighted on monitoring reports through the use of red text for negative variances, in line with good practice. As part of the monitoring arrangements, financial forecasts are revisited quarterly to allow for amendments to be made in light of new information or changes in finances, such as additional funding or new contracts.

Objective 6 - There is accurate cash flow reporting

Consideration of cash balances and cash flows are important in ensuring that the College has sufficient funds to fulfil its financial obligations as they fall due. At the start of every month, a monthly Cash Flow Forecast must be completed and submitted to the SFC. This sets out the forecast expenditure for that month, as well as analysis on actual expenditure and closing cash balances for the previous month. Monthly cash flow reporting also includes:

- A profile of SFC grant payments, including budget, current and forecast drawdown of grants for the year.
- Actual and forecast monthly cashflows for the financial and academic year, highlighting income sources and high-level expenditure headings such as wages and salaries, other operating expenditure, and NPD unitary charges.
- Explanations for net movements in cash for both the financial year to 31 March, and academic year to 31 July.

At the time of our fieldwork, the College had reported a projected surplus of £76k in the year-end financial position. Further to this, the draft Scottish Budget has provided an unanticipated increase in funding for the sector in 2026/27 of £70m, allowing for the College to consider future allocation arrangements and consideration to the implementation of new projects.

As of June 2026, the College has also introduced a separate cash flow report to the Audit and Risk Committee to enhance transparency and understanding of the cash flow position.

Budgetary Control

Objective 7 - Senior management and the Regional Board regularly review the College's overall financial position

As per the Financial Regulations, monitoring of the College's financial position and financial control systems is undertaken by the F&R Committee, who examine annual estimates and accounts, and the policies upon which they are based, and recommend their approval to the Regional Board.

All members of the College's Senior Leadership Team and other budget holders report to the Principal for financial management for the areas / activities they are responsible for, or to their managing Strategic Leadership Team member in instances where resources have been delegated. Strategic Leadership Team members are responsible for establishing and maintaining clear lines of responsibility within their department for all financial matters. The Vice Principal Finance and Resources will advise budget holders in executing their financial duties. Further to this, they will also supervise and approve the financial systems operating within their departments, including the form in which accounts and financial records are kept.

During the year, the Vice Principal Finance and Resources is responsible for submitting revised budgets to the F&R Committee for consideration.

From review of the F&R Committee minutes from 2025/26 we noted that key topics including the following are regularly reported to the committee, allowing for appropriate oversight of the College's overall financial position:

- Budget update for the current year
- Capital projects
- Long term financial planning
- Credits and enrolment data

A review of Regional Board minutes from 2025/26 also showed that key topics including a budget update and Credits activity update and forecast are reported as standing items, allowing Regional Board members oversight of the overall financial position.

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NORTH EAST SCOTLAND COLLEGE REGIONAL BOARD

Agenda Item 09-26/27

AUDIT & RISK COMMITTEE **Meeting of 3 September 2026**	
Title: Governance Action Plan	
Author: Susan Lawrance, Board Secretary	**Contributor(s):** Susan Elston, Regional Chair
Type of Agenda Item: **For Decision** ☐ **For Discussion** ☒ **For Information** ☐ **Reserved Item of Business** ☐	
Purpose: To enable the Committee to review Governance Action Plan created following the recommendations from the recent Externally Facilitated Effectiveness Review carried out by D Archibald of Henderson Loggie.	
Linked to Core Objective: **1. Delivering outstanding education and training**	
Linked to Strategic Risk(s):	
Executive Summary: The attached Governance Action Plan has been created from the recommendations, and management responses, to the recent EFER. The Action Plan also provides an update against each of the recommendations. The Action Plan will be brought back to Audit and Risk Committee throughout the academic year. The Plan, along with the EREF and other governance reports, will also be shared with the Scottish Funding Council when they meet with our Outcome Manager in September 2026.	
Recommendation: It is recommended that the Committee review the Plan and bring any comments to Committee/Regional Board Secretary attention.	
Previous Committee Recommendation/Approval (if applicable)**: n/a**	
Equality Impact Assessment: **Positive Impact** ☒ **Negative Impact** ☐ **No Impact** ☐ **Evidence:**	

Governance Improvement Action Plan

(Following the recent Externally Facilitated Effectiveness Review)

Section A	**Leadership and Strategy**		
Observation	**Recommendation**	**Management Comments**	**Response and Timescale**
We are aware that steps have been taken to revisit the Key Performance Indicators to ensure that they remain fit for purpose. As highlighted above, under paragraph 6.5f) Board Members were generally content with format and the level of detail in the performance information provided. However, several interviewees highlighted the potential to leverage the use of PowerBI to further enhance reporting capabilities for both staff and for the Regional Board. This could include more visual reporting on student data and reporting on performance metrics which link directly into strategic priorities.	**R1** It is recommended that work should be completed to leverage the use of PowerBI, to collate stakeholder requirements and to enhance existing performance reporting arrangements, which will ensure that future performance reporting is aligned with the five pillars in the NESCol Strategic Plan 2025-30, thus creating a "golden thread" between strategic priorities and performance reporting.	Work is ongoing to develop a dashboard for the Executive Team, which will in turn inform enhanced reporting to the Regional Board. A paper will be presented to the Regional Board meeting in September 2026 by the Assistant Principal – Student Services, which will set out future aspirations for leveraging PowerBI to enhance reporting.	**Action by:** Assistant Principal – Student Services **Timescale:** 30 June 2027 (to coincide with the June 2027 meeting of the Regional Board)
August 2026	**Progress:** L Taylor to present PowerBi overview at Regional Board meeting (17.09.26) to set out aspirations for enhanced reporting.		
Section B	**Quality of the Student Experience**		
Observation	**Recommendation**	**Management Comments**	**Response and Timescale**
The potential for providing advance warning, at the agenda setting stage, of any agenda items where specific input would be helpful, from a student perspective, was discussed with the	**R2** Consideration should be given to the identification, at the agenda setting stage, of any Board agenda items where input from a student perspective would be helpful.	Discussions have already taken place with the Student president and the Student Engagement & Wellbeing Manager to	**Action by:** Regional Board Chair **Timescale:** 30 September 2026

Student President and Depute President. Advance warning that the Regional Chair will be seeking student input would allow time for discussion in advance of the Regional Board meeting and would provide the opportunity for a more cohesive response to be provided.		progress this recommendation. The opportunity to meet fellow Regional Board members at the in-person meeting was highlighted as a positive way to enhance engagement with the Student President. Discussion will take place before each Board meeting to ensure that agenda items where the student voice would be beneficial are flagged in advance.	
August 2026:	**Progress:** Pre-meeting (ahead of September Committee and Regional Board meeting set up to discuss Programme of Business for all Committees and Regional Board with particular regard to student input arranged.		
A "Board Buddy" system is in operation, with support provided by the Support Staff Representative on the Regional Board. While this buddy arrangement has allowed useful discussion prior to Regional Board meetings, it has been suggested that the arrangement could be reviewed for academic year 2026/27 to make sure that it meets the needs of the incoming President and Depute President.	**R3** A review of the current "Board Buddy" system should be conducted to ensure that the approach is tailored to meet the needs of the incoming President and Depute President of the Students' Association. This should include consideration of the benefits of arranging a meeting with each of the relevant Board sub committee Chairs before the student representatives attend their first meeting.	Discussions have taken place which confirm that there is a willingness from all parties to continue the Board buddy arrangements. The induction process for the new student President and Depute President now incorporates meetings with the Board sub-committee Chairs.	**Action by:** Secretary to the Regional Board lead on the induction element. Regional Board Chair to lead on the review of how the Board buddy system is operating, later in the academic year. **Timescale:** 31 January 2027
August 2026	**Progress:** To be revisited further into the meeting cycle to ensure best use of the "buddy" system.		
Section C	**Accountability**		

Observation	Recommendation	Management Comments	Response and Timescale
Some Board Members highlighted the occasional late dissemination of Board papers. While not always a significant issue, we were advised that there have been some occasions where papers on complex and/or important matters were issued fairly close to Regional Board meeting. One remedy suggested by some Board Members would be the addition of a new standing agenda which would introduce a prompt for Board and Board sub-committee Chairs to ask at the start of each meeting whether committee members have had sufficient time to consider all of the papers.	**R4** Consideration should be given to the addition of a new standing agenda which would introduce a prompt for Board and Board sub-Committee Chairs to ask at the start of each meeting whether committee members have had sufficient time to considered all of the papers.	The addition of a new standing agenda item, which will act as a prompt for Board and Board sub-Committee Chairs to ask at the start of each meeting whether committee members have had sufficient time to considered all of the papers, will commence from the 20 September 2026 meeting onwards.	**Action by:** Secretary to the Regional Board **Timescale:** 30 September 2026
August 2026	**Progress:** Standing statement included on Agenda asking Board members to consider if they have had sufficient time to read all papers		
Section D	**Effectiveness**		
Observation	**Recommendation**	**Management Comments**	**Timescale and Response**
Although Board Members were complimentary regarding the effectiveness of the existing induction process in preparing them for their role on the Regional Board, several Regional Board members expressed the view that there would be merit in developing tailored induction for new members of the Audit and Risk Committee, the Finance and Resources Committee, the Human Resources Committee and the Curriculum and Quality Committee to	**R5** Consideration should be given to the development of tailored induction for new members of the Audit and Risk Committee, the Finance and Resources Committee, the Human Resources Committee and the Curriculum and Quality Committee, to ensure that new members of these sub-committees have a deeper understanding on the core business for each of these sub-committees from the outset.	The latest member recruited to the Regional Board has met with the Executive Leadership Team and with sub committee Chairs. Going forward the induction for new members of the Regional Board will include specific induction relevant to the specific sub-committee (or sub-committees) which the new	**Action by:** Secretary to the Regional Board **Timescale:** 31 December 2026

ensure that members of these committees can "hit the ground running" in contributing to the business of these sub-committees.		Regional Board Member is assigned to. Internal audit have offered to provide a session for any new members of the Audit & Risk Committee to explain the internal audit planning and reporting processes, in advance of their first Audit & Risk Committee meeting	
August 2026	**Progress:** All new (and existing) Board members have been asked to complete or refresh their knowledge and understanding of their role and the role of the Board by completing Governance Toolkit Programme (CDN). Tracking of completed modules will be kept by the Board Secretary. Offer to meet with Internal Auditors has been forwarded to Audit and Risk Committee new members – uptake awaited at time of writing.		
Although the Chairs Committee was confirmed as a useful mechanism to consider complex or sensitive matters, often at short notice, the view was expressed that a greater focus on horizon scanning at the Chairs Committee would make this forum more forward looking and would leverage the experience of the attendees.	**R6** The terms of reference for the Chairs Committee should be revisited to explore whether a greater focus on horizon scanning would allow the committee to be more forward looking.	The terms of reference for the Chairs Committee will be reviewed to ensure that consideration is given to the identification of issues which should be considered for coverage at future Board strategy or Board development days	**Action by:** Chair of the Regional Board and Secretary to the Regional Board **Timescale:** 31 March 2027
August 2026	**Progress:** Will be included in Chairs Committee meeting agenda.		
Section E	**Relationships & Collaboration**		
Observation	**Recommendation**	**Management Comments**	**Timescale and Response**
The College plays an active role in the Community Planning Partnership for Aberdeen City but is not engaged in the	**R7** Work should be undertaken to explore the possibility of the College engaging in the Aberdeenshire Community Planning Partnership.	The Principal has already proactively engaged with the Chief Executive and the Director of Education and	Fully implemented.

same way in the Aberdeenshire Community Planning Partnership.		Children's Services in Aberdeenshire Council to explore ways in which the College can engage more effectively with the Council moving forward. Therefore, it is felt that the actions taken by the Principal address the spirit of the recommendation, recognising that there are variations in the way that the Community Planning Partnerships operate within Aberdeen City and Aberdeenshire.	
August 2026	**Progress:** Ongoing engagement being pursued.		
There is a need to demonstrate the impact of "business critical" College partnership activity in delivering strategic priorities as part of future reporting to the Board on the delivery of the Strategic Plan 2025-2030.	**R8** We would recommend that future reporting on the delivery of the priorities set out in the Strategic Plan 2025-2030 should incorporate a specific section which quantifies the impact of activity delivered through partnership for each of the agreed strategic priorities, where relevant.	Regular updates are already provided on partnership activity across the College. In addition, the opportunities register now captures opportunities for expansion of partnership activity. However, it is accepted that more could be done to structure the updates in a way which explicitly groups the partnership activities together in a way which allows Regional Board members to see how this partnership activity	**Action by:** Secretary to the Regional Board (who will act as the liaison person to the individual report authors). **Timescale:** 28 February 2027

		connects to the delivery of strategic priorities	
August 2026	**Progress:** Strategy Planning underway for meeting early 2027.		

The National Fraud Initiative in Scotland 2026

AUDIT SCOTLAND

Prepared by Audit Scotland
August 2026

Contents

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key facts

127	Organisations mandated to participate in the NFI in Scotland
1,000+	Organisations participating in the NFI across the UK
£201m	Cumulative outcomes in Scotland since participation began in 2006/07
Outcomes reported in Scotland – two years to 31 March 2026	
£6.0m	Overpayments and additional income
£8.9m	Roll forward estimated savings and additional income
£6.8m	Notional outcome estimates
£21.7m	**Total outcomes**
Main areas of saving	
£4.8m	Pensions
£4.1m	Council tax single person discounts
£1.7m	Council tax reduction scheme relief
£1.1m	Duplicate creditor payments
£0.8m	Non-domestic rates small business bonus scheme
£0.6m	Social care payments

Key messages

The National Fraud Initiative (NFI) continues to play a key role in the battle against fraud and error across the public sector in Scotland and the rest of the United Kingdom. Data is matched across a range of systems and between bodies every two years, to identify matches and anomalies worthy of further review and investigation.

1 The NFI remains vitally important at a time of ongoing financial pressures across the public sector. In addition to the monetary outcomes identified by bodies participating, it also helps deter fraud and can provide wider assurance that controls are working effectively.

2 The 2024/25 NFI data matching exercise identified £21.7 million of outcomes. There was a slight fall in overall outcomes when compared to the previous NFI exercise, but this is due mainly to reduced savings from housing benefits as the number of recipients continues to fall. Excluding housing benefits, other outcomes identified by Scottish bodies have increased overall.

3 Delivery of the NFI is improving, with auditors reporting fewer significant issues than in previous exercises. Following up matches plays an important role in supporting the effectiveness of the NFI but, in some cases, there is scope for this to be timelier and better focused. This reflects both the complexity of this work and the availability of staff to support it. We will continue to work with public bodies to support effective and efficient delivery of the NFI through our ongoing engagement activities.

Recommendations

Participating bodies should:

- Use the NFI self-appraisal checklist as part of planning for the 2026/27 exercise, and ensure the planned approach is clearly articulated and optimises the use of available resources to address risks and maximise savings.
- Review payroll to payroll matches as soon as reports become available and follow up all full-time to full-time matches immediately.
- Put in place arrangements for regular monitoring of follow-up activity and, where necessary, seek to understand reasons for low or nil outcomes.
- Address any NFI delivery issues raised by auditors in their annual audit reports.

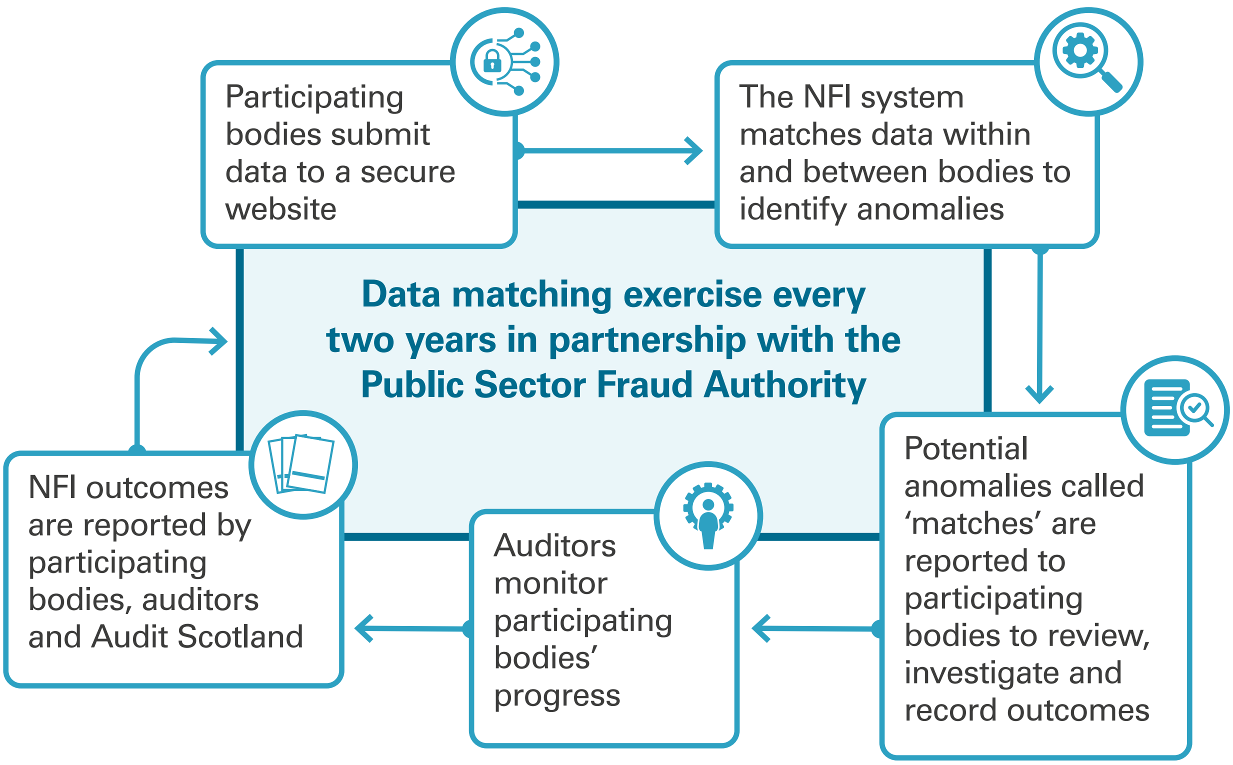
Introduction

The National Fraud Initiative (NFI) enables participating bodies to proactively detect and prevent fraud using data matching. It allows the identification of savings, acts as a wider deterrent, and can also provide assurance that financial controls are working as intended.

The National Fraud Initiative

1. The NFI is a biennial proactive data matching exercise designed to identify and prevent fraud. It remains vitally important during a time of ongoing financial pressure across the public sector. The widespread availability of artificial intelligence also has the potential to support more sophisticated fraud attempts. The Public Sector Fraud Authority (PSFA) leads on the delivery of the NFI in England and facilitates it across the UK. Audit Scotland lead on the delivery of the exercise in Scotland. How the NFI works is outlined in Exhibit 1.

Exhibit 1.
How the biennial NFI exercise works



Source: Audit Scotland

2. The NFI can help identify and prevent a range of fraud, with past successes and ongoing matches acting as an overall wider deterrent. The types of fraud the NFI can help identify and prevent include:

- fraudulent payments of wages and salaries, pensions, and amounts to suppliers
- fraudulent claims for benefits, discounts and reliefs
- tenancy fraud
- fraudulent use of Blue Badges (disabled parking permits) and concessionary travel passes.

The NFI acts as a deterrent and has wider benefits

3. In addition to the monetary outcomes it delivers, the NFI also generates wider benefits which can be more difficult to quantify. These include its fraud deterrent effect, and the assurance it can provide to bodies where no issues are identified (Exhibit 2).

Exhibit 2.
Wider benefits of the National Fraud Initiative

Monetary outcomes

Helps identify and recover substantial sums lost to fraud and error.

Deterrence

Discourages fraud and error through the threat of detection.

Identifying control weaknesses

Highlights areas where fraud prevention controls need to be strengthened.

Providing wider assurance

Demonstrates that robust measures are in place to protect public funds.

Source: Audit Scotland

Statutory basis for the NFI

4. Audit Scotland works with a range of Scottish public bodies and their external auditors using powers introduced by the Criminal Justice and Licensing (Scotland) Act 2010 and incorporated into Part 2A of the Public Finance and Accountability (Scotland) Act 2000. These powers enable personal data to be matched for the purpose of assisting in the prevention and detection of fraud.

5. Audit Scotland is responsible for maintaining a Code of data matching practice which all bodies participating in the exercise subscribe to and observe. The code helps ensure that the exercise is properly controlled, and that data is handled in accordance with the law.

6. The Code of data matching practice is in the process of being updated. The revised version has recently been out for consultation in advance of the next NFI exercise which is due to start with data submission in the autumn of 2026.

Elements of UK-wide data are shared with the private sector to support fraud detection

7. In recent years, and in line with the data sharing principles in the UK Economic Crime Plan, the PSFA has been facilitating search access to the NFI data pool for a number of private sector bodies. This allows it to undertake point of application checks to flag potential fraud, including, for example, highlighting where applicants for services misrepresent their identity or residency.

8. The PSFA considers this to be an appropriate use of the data collected as it contributes to the detection and prevention of fraud in the UK. The outcomes of this work are not allocated or apportioned across different areas of the UK and are not included in the totals within this report.

Bodies that participate in the NFI

9. Audit Scotland has the power to mandate NFI participation of public bodies that are audited by the Auditor General for Scotland and Accounts Commission for Scotland. In 2024/25, we mandated 127 bodies to take part. In addition to mandated bodies many councils also submit payroll data for their arm's-length external organisations (ALEOs) and for Valuation Joint Boards.

10. Across the UK there are around 1,000 bodies participating in the NFI. Data matching takes place across them all. Full details of participating Scottish bodies can be found on the Audit Scotland website.

Reporting NFI results over time

By using GDP deflators to adjust actual overpayments and additional income, and the latest PSFA multipliers to recalculate notional outcomes and estimates, we have adjusted previously reported results into 2024/25 prices. This makes values and trends more comparable over time and, where we use these adjusted figures within this report, we refer to them as real terms.

Details of the PSFA methodology used for the calculation of savings estimates and the notional value of prevented fraud can be found in the Appendix.

1. Overall outcomes

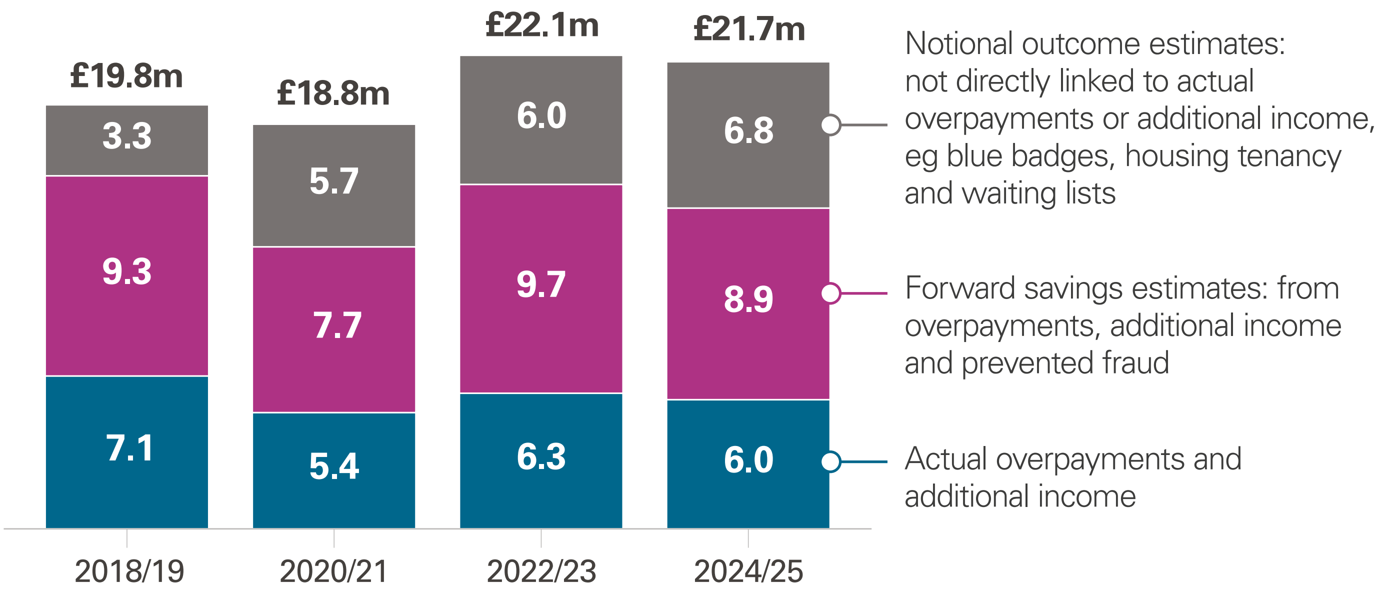
Reported NFI outcomes fell in real terms from £22.1 million to £21.7 million in the most recent exercise, due largely to a fall in housing benefit savings. Excluding housing benefit, other outcomes identified by Scottish bodies increased overall.

Overall outcomes have fallen slightly in real terms

11. Since participation started in 2006/07, around £201 million of cash outcomes have been reported from the NFI in Scotland. In real terms, outcomes from recent exercises average over £20 million biennially. While outcomes fell by £0.4 million between 2022/23 and 2024/25, the NFI continues to make a positive contribution across the public sector in Scotland (Exhibit 3).

Exhibit 3.
NFI outcomes by exercise and type

In real terms, outcomes reported in 2024/25 fell slightly.



Note on adjustments to prior years: £0.91 million notional outcomes relating to 2020/21 were previously reported for the first time in 2022/23 and these have now been moved to 2020/21. A further £0.35 million of council tax savings has been removed from 2022/23 following clarification that the amount did not arise from NFI activity. £0.18 million of concessionary travel outcomes in 2022/23 have been reclassified from notional to actual.

Source: Audit Scotland analysis of NFI outcomes data

12. Outcomes reported as part of the NFI 2024/25 include £6.0 million of actual overpayments and additional income. Participants estimate that 96 per cent of this, around £5.7 million, is available for recovery and collection directly benefiting participating body finances.

13. Reported outcomes also include £8.9 million of forward savings estimates which may also impact participating body finances. For example, the removal of single person discounts or council tax reduction scheme reliefs has the potential to increase the amount of council tax collectable in future years.

14. Other notional outcomes of £6.8 million are also reported. These are estimates of the value of other fraud and error where amounts are not directly recoverable, collectable or avoided. There may be some indirect impact on participating body finances, for example, through reduced homelessness costs when a tenancy is recovered, or potential for increased income from parking charges if a blue badge is taken out of circulation.

Most outcomes arise from the matching of council datasets, but participants from other sectors have identified duplicate creditor payments and payroll fraud

15. The NFI matches data from a range of service areas, and savings accrue in the main to the bodies responsible for the relevant income and payments streams. Many participating bodies only submit payroll and creditor payments datasets for matching, enabling organisations to identify duplicate payments and payroll fraud.

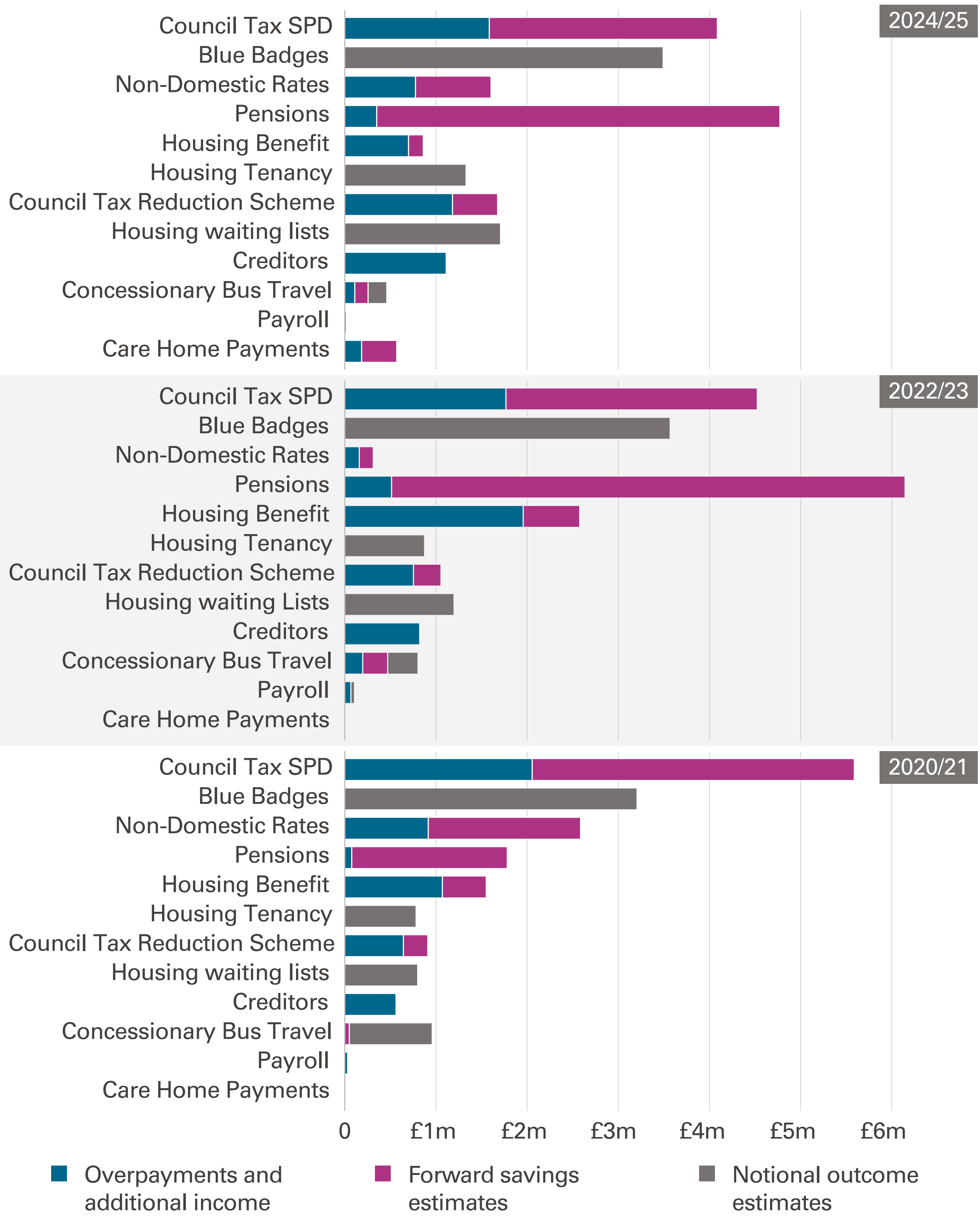
16. Councils also submit a range of other datasets giving rise to significant outcomes. As well as recurring council dataset submissions, matching of social care payments was reintroduced in 2025 and two non-domestic rates small business bonus scheme matching runs have also been included in 2024/25.

17. The Scottish Public Pensions Agency submits pensions data and the Student Awards Agency for Scotland submits details of student loans. Outcomes by data matching are as shown in Exhibit 4 (page 11).

Exhibit 4.

NFI outcomes by data match area

Outcomes from housing benefits and council tax single person discounts have fallen while those for creditors and the council tax reduction scheme have risen.



Source: Audit Scotland analysis of NFI outcomes data

When the fall in housing benefit savings is excluded, the outcomes in other areas identified by Scottish bodies have increased

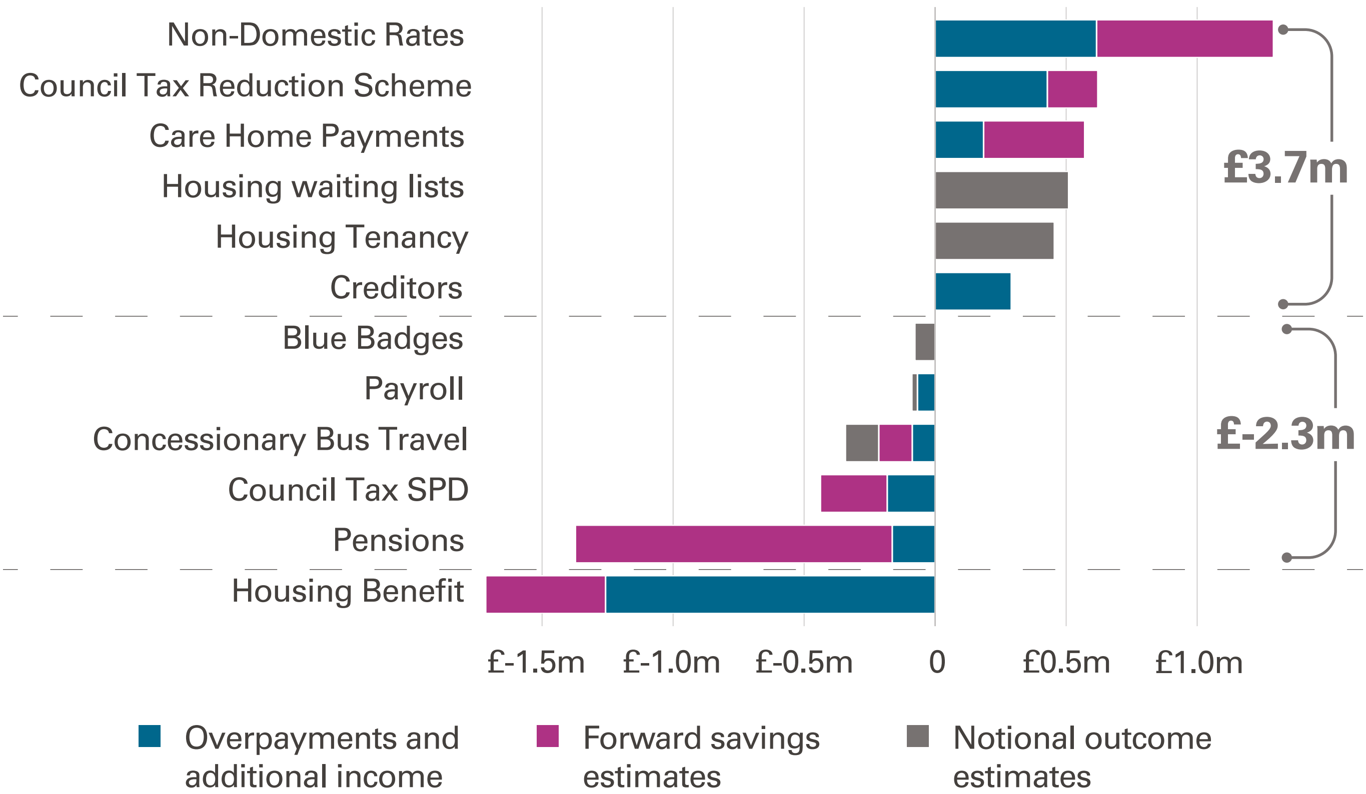
18. Housing benefit savings, pensions and council tax single person discounts (CTSPD) are the main areas of decline in 2024/25. Housing benefit savings continue to fall as claimants migrate to universal credit. And more councils have moved to the use of third-party providers for matching and follow up of CTSPD. Pensions outcomes remain volatile, being affected by speed of follow up and the age of pensioners who pass away.

19. When the decline in housing benefit savings is excluded there has been an overall increase in outcomes identified by Scottish bodies. Movements in outcomes by data match area are shown in Exhibit 5.

Exhibit 5.

Movements in NFI outcomes: 2022/23 to 2023/24

When the decline in housing benefit savings is excluded, there has been an overall increase in outcomes.



Source: Audit Scotland analysis of NFI outcomes data

20. There have been increases in outcomes and savings from non-domestic rates small business bonus scheme due to additional matching runs, and from the reintroduction of mortality screening of social care payments. There has also been additional income from the removal of council tax reduction scheme reliefs and increased savings from the identification of duplicate creditor payments. More housing tenancies have been recovered and more applicants removed from housing waiting lists. Details about individual match areas can be found in Part 3.

2. Delivering and developing the NFI in Scotland

NFI delivery remains generally sound, with fewer bodies assessed as having significant issues in 2024/25. However, in many cases follow-up activity could be timelier and better focused.

The NFI in Scotland supports good financial governance and is being delivered effectively

21. The NFI forms an integral part of the financial governance arrangements of participating bodies and is usually referenced in fraud strategies and policies. Some bodies also make explicit reference to the exercise in their annual governance statements that form part of their annual accounts.

22. We ask auditors to assess NFI data submission and follow-up activity by participating bodies and to provide a Red, Amber, Green assessment. Auditor responses from the last three exercises are summarised by sector in Exhibit 6 (page 15), with fewer bodies assessed by their auditors as having significant issues with delivery in 2024/25.

23. In 2024/25, both data submission and follow-up of match reports were assessed by auditors as satisfactory or generally satisfactory in most cases. A small number of bodies were assessed as having more significant issues with delivery. Two bodies were assessed as having fundamental issues with submission of datasets for matching (five bodies received red ratings in 2022/23).

Exhibit 6.
Auditor assessments of NFI delivery by sector
Fewer bodies have been assessed as having significant issues with delivery in 2024/25.

Source: Audit Scotland analysis of auditor returns

The importance of effective follow-up activity and the self-appraisal checklist

24. The more effective NFI follow-up activity is, the greater the outcomes and benefits from the data matching exercise. This includes its deterrence effect, something that may potentially have wider benefit extending beyond participating bodies.

25. Effective local delivery of NFI requires effective project management by an NFI key contact with suitable authority and sufficient time to coordinate the exercise. A high-level commitment to the exercise from senior management and those charged with governance also helps ensure an appropriate scrutiny of approach, and accountability for delivery. It is important that follow-up activity is timely and properly focused.

26. We have produced an NFI self-appraisal checklist for participating bodies to consider as part of the planning process for the 2026/27 NFI. It includes key scrutiny questions for those charged with governance alongside information for coordinating NFI delivery.

We continue to consider how best to develop and expand the NFI to make it more effective

27. We continue to work with auditors and public bodies to support the delivery of an effective NFI in Scotland. This includes regular consideration of the following important areas:

- Inclusion of new public sector bodies: we mandated 127 bodies to participate in the 2024/25 exercise. This does not include all public bodies in Scotland, for example 30 smaller central government bodies were not included, primarily due to their size. We will consider expansion of the exercise during discussion of fees with the PSFA.
- Refreshing NFI governance arrangements: ensuring the Code of data matching practice, NFI privacy notice and other documentation reflects legislative and technological developments and remain fit for purpose.
- Giving due consideration to how best use can be made of artificial intelligence as part of the NFI exercise, and across public bodies, to address more sophisticated frauds while remaining compliant with relevant legislation.

28. As part of our work to consider how to ensure that the NFI remains an important and effective mechanism that supports the Scottish public sector we are undertaking specific work in three important areas:

- We are currently working with Social Security Scotland on a pilot exercise checking residency of welfare payment recipients. The pilot has cleared the initial governance stage and is proceeding to data matching. If the pilot identifies significant levels of fraud, we will incorporate the match into future NFI exercises from 2028/29.

- We are working with the City of Edinburgh Council on a pilot exercise to detect and prevent fraudulent social housing subletting via an online marketplace and hospitality brokerage website.
- In our last report, The National Fraud Initiative in Scotland 2024, we reported that we had invited a number of housing associations to participate in the 2024/25 NFI on a voluntary pilot basis. We were unable to secure voluntary participation from across the sector to proceed with a viable pilot exercise. This was due to concerns raised about data processing arrangements related to private sector sharing at a UK level (paragraph 7). The matter was referred to the Scottish Government and the option to mandate the involvement of housing associations in a pilot exercise was considered. Following full consideration of the issues, the Scottish Government has concluded that there is insufficient justification at this stage to pursue legislative change to extend mandatory participation. We will continue to work with housing associations, the Scottish Government and the Public Sector Fraud Authority to identify how perceived barriers to voluntary participation can be removed.

3. Analysis by outcome area

Detailed analysis of the NFI in Scotland 2024/25, and comparisons to previous NFI exercises, demonstrates the value it continues to add.

The NFI matches data across different datasets to address specific risks

29. Public bodies submit a range of datasets as part of the biennial NFI data matching exercise. Each dataset is matched against the others to address identified fraud risks. For example, payroll matches help to identify people employed in more than one full-time post; creditors matches can identify duplicate payments; and matches across council tax and housing datasets can identify eligibility issues and undeclared changes of circumstances.

30. The overall outcomes from the 2024/25 data matching exercise were reported in Part 1. We provide some more detailed analysis of the data matching carried out as part of the 2024/25 NFI in Scotland below.

Payroll matches identified several cases of dual full-time employment and working in secondary roles while off sick

31. Participating bodies submit details from their payroll systems for matching to help identify occupational fraud and error. In the 2024/25 exercise:

- Two cases of dual full-time working (holding more than one full-time job) were identified, with another three potential cases still under investigation. These cases usually result in dismissal or resignation and, in some cases, prosecution (2022/23: five cases).
- Three cases of working in a secondary role while off sick from the main employer were identified, with a further five potential cases still under investigation. These cases are usually dealt with in-house and typically involve disciplinary action (2022/23: seven cases).
- The NFI also matches payroll records to creditor payments and to Companies House data to identify any undeclared pecuniary interests and/or fraudulent disbursements. Matching resulted in one disciplinary procedure in 2024/25. Registers of interests were also updated in a number of cases.

Duplicate creditor payments worth over £1.1 million were identified in 2024/25

32. Participating bodies submit details of payments made to suppliers (people or organisations) for goods and services, and data is matched internally to identify potential duplicate payments.

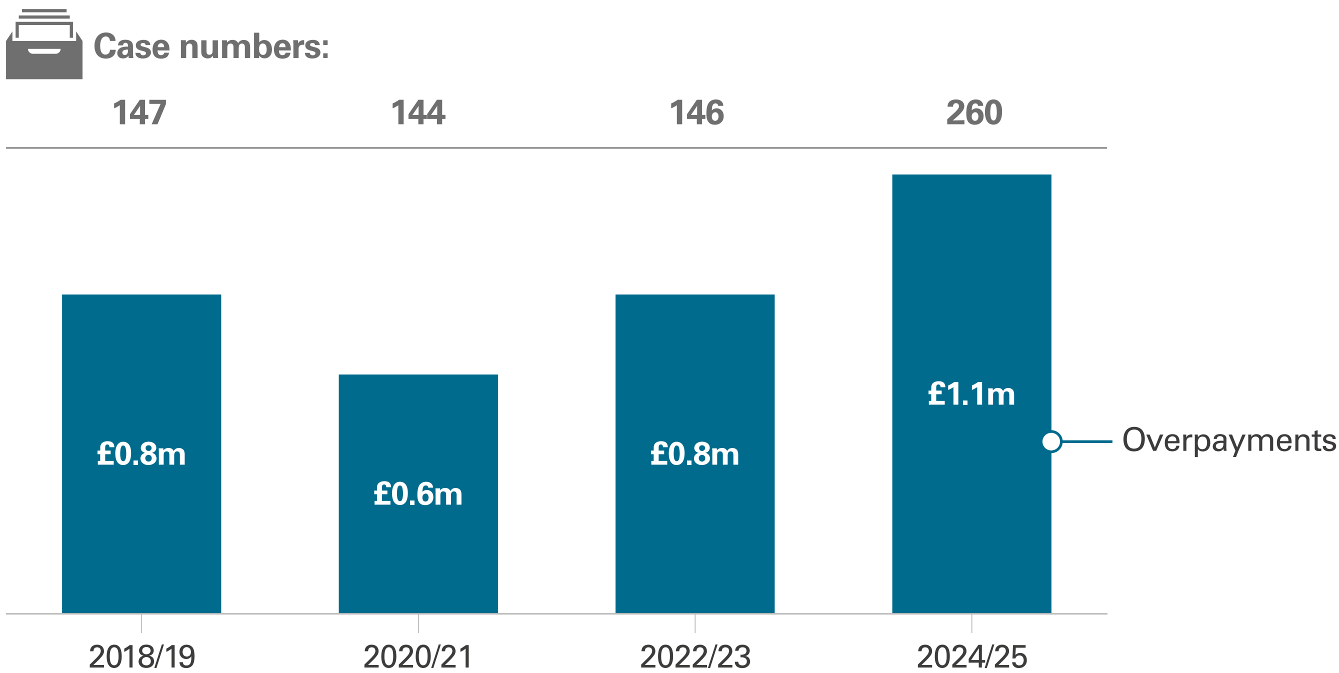
33. In addition to identifying duplicate creditor payments, the NFI also checks whether suppliers have been set up more than once on master files, something which increases the risk that duplicate payments can be made. Participating bodies can then cleanse their records and reduce ongoing risk. Where no errors are identified from review of matches, participating bodies can often take assurance that their control arrangements are working effectively.

34. The number and value of duplicate creditor payments reported in 2024/25 increased to 260 payments with a value of £1.1 million (146 payments with a value of £0.8 million in 2022/23). This increase is due in part to delays in the review of matches from the previous exercise, with the results from this work (37 payments with a value of £0.2 million) reported in 2024/25. However, there has also been better focused follow up by many bodies in 2024/25. Overpayment numbers and values reported for recent exercises are shown in Exhibit 7.

Exhibit 7.

Duplicate creditor payments by NFI exercise

The number and value of identified duplicate payments increased in 2024/25.



Source: Audit Scotland analysis of NFI outcomes data

More pensions were stopped or amended in 2024/25, but the value of savings and outcomes recorded decreased

35. The NFI includes mortality screening of public sector pensions. Pensions in payment are matched to records of deaths enabling administering authorities to stop or amend payments where deaths have not previously been notified. The number of stopped or amended pensions increased in 2024/25, to 108, but recorded outcomes decreased (Exhibit 8).

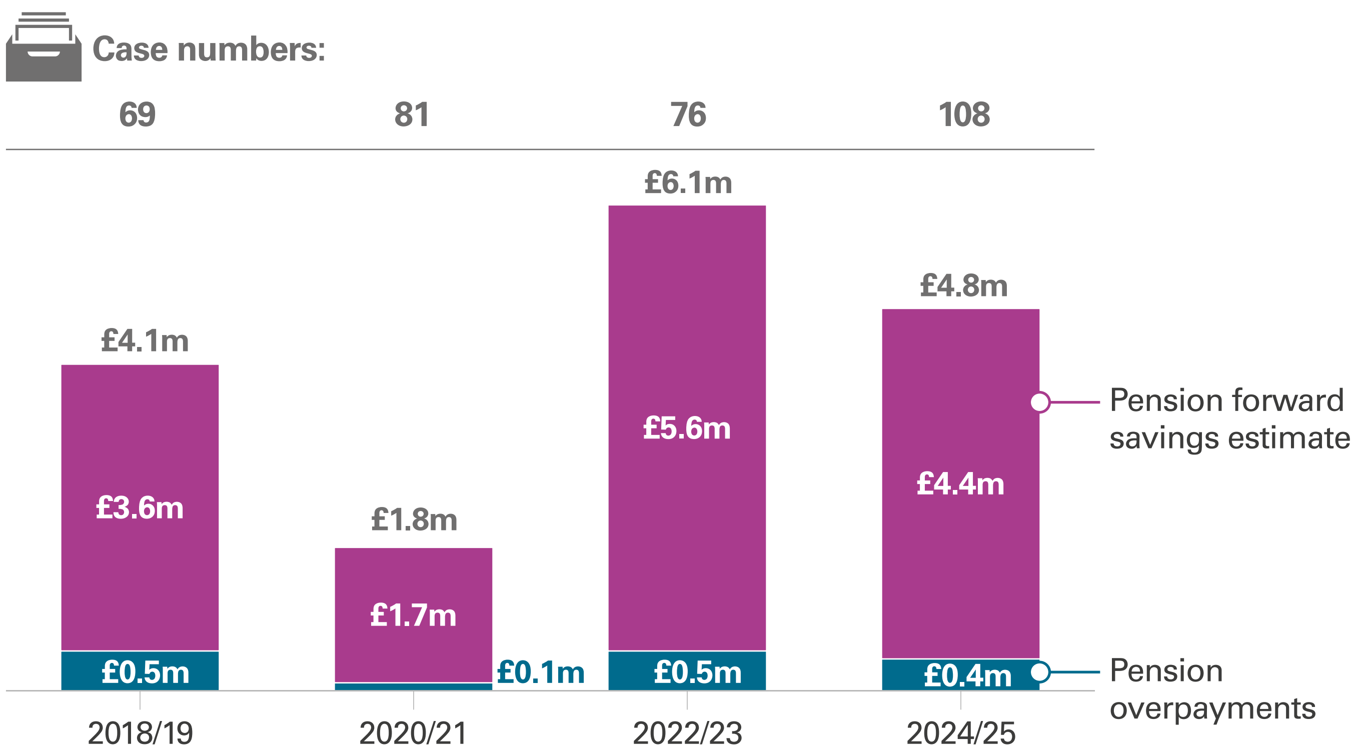
36. The PSFA methodology for forward savings estimates is based on a potential payment period from the date overpayments are identified until the date the deceased pensioner would have reached the age of 85. In addition to mortality screening of pensions in payment, the NFI also:

- mortality screens deferred pensions (where employees have left the scheme but not yet retired) so that crystallised benefits can be paid out. This identified 36 cases
- matches pensions to payroll to help identify cases where pension abatement rules have been broken. Two pensions requiring abatement were identified in 2024/25.

Exhibit 8.

Pension overpayments and estimated forward savings by NFI exercise

The number of overpayments increased in 2024/25, but their value decreased.



Source: Audit Scotland analysis of NFI outcomes data

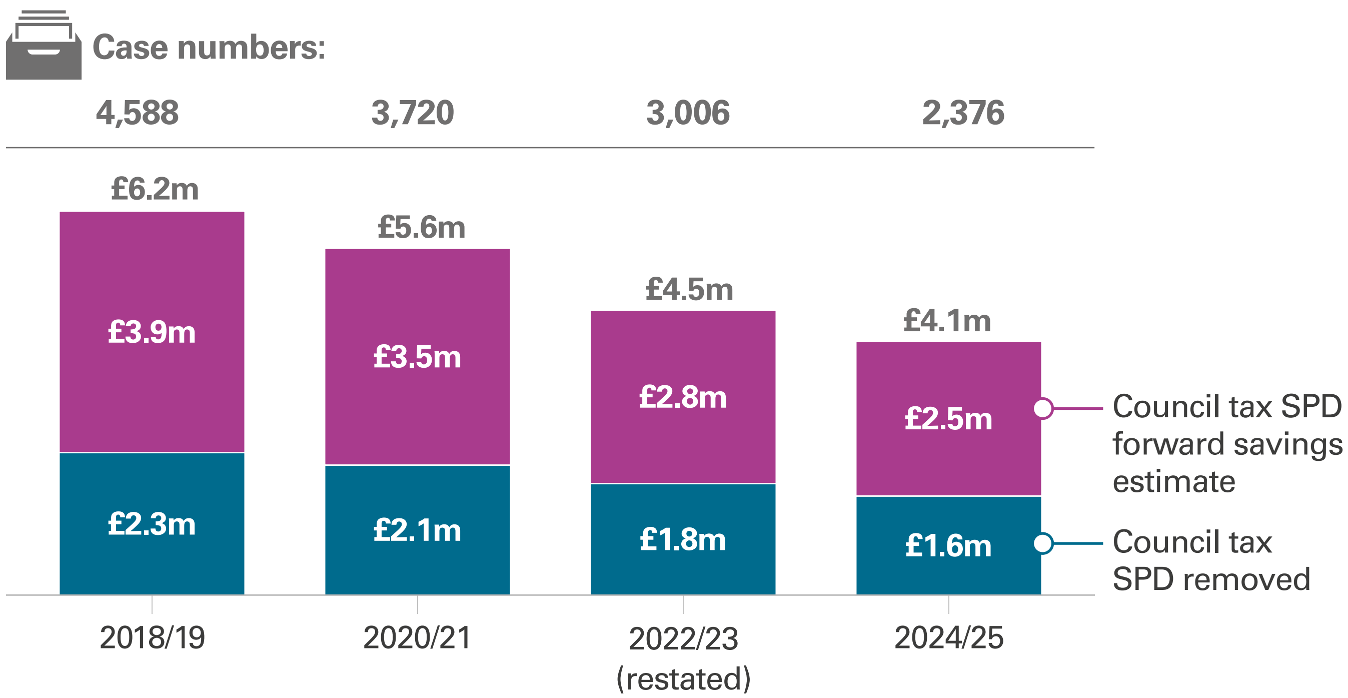
Additional income from the withdrawal of council tax single person discounts has been decreasing in recent years, partly due to non-NFI checking of eligibility

37. People living on their own are eligible for a 25 per cent single person discount (SPD) on their annual council tax bill. The NFI matches SPD recipients to the electoral register, other NFI datasets, HMRC household composition data, and death registration information.

38. Councils were able to withdraw £1.6 million of SPDs because of NFI data matches in the two years since our last report in 2024. The roll-forward estimate of additional income associated with these cases is estimated at a further £2.5 million (based on a two-year roll-forward of the annualised saving) (Exhibit 9).

39. Additional income in this area has been declining across NFI exercises partly due to an increase in the number of councils using third party providers for the matching and follow up of SPDs. Eleven councils now use third party providers, an increase of two from the previous exercise. This reduces the level of reported savings identified as part of NFI data matching.

Exhibit 9.
Additional income from council tax single person discounts by NFI exercise
The number and value of discounts removed because of NFI have been falling.



Note: 2022/23 figures were restated to exclude £0.36 million of outcomes which were found to have not arisen from NFI matching.

Source: Audit Scotland analysis of NFI outcomes data

Additional income arising from the withdrawal of council tax reduction scheme (CTRS) reliefs increased again

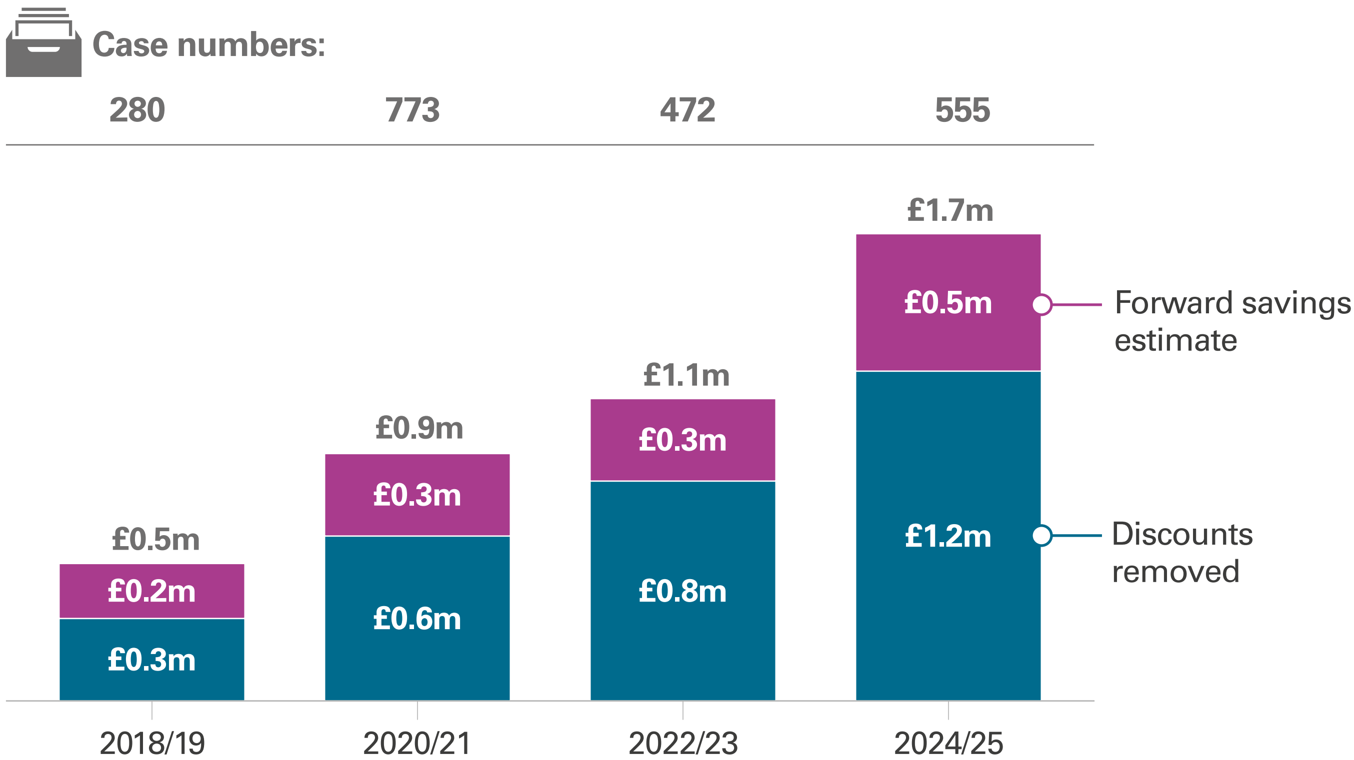
40. Council tax reduction is available to low-income households in Scotland. The NFI matches CTRS data to other datasets, such as payroll, pensions, and HMRC records to help identify undeclared income.

41. Additional income from the removal of council tax reductions has increased to £1.7 million in 2024/25 (from £1.1 million in 2022/23). Roll forward estimates of additional income have also increased. The increase is due largely to successful matches of CTRS to HMRC data on income and capital, a relatively new match type where historic cases are being identified for the first time (Exhibit 10).

Exhibit 10.

Council tax reduction scheme relief withdrawn by NFI exercise

The number and value of discounts removed because of NFI has been increasing.



Source: Audit Scotland analysis of NFI outcomes data

Non-domestic rates (NDR) Small Business Bonus Scheme matches have resulted in outcomes of around £4 million since their introduction

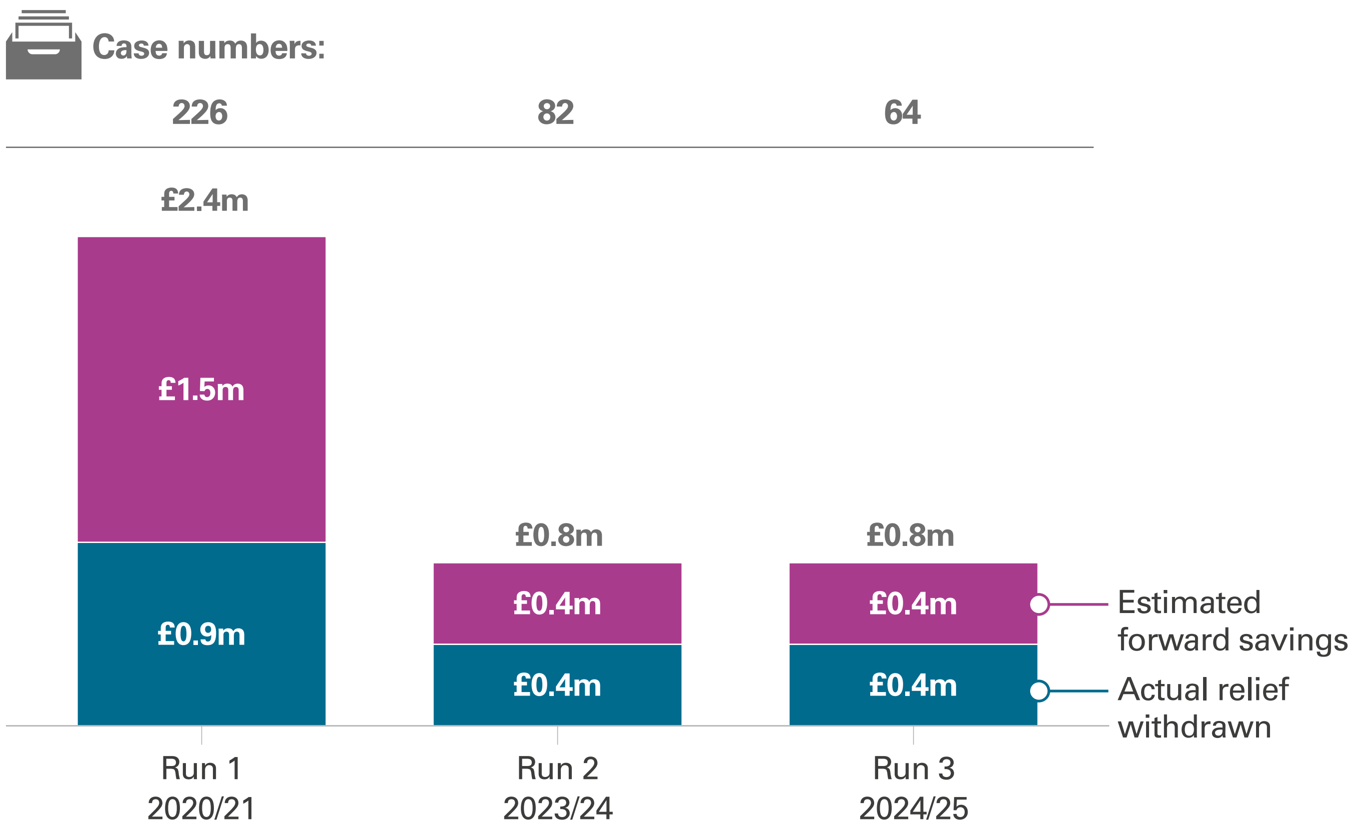
42. The Scottish Government's non-domestic rates (NDR) Small Business Bonus Scheme (SBBS) offers relief to eligible small businesses. To qualify, the combined rateable value of a business' premises must be £35,000 or less, and each individual property must have a rateable value of £20,000 or less. The scheme provides tapered relief, from 100 per cent down to 0 per cent as rateable values increase.

43. The NFI matches SBBS relief recipients across council areas to identify cases where combined rateable values may have breached the cumulative thresholds. Three matching runs have now been completed. The additional income from the second and third matching runs are included in the total outcomes for the 2024/25 NFI exercise. The outcomes, by matching run, are shown on a cash basis in Exhibit 11.

Exhibit 11.

Non-domestic rates Small Business Bonus Scheme withdrawn

Case numbers and additional income have dropped since the first matching run.

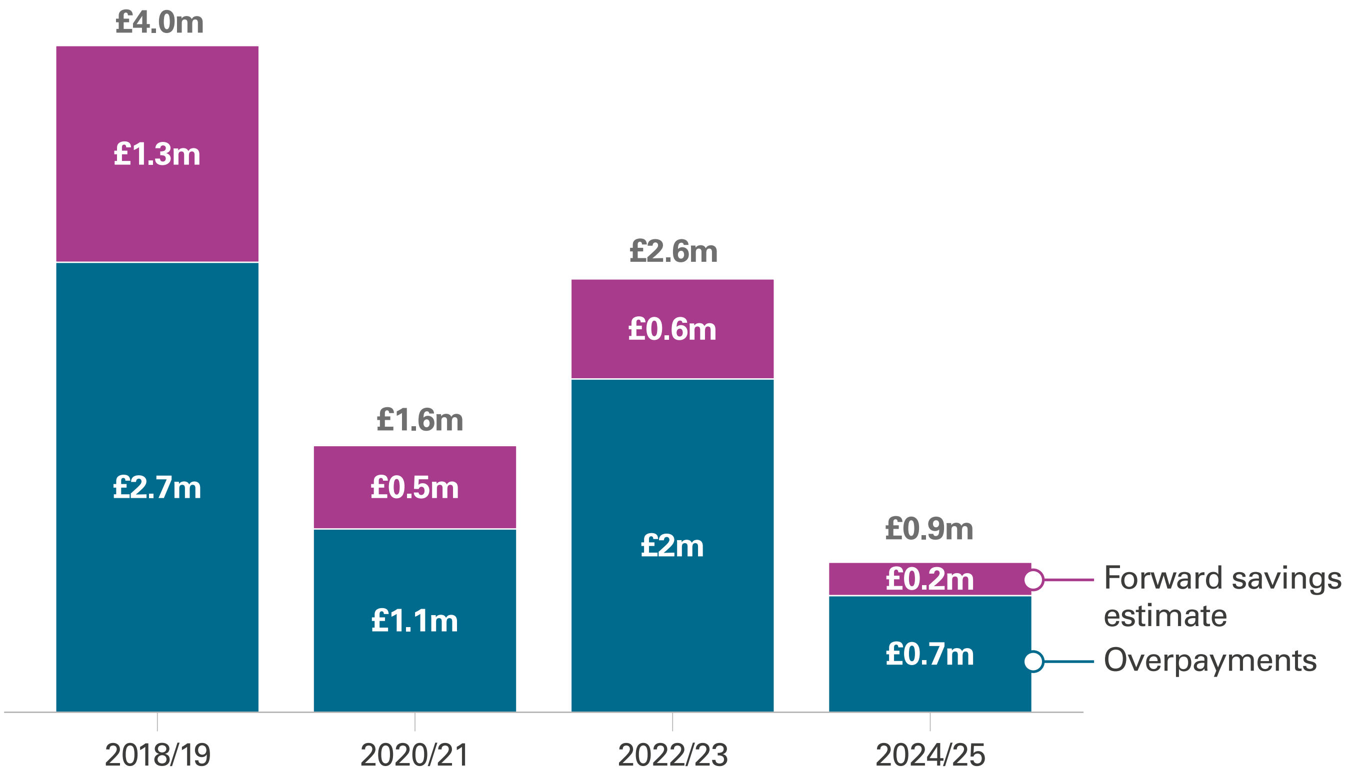


Source: Audit Scotland analysis of NFI outcomes data

Housing benefits outcomes are decreasing as the number of claimants continues to fall

44. Housing benefits (HB) help people on low incomes pay their rent. Reported savings from the follow-up HB matches in 2024/25 totalled £0.9 million. Outcomes in 2020/21 were impacted by Covid and those for 2022/23 were higher than expected due to the processing of backlogs by the Department of Work and Pensions (DWP) (Exhibit 12).

Exhibit 12.
Housing Benefits overpayments and forward savings
The trend in HB savings is downward, in line with the roll out of universal credit.



Note: In 2024/25, the savings identified by the DWP relating to Scotland were not directly identifiable and the PSFA have apportioned total UK outcomes based on the numbers of referrals made.

Source: Audit Scotland analysis of NFI outcomes data

45. The long-term trend in reported savings from HB matches has been downward and has been impacted by:

- HB cases in payment continue to decrease as benefit recipients move on to universal credit
- NFI no longer matches HB to payroll and pensions as the DWP's Verify Earnings and Pensions alerts service notifies councils directly of cases for investigation.

46. HB matches involving suspected fraud are referred to the DWP for investigation. In 2024/25, almost £0.7 million of overpayments and forward savings are thought to have arisen from these referrals. With £0.2 million identified locally by councils, largely from the follow up of matches to student loans and taxi drivers.

Adult concessionary travel screening has prevented fraud and identified savings of around £0.15 million

47. Adult concessionary bus travel mortality screening was rolled out to councils in September 2023 (reported in 2024). A second matching run was undertaken based on passes in circulation in May 2024 and the results are reported here. Cross-checks by Transport Scotland identified the extent to which passes had been used where the passholder's death had not been previously reported.

48. In 2024/25, the full fare value of identified fraud was £0.2 million (£0.31 million in 2022/23) with an underlying cost to Transport Scotland of around £0.11 million (bus companies are not reimbursed for the full fare value of journeys). While it is not possible to recover these overpayments, the cancellation of passes prevents future fraud. The estimated value of prevented fraud is in the region of £0.26 million (£0.45 million in 2022/23) giving an underlying saving at £0.15 million (£0.25 million in 2022/23).

49. Concessional travel passes can also be used on Edinburgh Trams and the Glasgow Subway. We have not identified the extent of prevented fraud or underlying savings for these networks, but cancellation also curtails any ongoing use of passes on them.

The NFI prevents blue badges being reissued in the event of fraudulent applications for renewal

50. The blue badge scheme allows individuals with mobility problems to park for free at on-street parking meters, in many 'pay and display' bays, in designated blue badge spaces, and on single or double yellow lines in certain circumstances.

51. The NFI matches blue badges issued to records of deaths, enabling badges to be cancelled. Cancellation of badges does not stop them being used, but it does mean that they cannot be reissued, and it also enables them to be recovered in use via spot checks.

52. The NFI has enabled councils to cancel just over 5,000 passes in 2024/25. The PSFA outcome methodology assigned an average value of £695 to each blue badge cancelled and reported, resulting in a notional outcome of £3.5 million.

Social care payments mortality screening was reintroduced late in 2025 and savings have been identified

53. The mortality screening of care home and personal care payments was reintroduced in October 2025. As of 31 March 2026, 44 overpayments were identified amounting to £185,000. The forward savings estimate, based on the roll forward of the weekly amount for 14 weeks, is a further £386,000.

In 2024/25, 17 housing tenancies were recovered due to NFI data matching, providing a notional outcome of £1.3 million

54. With reported housing shortages and high levels of homelessness, addressing tenancy fraud is increasingly important. The NFI uses council housing tenancy data to identify where the named tenant has passed away or appears to be residing elsewhere. This helps councils identify whether there has been abandonment, inappropriate succession or fraudulent subletting.

55. In 2024/25, councils were able to identify and recover 17 properties (including one on behalf of a Registered Social Landlord); this is up from 12 recoveries in 2022/23. The PSFA outcome methodology attributes a value of £78,300 for each property recovered, based on lost income and costs associated with an average fraudulent tenancy.

In 2024/25, almost 400 applications were removed from housing waiting lists due to NFI data matching

56. Councils maintain waiting lists for council housing and, in some cases, for all social housing in their area. The NFI matches waiting list data to housing tenancy data and to other data sets, enabling undisclosed changes in circumstances to be picked up. This enables removal of ineligible applicants from the waiting list, stops inappropriate allocations, and accelerates allocations to people in genuine need of social housing.

57. In 2024/25, 397 applicants were removed from housing waiting lists giving a notional outcome of £1.7 million based on PSFA methodology of applying £4,283 for each applicant removed.

Appendix

Estimated outcomes methodologies

Most NFI financial outcomes include an estimated element

Most NFI datasets have a methodology to calculate forward savings or the estimated value of fraud and error identified or potential fraud prevented (where there is no direct payment or income stream involved).

These methodologies are developed by the Public Sector Fraud Authority (PSFA) and take account of a number of factors including:

- data relevant to the fraud problem, including national published data and data from previous NFI cases
- the policy context relative to the fraud problem
- alignment where possible with relevant estimated savings methodologies used in other central government departments.

All methodologies are reviewed prior to the start of each new NFI exercise. Any changes are reviewed by the PSFA NFI Governance Board and approved by the PSFA Fraud Prevention Panel. This panel consists of cross-government counter-fraud experts (including representatives from DWP, HMRC, NHS, MOD, BEIS, DFID, NAO, etc.) who review and challenge, where necessary, methodologies for calculating the estimated value of fraud prevention initiatives across government departments.

A summary of the outcomes methodology calculations applied to NFI datasets is set out in the following table:

Data match	Basis of calculation of forward savings and estimated outcomes
Council tax single person discount	Forward savings – Annual value of the discount cancelled multiplied by two years.
Council tax reduction scheme	Forward savings – Weekly change in council tax discount multiplied by 40 weeks.
Housing benefit	Forward savings – Weekly benefit reduction multiplied by 29 weeks.
Pensions	Forward savings – Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.
Social care payments	Forward savings – weekly payment amount multiplied by 14 weeks.
Housing tenancy	Notional outcomes – £78,300 per property recovered, based on: the annual cost of temporary accommodation of £12,000; and an average three-year fraudulent tenancy at time of identification plus forward savings for an additional three years; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.
Housing waiting lists	Notional outcomes – £4,283 for each case based on the annual estimated cost of housing a family in temporary accommodation, the duration a fraud may continue undetected and the likelihood a waiting list applicant would be provided a property.
Blue badges	Notional outcomes – Number of badge holders confirmed as having died, multiplied by £695 (average value on cases reported in 2024/25) to reflect potential lost parking and congestion charge revenue from fraudulent use.
Concessionary bus travel	Forward savings – Number of bus passes used fraudulently multiplied by £420. Based on average fraudulent use and reflecting two years' forward use.
Payroll	Notional outcomes – £6,054 for each employee dismissed or who resigns because of NFI matching.
NDR SBBS	Forward savings – Annual value of the relief cancelled multiplied by two years.

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