AGENDA

1. WELCOME

2. APOLOGIES

3. ESRC RESEARCH PROJECT – INFORMED CONSENT
   Paper A for information

4. DECLARATIONS OF INTEREST

5. REFLECTIONS ON RISK SESSION
   Verbal update
   GR

6. MINUTE OF PREVIOUS MEETING – 14 May 2019
   Paper B for approval

7. MATTERS ARISING
   Duty of Care CPD
   Verbal update
   ST

8. STRATEGIC RISK REGISTER
   Paper C for approval
   ST

9. CYBER RESILIENCE – UPDATE
   Paper D for information
   JC

10. NATIONAL FRAUD INITIATIVE
    Paper E for approval
    JC

11. INTERNAL AUDIT
   11.1 Learner Engagement/Students’ Association
       Paper F for approval
       HL
   11.2 Catering Business Process Review
       Paper G for approval
       HL
   11.3 Progress of 2018/19 Audit Plan
       Paper H for approval
       HL
   11.4 Follow Up Reviews
       Paper I for approval
       HL
   11.5 2019/20 Audit Plan
       Paper J for approval
       HL

12. EXTERNAL AUDIT
    AS

13. DATE OF NEXT MEETING - Tuesday 26 November 2019, Board Room Y150, Gardyne Campus. Joint Meeting with Finance & Property Committee.
Audit and Risk Committee
Tuesday 17 September 2019

PAPER A

ESRC Research Project – Informed Consent
Processes and practices of governing in FE colleges in the UK

Note to Board of Management to ensure ongoing informed consent

Dundee and Angus College is one of a select number of colleges participating in a four nations study of the processes and practices of governing in FE colleges. Funded by the Economic and Social Research Council (ESRC), this project is led by a team of highly regarded and experienced investigators from the Universities of Stirling, Birmingham and Cardiff (further details available on the project website https://fe-governing.stir.ac.uk/).

The main focus of the study is to observe and video meetings of the College Board of Management held between January and December 2019. In addition, a select number of committee meetings may be observed, but not recorded. Observational studies of governing bodies, whether in the public or the corporate sphere, are rare so by agreeing to have your board meetings videoed you are supporting leading-edge research in this area.

In order to be funded, the research has been through a highly rigorous process of review by the ESRC. It has also been closely assessed and approved by research ethics committees at the three universities. Working to the highest ethical standards, the researchers will ensure that confidentiality is maintained, that sensitive information is not shared, and that individuals are not identifiable (unless they have explicitly agreed otherwise) in any communications, presentations or publications. Furthermore, all data will be deleted within a year of the project ending.

All participants in the meetings that are videoed and/or observed are required to complete a participant consent form to confirm that they understand the nature of the research and are aware of their right to withdraw (and have any contributions disregarded) at any time without consequence. They are also encouraged to speak to a member of the research team should they have any questions or concerns. The contacts for Scotland are Dr Helen Young, Research Fellow (01786 467748, h.l.young@stir.ac.uk) and Professor Cate Watson, Principal Investigator (01786 467626 cate.watson@stir.ac.uk).
Audit and Risk Committee

Tuesday 17 September 2019

PAPER B

Minute of Previous Meeting – 14 May 2019
BOARD OF MANAGEMENT
AUDIT AND RISK COMMITTEE MEETING

Minute of the Audit and Risk Committee meeting held on Tuesday 14 May 2019 at 5.00pm in Room A214, Kingsway Campus.

PRESENT: G Robertson (Chair) H Honeyman
T Pirie M Thomson
M Williamson

IN ATTENDANCE: J Carnegie (Vice Principal)
S Taylor (Vice Principal and Secretary to the Board)
S McNaught (Henderson Loggie)
R Smith (Audit Scotland)
A Kerr (Audit Scotland)
T D’All (Principal’s/Board Chair PA)

1. WELCOME

G Robertson welcomed members of the Audit and Risk Committee meeting noting this was Jaki Carnegie’s first meeting since taking up the post of Vice Principal Corporate Services. G Robertson also introduced both Richard Smith and Andrew McNaught from Audit Scotland and Steven McNaught from Henderson Loggie.

2. APOLOGIES

Apologies were received from Steve Watt, Pam Milne, Kirsty Keay & David Archibald

3. DECLARATIONS OF INTEREST

None

4. ESRC RESEARCH PROJECT – INFORMED CONSENT

G Robertson gave a brief explanation of the Project.

5. MINUTE OF AUDIT AND RISK COMMITTEE – 5 MARCH 2019

The Minute of the Audit & Risk Committee meeting held on 5 March 2019 was approved as an accurate record.

6. 6.1 Matters Arising

Data Breach Reporting

S Taylor confirmed that the “Reply All” layout for emails had been changed globally to seek to reduce accidental sharing of personal data.
7. STRATEGIC RISK REGISTER

S Taylor summarised the Risk Register paper highlighting the changes / updates made following on from discussions at the Audit & Risk Committee and Board meeting in March 2019. Changes included identifying which Board Committee should assume responsibility for individual risks.

Discussion took place on who should be ‘lead person’ responsible (from the Senior Leadership Team) for individual risks where those risks fell into more than one individual’s area of responsibility.

It was agreed that a paper outlining proposals and the planned range of risks, and giving guidance on responsibilities/approaches be prepared for each Committee S Taylor to progress. G Robertson stated that he would also speak to each Committee chair to discuss thoughts on these arrangements.

The Committee approved the Risk Register noting the recommended updates.

8. DATA BREACH REPORTING

S Taylor intimated that the College had recently suffered from two fraud losses as a result of three staff email accounts being compromised by cyber-attacks. In both cases action had been taken in line with the Fraud Prevention Policy.

Approaches to mitigate the risks of fraud of this type were discussed and S Taylor confirmed that cyber security and related finance process testing on a ‘mystery shopper’ basis was planned as a part of this.

S Taylor noted that the Head of ICT was considering a range of fraud prevention measures to reduce the likelihood of future cyber-attacks. Potential approaches to support this were discussed.

M Williamson asked if there was an issue with staff training. S Taylor confirmed that approximately 475 staff had engaged in awareness training during Cyber Security Week, but that there was on-going work to be done to ensure that staff were aware of potential risks and vigilant to these. It was confirmed that all staff had been required to update their passwords.

S Taylor also confirmed that, as and when individual potential cyber-attacks and phishing scams become know, these were communicated to staff via the College Portal.

G Robertson intimated on behalf of S Watt the open offer of assistance and good practice sharing.

9. INTERNAL AUDIT REPORTS

9.1 Business Continuity Plan & Risk

S McNaught summarised the report on Business Continuity Planning & Risk Management noting the overall scoring Assurance Level as Satisfactory.

A discussion took place in relation to the Risk Register, with S Taylor noting that this was no longer a requirement in the Regional Outcome Agreement but that it would not be difficult or onerous to link this back to the Register. S Taylor also noted that the College would be taking up the offer from the College insurers (Zurich) to undertake a desk top BCP exercise. This was planned to take place on 10 September 2019.
The status in respect of the appendices included with the Business Continuity Plan in the business critical areas of Estates and ICT would be checked, and an update included with the minute meeting.

This was checked after the meeting and it is confirmed that the updated Business Continuity Policy went live on 5 March 2019. This policy includes appendices incorporating information and checklists to support critical incident management. Disaster recovery plans were being developed (see update below).

It was confirmed that the audit recommendations noted had all been agreed with the College.

The report was approved.

### 9.2 Equality & Diversity

S McNaught summarised Report which looks at Dundee & Angus College against the Equality Act and Scottish Government/Scottish Funding Council requirements in respect of equalities, noting the Level of Assurance as Good with no recommendations arising.

G Robertson asked that his congratulation be noted to the Student Services Team and others involved. **S Taylor to progress.**

The report was approved.

### 9.3 Duty of Care

S McNaught summarised Duty of Care report noting the overall Leave of Assurance as Satisfactory.

S McNaught outlined the recommendations made and highlighted the potential risk of hosting external events and speakers in relation to the Prevent responsibilities of the College and stated that the creation of guidance on this would be of benefit.

G Robertson noted in the report that the date for the mandatory refresher training was noted as 31 December 2019 and asked if this was early enough. This was discussed and it was noted that there was a considerable amount of mandatory staff training to be completed at induction and on a rolling basis thereafter. S Taylor noted that the College was working on a rolling 3-year programme across a wide range of mandatory training to break this up across a reasonable timeframe and support recording and follow up.

M Williamson queried the need for annual training for staff groups delivering schools provision as annual training was mandatory for local authority teachers. It was agreed that approaches to this within the College sector would be checked and practice developed as appropriate. **S Taylor to progress.** It was noted that a wide range of other training around safeguarding and other duty of care elements was undertaken by staff in addition to the mandatory refresh training.

The report was approved.

### 9.4 Progress Report

S McNaught noted that the Catering (Business Process Review) was still being worked on and that further focus sessions where required at each campus (to be undertaken by David Archibald).
S McNaught noted that the Student Engagement / Students Association audit has commenced but was tied to the timing of the Student President and Vice President Elections so a meeting was still to be arranged with the new office bearers.

It was noted that overall the audit programme was on schedule.

9.5 Audit Plan 2018/19 & 2019/20

S McNaught summarised arrangements and timescales for the production of the 2019/20 audit plan.

9.4 Follow-Up Summary

S Taylor noted that all audit recommendations to date had been completed or were on track by the relevant due date.

G Robertson noted his disappointment that the report was missing details in relation to the Asset / Fleet Management report that appeared on the report in March. J Carnegie intimated that she would confirm the status of the Asset / Fleet recommendations and include these within the meeting minute (see update below). **J Carnegie to progress**

10. EXTERNAL AUDIT

R Smith introduced himself and his colleague A Kerr who will be working with Dundee & Angus College for Audit Scotland, giving some background to their previous experience in the college sector. R Smith noted that the College were now in year three of a five year contract.

A Kerr described the work carried out for 2018/19 explaining the layout of the report and each exhibition in the key audit risks. Indicating that Audit Risks 1 – 4 were standard while Risk 5 was more specific to Colleges re Performance & Governance.

A Kerr noted that Risk 7 (Estates Investment) was part of an overview of reporting on capital & revenue funding relative to Scottish Funding Council and Scottish Government investment.

A Kerr noted that Risk 7 related to a National Fraud Initiative (NFI) and indicated that the College had submitted payroll data to Audit Scotland for this.

A Kerr noted that Audit Risk 9 – Plans & Policies. In respect of the Board Manual and Committee Remit the versions are from 2015. S Taylor intimated that this was driven by the Code of Good Governance from Colleges Scotland and the Scottish Funding Council. S Taylor noted that the Board of Management Code of Conduct is produced by the Scottish Government with no authority for the College to make changes to this.

A Kerr explained Exhibit 3 and the material reporting thresholds for reporting. Exhibit 4 intimated the timescales for the Audit sign off of the College Accounts.

The audit plan update was welcomed.

11. RENEWAL OF CONTRACT - INTERNAL AUDIT

A potential conflict of interest for Henderson Loggie was noted in respect of this item and S McNaught left the meeting.

S Taylor explained that approval to extend Henderson Loggie’s contact for a further year had been agreed at the March Audit & Risk Committee Meeting and the Committee’s request to have a timeline produce for future contracting.

S Taylor explained the proposed draft timeframe.
G Robertson confirmed that the Committee would be happy with a ‘mini’ procurement tender arrangement. The Committee also confirmed that they would be happy to delegate responsibility to the Chair. An updated copy of the timeline would be circulated to members. S Taylor to progress.

12. DATE OF NEXT MEETING

The next Audit and Risk Committee meeting was confirmed as: **Tuesday 17 September 2019 at 5.00pm in A214, Kingsway Campus.**

**Action Point Summary**

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsibility</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper summarising plans for the delegation of risks to individual Board Committees to be discussed at each Committee meeting</td>
<td>S Taylor</td>
<td>24 September 2019</td>
</tr>
<tr>
<td>The minute will include an update on the status of the appendices to the Business Continuity Plan in respect of the business critical areas of Estates and ICT. (see 1. below)</td>
<td>J Carnegie</td>
<td>31 May 2019</td>
</tr>
<tr>
<td>Congratulations to relevant staff on the positive E&amp;D Audit outcome</td>
<td>S Taylor</td>
<td>20 May 2019</td>
</tr>
<tr>
<td>Approaches to annual Duty of Care updating for staff in college sector to be sought and D&amp;A approach adapted as required</td>
<td>S Taylor</td>
<td>24 September 2019</td>
</tr>
<tr>
<td>Progress on audit recommendations from Asset/Fleet Management audit to be confirmed. (see 2. below)</td>
<td>J Carnegie</td>
<td>31 May 2019</td>
</tr>
<tr>
<td>Internal Audit contract timeframe to be circulated to Committee members.</td>
<td>S Taylor</td>
<td>31 May 2019</td>
</tr>
</tbody>
</table>

**Updates**

The review of the existing ICT Business Continuity Plan and documenting the Estates Business Continuity Plan is scheduled for completion over the summer with these being re-issued for the start of the 2019/20 Academic session. This review will be supported by the CISO shared service.

The following is the extract from the Asset / Fleet Management Internal Audit report with an update included.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Action</th>
<th>Deadline</th>
<th>Revised Deadline</th>
<th>Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>The procedural instructions for asset additions, currently in draft, should be reviewed to take on board any issues arising from the review. Once updated the procedures should be discussed and agreed by the SMT for dissemination and implantation across all departments</td>
<td>Jul-18</td>
<td>Dec-18 Apr 19</td>
<td>Updated procedural instructions for asset additions and asset disposal have been produced and aged and were uploaded to the staff portal on 30th April 2019</td>
</tr>
<tr>
<td>Grade</td>
<td>Action</td>
<td>Deadline</td>
<td>Revised Deadline</td>
<td>Update</td>
</tr>
<tr>
<td>-------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------</td>
<td>------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2</td>
<td>The procedural instructions for the disposal of assets, currently in draft, should be reviewed to take on board any issues arising from this review. Once updated the procedures should be discussed and agreed by the SMT for dissemination and implementation across all departments.</td>
<td>Jul-18</td>
<td>Dec-18</td>
<td>Apr 19</td>
</tr>
<tr>
<td>3</td>
<td>We recommend that the manual log of mileage be transferred to an electronic system to allow vehicles details to be held in one central fleet vehicle repository. The information to be captured for each vehicle should include the annual mileage; date of completed safety checks and MOTs; maintenance and repair costs; fuel costs. This information should be reviewed annually to ensure that the financial viability of vehicles is regularly monitored and challenged.</td>
<td>Sep-18</td>
<td>Feb-19</td>
<td>Apr 19</td>
</tr>
<tr>
<td></td>
<td>An electronic system has been procured and all fleet vehicle data has been captured into the Fleet Check system. The final remaining data set requirement is for the details of all authorised fleet drivers (potentially any member of staff) to be captured (drivers licence, any limitations on driving, etc.). This data is currently being provided by staff and will enable the upload of the complete data sets to the live system to take place at the one time. This is planned to take place prior to the end of session, with rolling updates thereafter (as staff leave/join/change details). Annual review and periodic reporting arrangements will be developed as usage data within the system builds up over the forthcoming year.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Audit and Risk Committee

Tuesday 17 September 2019

PAPER C

Strategic Risk Register
1. Introduction
Following discussion at the Audit and Risk Committee in May 2019, it was agreed that a short paper accompany each update to the Strategic Risk Register. This paper summarises activity in respect of risk related matters since the previous meeting.

2. Allocation of Risks to Board Committees
Following discussion at the Audit and risk Committee in May 2019, the Board of Management agreed at its meeting in June 2019 that key strategic risks be allocated to each Board Committee for regular review and consideration. This work is being progressed through the current round of meetings.

The Strategic Risk Register now highlights the proposed delegation of risk areas across the range of Board Committees.

In identifying these delegated risks, it has been agreed that each Committee consider (and amend/update as appropriate) the key risk areas within their responsibility as a standing item at each future meeting.

Proposed changes arising from this consideration will be brought back to the next appropriate meeting of the Audit & Risk Committee for final approval.

In making these changes, it is important to reinforce that the overall responsibility for risk management will remain with the Board of Management, with delegated authority for the implementation and review of this to the Audit & Risk Committee. The further allocation of areas of risk oversight to Board Committees is intended to improve the awareness, oversight and consideration of risk, rather than amend the terms of the Board of Management scheme of delegation.

3. Consideration of Risks to Board Committees
In making these changes, each Committee has been asked to consider how it is informed around the areas of key risk and assure itself that the regular reporting and information, updates and opportunities for scrutiny within the operation of the Committee are reasonable and sufficient in respect of this.
As a part of these discussions, a proposal has been received that Committees undertake risk scenario planning in respect of their allocated risks. To ensure that there is full consideration of this proposal, and to avoid a potential ‘piecemeal’ approach, the Board of Management will consider this at its next meeting.

4. Review of Strategic Risk Register

The September 2019 Strategic Risk Register has been updated and subject to review by the Senior Leadership Team. Through this activity some minor amendments have been made as follows.

- The responsibility section has been amended to highlight lead responsibility, reducing this down to one or two senior staff that hold overall responsibility for ensuring that the required mitigation, monitoring, review and reporting is undertaken.

- Following on from the paper considered by the Audit and Risk Committee on risks arising from Brexit (Risk 1.3), further discussions have been held and the post mitigation risk increased from 10 to 15. This remains as an amber risk, but given the continuing uncertainty around Brexit, remains under close review.

All other risks have remained consistent from those approved by the Committee in May 2019.

5. Approvals

In respect of the above information approval for the following actions is sought.

- Approval by the Committee to accept oversight of the relevant risks as identified on the Strategic Risk Register.

- Approval of the updated Strategic Risk Register.

6. Information

Further information in respect of Governance matters is available for Board members by contacting Steve Taylor, Vice Principal People & Performance, s.taylor@dundeeandangus.ac.uk.

Author and Executive Sponsor: Steve Taylor, Vice Principal People and Performance
Audit and Risk Committee

Tuesday 17 September 2019

PAPER D

Cyber Resilience - Update
Cyber Resilience Update

**Paper for noting**

1. **Introduction**
   
   This report provides an update on cyber resilience.

2. **Recommendations**
   
   Members are asked to note the progress against the Public Sector Action Plan (PSAP – a cyber resilience strategy for Scotland).

3. **Background**
   
   Members will recall that the December 2018 Board received a report that advised on the College’s progress towards compliance with the Scottish Government’s Public Sector Action Plan (PSAP) on cyber resilience 2017-18. Link to the PSAP [here](#).

   As a reminder, the PSAP was launched in November 2017 and sets out the 11 key actions that the Scottish Government (SG), public bodies and key partners must complete by the end of 2018 to enhance cyber resilience in Scotland’s public sector;

   Key Action 1: The Scottish Government will develop a Cyber Resilience Framework for Scottish public bodies.

   Key Action 2: Have in place minimum cyber risk governance arrangements.

   Key Action 3: Ensure that public bodies that manage their own networks become active members of the NCSC’s Cybersecurity Information Sharing Partnership (CiSP).

   Key Action 4: Ensure they have in place appropriate independent assurance of critical cyber security controls.

   Key Action 5: Implement as appropriate the NCSC’s Active Cyber Defence Programme.

   Key Action 6: Have in place appropriate cyber resilience training and awareness raising arrangements for individuals at all levels of the organisation.

   Key Action 7: Have in place appropriate cyber incident response plans.

   Key Action 8: Supply chain cyber security arrangements will form a key part of the Scottish Public Sector Cyber Resilience Framework.

   Key Action 9: The Scottish Government will put in place an innovative Dynamic Purchasing System for Digital Services.

   Key Action 10: The Scottish Government will coordinate a Public Sector Cyber Catalyst scheme.

   Key Action 11: The Scottish Government will put in place a monitoring and evaluation framework to assess progress against the PSAP.
The 2018/19 Annual Internal Audit Plan included an audit of Cyber Security, which aligned with the requirements of the PSAP, the report from which the Audit & Risk Committee considered at its March 2019 meeting. The Internal Audit follow up report provides reassurance that the College is continuing to make good progress towards the requirements of PSAP.

4. Progress

Cyber Essentials is a Government-backed, industry-supported scheme to help organisations protect themselves against common online threats. The five basic controls within Cyber Essentials were chosen because, when properly implemented, they will help to protect against unskilled internet-based attackers using commodity capabilities, which are freely available on the internet.

The five controls are:
- Boundary firewalls and internet gateways
- Secure configuration
- Access control
- Malware protection
- Patch management

As previously reported the College achieved Cyber Essentials certification in November 2018. A list of all organisations who have achieved certification (Cyber Essentials or Cyber Essentials Plus) can be found [here](#).

We expect that by the end of October we will be in a position to engage our chosen security consultants, Sapphire, to carry out an audit to achieve Cyber Essentials Plus certification. The only issue remaining to be resolved is around a small number of devices that have vulnerabilities, which we hope to address in the next few weeks.

The work carried out since we achieved Cyber Essentials in November 2018 to improve our Cyber Security posture is as follows:-

- **Boundary Firewalls and Internet Gateways**
  - New Enterprise Firewalls were procured in May 2019 and implemented during July and August. This has meant we now have two identical firewalls that manage connections through our two external internet connections (one connecting to our Gardyne Campus and one connecting to our Arbroath campus). Previously we had two different firewalls that had different software and proved difficult to keep the rules aligned.
  - As part of the implementation all firewall rules were removed, and only valid rules were added, and reasons documented for their addition.

- **Secure Configuration**
  - Unsupported staff mobile phones have been replaced with new devices which are under support from the vendor.
  - All mobile devices are in the process of the being added to our Mobile Device Management system, Sophos, which will allow us to remotely wipe any devices if
required and monitor them to ensure they are patched and they are being used in a secure manner.

- **Access Control**
  A password management solution has been purchased for use in ICT to ensure that administrator passwords are stored and shared in a secure manner.

- **Malware Protection**
  The list of malware which Sapphire will attempt to install as part of our audit has been supplied. We have tested against these and ensured that our network and devices block them before they can be installed on our network.

- **Patch Management**
  - In March 2019 our chosen Security Consultancy partners, Sapphire, were brought in to configure a network vulnerability scanning application, Nessus, and discuss what they would be testing as part of the Cyber Essentials Plus audit.
  - In May 2019 an application called PDQ Deploy was purchased which allows ICT to automatically patch third party applications on our workstations. Whereas previously this was a manual task managed locally per device we can now push these patches out from a central point and be satisfied that they been applied successfully.
  - We now have no external services which have any vulnerabilities with even a low risk.
  - The number of internal devices with known vulnerabilities has been reduced significantly as we have done a network wide rollout of Windows 10 and managed third party patches through PDQ Deploy.

  **Author:** Andy Ross, Head of ICT Services  
  **Executive Sponsor:** Jaki Carnegie, Vice Principal – Corporate Services
Audit and Risk Committee

Tuesday 17 September 2019

PAPER E

National Fraud Initiative
Audit & Risk Committee
Tuesday 17 September 2019

National Fraud Initiative

Paper for noting / approval

1. Introduction
This report and appendix provides an introduction to the National Fraud Initiative.

2. Recommendations
Members are asked to;
a) note the report
b) note that the Fraud Prevention Policy will be revised to incorporate the National Fraud Initiative
c) approve that National Fraud Initiative progress and outcomes be reported to this Committee.

3. Background
Members may recall from the May 2019 Audit & Risk Committee that, as part of Audit Scotland’s Annual Audit Plan 2018/19 a key audit risk was associated with “Risk of fraud over expenditure”. A source of management assurance is our involvement in the National Fraud Initiative and the work that we do on investigating National Fraud Initiative matches.

The Annual Audit Plan also went on to explain that the National Fraud Initiative (NFI) is a data-matching exercise led by Audit Scotland to aid the detection of fraudulent payments. NFI allows public bodies to investigate matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.

1,200 participating organisations from the public and private sectors including government departments provide their data for the National Fraud Initiative. Whilst a number of organisations have participated in the National Fraud Initiative for a number of years the College was invited to participate in Autumn 2018. As was indicated by the Annual Audit Plan we were unable to provide all the data required until early March 2019.

As part of the 2018/19 annual audit process, Auditors will review our progress investigating National Fraud Initiative matches and if insufficient progress has been
made they may conclude within their annual audit report that the college’s engagement in the initiative has been unsatisfactory.

4. **Self-appraisal checklist**
The National Fraud Initiative recommends the use of a Self-appraisal checklist. As this is the first time that the college has actively participated in the National Fraud Initiative exercise we are keen to set up appropriate reporting mechanisms to the Audit & Risk Committee, which aligns with the good practice identified within the checklist.

In particular, we propose:

a) consideration of this paper and the appendices evidences Audit & Risk Committee support of the National Fraud Initiative. (Part A: No. 1)

b) the proposed revision of the Fraud Prevention Policy will reflect that the National Fraud Initiative is integral to our corporate policies. (Part A: No. 2)

c) National Fraud Initiative progress and outcomes are reported to the Audit & Risk Committee. (Part A: No. 4)

d) An internal audit of our approach to the National Fraud Initiative is scheduled into the Internal Audit Annual plan for 2020/21. (Part A: No. 6)

5. **Progress**
Following submission of the datasets the returned matches are summarised as follows:

<table>
<thead>
<tr>
<th>Number of matches</th>
<th>'Fraud risk'</th>
<th>Others</th>
<th>Reviewed</th>
<th>Conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll - matched with other payrolls</td>
<td>3</td>
<td>3</td>
<td></td>
<td>no issues</td>
</tr>
<tr>
<td>Payroll - duplicate employee data</td>
<td>4</td>
<td>4</td>
<td></td>
<td>no issues</td>
</tr>
<tr>
<td>Payroll/Procurement - Company House Data</td>
<td>8</td>
<td>8</td>
<td></td>
<td>no issues</td>
</tr>
<tr>
<td>Payroll - to Creditors</td>
<td>2</td>
<td>2</td>
<td></td>
<td>no issues</td>
</tr>
<tr>
<td>Creditors - duplicate references</td>
<td>34</td>
<td>34</td>
<td></td>
<td>17 accounts closed</td>
</tr>
<tr>
<td>Creditors - duplicate records</td>
<td>116</td>
<td>116</td>
<td></td>
<td>2 invoices paid twice (£1,998), recoverable from regular suppliers.</td>
</tr>
<tr>
<td>Creditors - VAT overpaid</td>
<td>32</td>
<td>32</td>
<td></td>
<td>1 overpayment of £47</td>
</tr>
</tbody>
</table>

5 | 196 | 199

**Author & Executive Sponsor:** Jaki Carnegie, Vice Principal – Corporate Services

Appendix 1: National Fraud Initiative
Appendix 2: Self-appraisal Checklist
The National Fraud Initiative in Scotland
Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.
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Audit team
The core team consisted of: Anne Cairns, Parminder Singh, Mark Laird, Alison Turner and Paul Bonfanti, with support from other colleagues and under the direction of Angela Canning.
Key facts

NFI outcomes in Scotland from the 2016/17 exercise

The 2016/17 Scottish outcomes are derived from the 2016/17 exercise and late outcomes from the 2014/15 exercise

Note: An NFI outcome describes the overall amounts for fraud, overpayments and error that are detected by the NFI exercise and an estimate of future losses that it prevents. Examples of NFI outcomes include housing benefits being stopped or reduced, council tax discounts being reduced or removed, and blue badges being stopped or flagged for future checks.
Summary

Key messages

1 Public bodies spend billions of pounds of taxpayers’ money for the benefit of the Scottish population. Public spending systems are complex and mistakes can happen. Some people also seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.

2 Fraud does not recognise organisational or geographic boundaries. Sharing data allows organisations to match data held in different systems in their own organisation and held in other organisations. Audit Scotland, working closely with public bodies, auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The National Fraud Initiative (NFI) exercises significantly contribute to the security and transparency of public sector finances. It helps confirm that services are provided to the correct people and reduces fraud and error.

3 The outcomes from the NFI include amounts for fraud and error detected and an estimate for those future losses that have been prevented. Since we last reported on the NFI in Scotland in June 2016, outcomes valued at £18.6 million have been recorded. The cumulative outcomes from the NFI in Scotland since 2006/07 are now £129.2 million. These outcomes represent a significant return to the public sector at a time when Scotland’s public finances continue to be under pressure. Across the UK, the cumulative total of NFI outcomes are now £1.69 billion.

4 Data sharing enables matches to be made between bodies and across national borders. Data submitted by Scottish bodies for the 2016/17 NFI exercise helped other organisations to identify outcomes of £1.1 million.

5 Most organisations take advantage of the opportunities provided by the NFI. But some could act more promptly and ensure that sufficient staff are in place to investigate matches, prevent frauds and correct errors.
Recommendations

All participants in the NFI exercise should:

- ensure that they maximise the benefits of their participation. They should consider:
  - using the NFI AppCheck point of application service, the flexible matching service and the Equifax Public Sector Gateway service as appropriate when planning their counter-fraud activities (paragraph 51)
  - whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application (paragraph 61)

- audit committees, or equivalent, and officers leading the NFI should review the National Fraud Initiative: Self-appraisal checklist. This will ensure they are fully informed of their organisation’s planning and progress in the 2018/19 NFI exercise (paragraph 58)

- where local auditors have identified specific areas where improvements could be made, the public bodies should act on these as soon as possible (paragraph 63).

Local authorities should:

- investigate the council tax single person discount (SPD) matches, in conjunction with other data-matching suppliers as they determine appropriate, to ensure that their awarded discounts are valid (paragraph 28).
Part 1
Background

Key messages

1. The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud.

2. Data matching is an effective and efficient way to identify areas for further investigation by connecting discrepancies between different data sets.

3. The success of the NFI comes primarily from the public servants who investigate the data matches and the external auditors who review their arrangements.

The NFI aims to detect and prevent fraud and error

1. The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Cabinet Office oversees it and Audit Scotland leads the exercise in Scotland, working with a range of Scottish public bodies and external auditors. The NFI takes place every second year. The last one was for 2014/15, and we reported on the findings from that exercise in June 2016.1

2. The NFI in Scotland is now well established, with the 2016/17 exercise being the sixth exercise since 2006/07. The NFI enables public bodies to use computer data matching techniques to detect fraud and error. Exhibit 1 (page 8) shows the NFI’s key features and Exhibit 2 (page 9) illustrates how the NFI exercise works.

3. Public bodies that take part in the NFI in Scotland include the Scottish Government and other central government bodies, all councils, NHS bodies, pension administering bodies, the Scottish Fire and Rescue Service, Police Scotland and colleges.

4. We carry out the NFI process under powers in The Criminal Justice and Licensing (Scotland) Act 2010. It is important for all parties involved that this exercise is properly controlled and data handled in accordance with the law. Appendix 1 (page 31) summarises the key legislation and controls governing the NFI data matching exercise.
### Exhibit 1
**Key features of the National Fraud Initiative**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acts as a deterrent to potential fraudsters</td>
<td></td>
</tr>
<tr>
<td>Identifies errors and fraud enabling appropriate action to be taken</td>
<td></td>
</tr>
<tr>
<td>Operates across boundaries and public bodies in different sectors and countries</td>
<td></td>
</tr>
<tr>
<td>Can provide assurances that systems are operating well</td>
<td></td>
</tr>
<tr>
<td>Can identify where system improvements are required</td>
<td></td>
</tr>
<tr>
<td>Represents value for money through centralised data processing and identifying targeted high-priority matches</td>
<td></td>
</tr>
</tbody>
</table>

Source: Audit Scotland

5. Fraud does not recognise organisational or geographic boundaries. Data sharing enables the NFI to use technology to compare information about individuals held by different public bodies, and on different financial systems, that might suggest fraud or error exists. This means public bodies can take action if any fraud or error has taken place, and allows auditors to assess the fraud prevention arrangements that those bodies have.

6. The NFI exercises significantly contribute to the security and transparency of public sector finances by:

- ensuring that services are only delivered and benefits are only paid to the correct people
- preventing, identifying and reducing fraud and error
- allowing overpayments to be recovered
- enabling penalties to be imposed.
7. The NFI uses data matching to identify potential inconsistencies. Data matching involves comparing sets of data against other records held by the same or another body. This enables us to identify potential inconsistencies, called matches, which may indicate fraud or error and need to be investigated. Public bodies taking part in the NFI exercise investigate matches and record the outcomes based on their investigations. It is up to individual bodies to decide which, and how many, matches to investigate.
8. The NFI matches data in many areas. Examples include the following:

- Council tax records to the latest electoral register, to identify any unreported changes that would affect a resident’s council tax discount.

- Housing benefit claimants to various data sets, to check whether a claimant has incorrectly declared their income.

- Public sector pensions to payroll and deceased persons’ records. This checks if the death of a pensioner has not been reported. It also identifies where a pensioner has gone back into employment but not reported changes which should have resulted in their pension payment being reduced.

- Blue parking badges to deceased persons’ records, to check that the badge is cancelled when a permit holder dies.

9. The NFI outcome figures referred to in this report include amounts for fraud and error detected as well as an estimate for those future losses that have been prevented. Estimates are included where it is reasonable to assume that fraud, overpayments and error would have continued undetected without the NFI data matching.

10. While the cost of fraud and error prevention measures may be estimated, the NFI also has an important deterrent effect that cannot be measured. Regular data sharing and matching exercises such as the NFI may deter people who are considering committing fraud.

11. The NFI’s success comes primarily from the public servants who investigate the data matches. External auditors also have an important role. They review and conclude on how effective the local NFI arrangements are. They also provide assurance on the progress being made on the NFI investigations.

12. The public also have a duty to report any change in circumstances that could affect their entitlement to public services such as pensions, benefits or council tax discounts. If they do not, the consequences can be serious and lead to action against them to recover overpayments and possibly being prosecuted for fraud.
Part 2

Results of the 2016/17 NFI exercise

Key messages

1. Across the UK, £301 million of outcomes have been identified by the 2016/17 NFI exercise.

2. In Scotland, £18.6 million of fraud and error outcomes were identified from the 2016/17 NFI investigations.

3. Cumulative NFI outcomes are £1.69 billion for the UK, and £129.2 million for Scotland.

4. As at 31 March 2018, there was £4.8 million of recovery action being taken in Scotland on overpayments identified by the 2016/17 NFI exercise.

The NFI has identified £18.6 million of fraud and error

13. Overall, the 2016/17 NFI exercise has identified outcomes valued at £301 million across the UK, with a cumulative total of £1.69 billion since the first NFI exercise in 2006/7.

14. NFI outcomes in Scotland have increased from £16.8 million in the 2014/15 exercise, to £18.6 million in the 2016/17 exercise. Cumulative outcomes from the NFI in Scotland are now at £129.2 million and represent a significant return to the public finances of Scotland.

15. The 2016/17 outcomes for Scotland are split:
   - £16.8 million of outcomes from the 2016/17 NFI matches.
   - £1.8 million from late outcomes from the 2014/15 NFI.

16. In total, 113 Scottish public sector bodies participated in the 2016/17 NFI exercise, with 656,955 matches being identified for these Scottish bodies to consider. In the 2014/15 NFI exercise, 104 Scottish bodies took part and received 347,715 matches. It is up to individual bodies to decide which, and how many, matches to investigate.

17. The evidence from previous exercises is that between reports, outcomes continue to be delivered. The 2014/15 and 2012/13 NFI reports showed that 12 per cent and 20 per cent of the outcomes arose after March 2016 and March 2014 respectively. If this pattern is continued we could expect to see further outcomes in the region of £2 million from the 2016/17 NFI.
18. Importantly, once overpayments have been identified, public bodies can take appropriate action to recover the money. As at 31 March 2018, public bodies were taking action to recover £4.8 million (£4.6 million was being recovered at the end of the 2014/15 NFI in March 2016).

19. The areas which generated the most outcomes from the current exercise were (Exhibit 3):

- pensions – 34 per cent (£6.3 million)
- council tax discounts – 24 per cent (£4.4 million)
- blue badges – 14 per cent (£2.6 million).

Exhibit 3
Eight areas generated about 95 per cent of the NFI outcomes in Scotland

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>280 occupational pensions stopped or reduced</td>
<td>£6.3m</td>
</tr>
<tr>
<td>4,505 blue badges stopped or flagged for future checks</td>
<td>£2.6m</td>
</tr>
<tr>
<td>5 invalid student funding applications</td>
<td>£0.1m</td>
</tr>
<tr>
<td>168 creditor errors identified</td>
<td>£1.05m</td>
</tr>
<tr>
<td>710 benefit payments stopped or reduced</td>
<td>£2.1m</td>
</tr>
<tr>
<td>13 payroll outcomes</td>
<td>£0.1m</td>
</tr>
<tr>
<td>4,802 council tax discounts removed</td>
<td>£4.4m</td>
</tr>
<tr>
<td>100 private care home residents’ payments stopped</td>
<td>£0.9m</td>
</tr>
</tbody>
</table>

Source: The Cabinet Office NFI secure web application
20. The NFI outcome figures include amounts for fraud and error detected as well as an estimate for those future losses that have been prevented. High levels of outcomes could be due to increased fraud and error in the system, better detection of fraud and error or poor internal controls.

21. Equally important is the assurance the NFI gives to the public bodies with few matches that, in the areas covered by the exercise, there do not appear to be significant problems. These bodies also benefit from the deterrent effect the NFI creates.

NFI outcomes from specific matches

Pensions

22. The NFI provides councils that administer pensions and the Scottish Public Pensions Agency (SPPA) with an efficient and effective way of checking that they are only paying people who are alive. The 2016/17 NFI helped these bodies identify 225 pensioners whose deaths had not been reported to them (195 in NFI 2014/15).

23. The number of outcomes for pensioners who have gone back into employment that should have resulted in their pension being reduced has increased from 22 to 55 since the 2014/15 NFI. This may indicate that people are more inclined to work after pensionable age.

24. In total, pensions’ outcomes for the 2016/17 NFI are £6.3 million compared with £4.6 million for 2014/15 (Exhibit 3, page 12). This equates to an average outcome of £22,500 for each case.

Case study 1

SPPA – NHS superannuation scheme re-employment controls

As a result of the NFI matches identifying pensioners who have entered re-employment, controls have been strengthened in the re-employment data set within the payroll administration system to include earnings limits. This should help identify pension overpayments in the future.

Source: SPPA

Council tax

25. People living on their own, or with no countable adults in the household, are eligible for a 25 per cent Single Person Discount (SPD) on their annual council tax bill. The Scottish Government estimates that two-fifths of chargeable dwellings were entitled to the discount in 2017. Based on the average band ‘D’ council tax charge for Scotland in 2017, this equates to an annual discount cost of £285 million. This demonstrates that the SPD is of considerable value.

26. The 2016/17 NFI exercise found that the total council tax discount incorrectly awarded across Scottish councils totalled £4.4 million (£5.6 million in 2014/15) (Exhibit 3). This is an average outcome of £916 for each case.
27. It is not for Audit Scotland to decide which data matching service a council should use and when. The NFI is one of the proven ways councils can address fraud and error in this area. Councils can also use credit reference agencies to match single-person details against a wider range of data sets such as credit and utility records. Angus and Perth and Kinross councils decided not to upload data for this particular data match as they use alternative data matching sources. A number of councils, which did submit data to the NFI, also use alternative data matching. For example, several councils used credit reference agencies. In addition, North Ayrshire Council carried out payroll to council tax matching.

28. We recommend that councils investigate the SPD matches, in conjunction with other data matching suppliers as they determine appropriate, to ensure that their awarded discounts are valid.

29. Council tax reduction replaced council tax benefit in 2013. It helps those on low incomes to pay their council tax bills. The NFI provides councils with the opportunity to identify a wide range of council tax reduction fraud and errors. The 2016/17 NFI is the first time council tax reduction data sets have been included within the NFI. Outcomes of £0.5 million were identified.

Case study 2
Midlothian Council – council tax SPD
An NFI match identified that another adult was resident in a property where a customer was receiving a council tax SPD of about £330 a year. An investigation established that the tenant’s brother had been the only person in the property and the tenant had been privately renting another property. The tenant had also submitted several applications to buy the council property under the ‘right to buy’ scheme. Evidence was obtained that the tenant was married and was living with her new husband.

The ‘right to buy’ application was cancelled, resulting in the tenant not receiving her £15,000 discount and the tenant signed over her council tenancy back to the council. Council records have been updated and the tenant’s brother is now liable for council tax from 2014. The council has issued council tax bills totalling £1,743.67.

Source: Midlothian Council and the Cabinet Office NFI secure web application

Blue badges
30. The blue badge parking scheme allows individuals with mobility problems to park for free at on-street parking meters, in ‘pay and display’ bays, in designated blue badge spaces, and on single or double yellow lines in certain circumstances. Badges are sometimes used or renewed improperly by people after the badge holder has died. It is an offence for an unauthorised person to use a blue badge and, importantly, the space is denied to people with actual mobility issues.

31. Councils do not always attempt to recover a badge relating to a deceased person to avoid causing distress to bereaved families. But by flagging the relevant records, they can at least ensure that badges are not incorrectly renewed in the future.
32. Scottish councils have reported correcting 4,505 blue badge records (3,073 in the 2014/15 NFI) where the NFI helped them to identify that the holder had died. (Exhibit 3, page 12). North Lanarkshire Council has recorded the highest level of outcomes, correcting 751 blue badge records.

Case study 3
The Moray Council's 'tell us once' approach
The council operates a process called 'tell us once'. This means that when a death is registered, the registrar informs the relevant council and government departments. This includes advising the blue badge department to allow cancellation of blue badges on the council database. This process has reduced the risk of blue badges continuing to be used fraudulently or improperly. It also reduces the stress and burdens placed upon relatives of the deceased.

Source: The Moray Council

Benefits
33. The NFI provides councils and the Department for Work and Pensions (DWP) with the opportunity to identify a wide range of benefit frauds and errors. The most common are caused by undeclared occupational pensions and undeclared earnings from public sector employment. Exhibit 4 summarises the benefit outcomes from the last three NFI exercises.

Exhibit 4
Housing and other benefit outcomes

<table>
<thead>
<tr>
<th></th>
<th>2012/13</th>
<th>2014/15</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>£5 million</td>
<td>(1,862 cases)</td>
<td>£3 million</td>
<td>(868 cases)</td>
</tr>
</tbody>
</table>

Source: The Cabinet Office NFI secure web application
34. This indicates that there has been a further decline in benefit outcomes since the last exercise. The possible reasons are as follows:

- The transfer of responsibility for investigating benefit fraud from councils to the DWP’s Single Fraud and Investigation Service from 2015/16. This means that local authority investigators are now concentrating on other areas.
- The DWP is now using real-time information (RTI) payroll and pension information, to help prevent benefit overpayments occurring.
- The DWP only investigates potential frauds of a significant value.
- Efforts by public bodies to continuously improve housing benefit systems. Councils are also participating in DWP schemes such as the Right Benefit Initiative from April 2017, which aims to identify and reduce housing benefit fraud and error.

35. The number of housing benefit cases recorded with overpayments has fallen from 868 in the 2014/15 NFI to 710 in the 2016/17 NFI (Exhibit 3, page 12). Although the individual value of overpayments has also fallen from £3,515 to £2,923, it still indicates that councils are effectively targeting high-value and high-risk matches first.

36. In terms of value, Glasgow City Council and Aberdeen City Council have so far achieved the highest levels of outcomes from their 2016/17 NFI benefits investigations, with £306,645 and £224,666 respectively.

Case study 4

East Dunbartonshire Council – housing benefit and council tax reduction

A housing benefit and council tax reduction scheme match identified that a claimant was no longer residing in the local area. This resulted in £4,200 of overpaid housing benefit and council tax reduction being identified. It was also established that the landlord had returned to live in the property and had evaded his £7,200 council tax liability by not informing the council of the change of occupancy. The landlord is currently repaying his council tax debt.

Source: East Dunbartonshire Council and the Cabinet Office NFI secure web application

Creditors

37. The NFI provides an efficient way to check for duplicate payments and that payments are made only to appropriate creditors. The 2016/17 NFI detected 168 creditor overpayments of £1.05 million compared to 139 overpayments worth £0.71 million in 2014/15 (Exhibit 3). Recovery action is taking place for £1.03 million (154) of these overpayments. In other cases, overpayments have already been returned or credit notes provided. These outcomes are all as a result of duplicate payments made in error.
38. Those bodies delivering the highest value of error from 2016/17 investigations are the Scottish Government (£278,981) and the Scottish Fire and Rescue Service (£134,892).

**Case study 5**

**NHS Lanarkshire – creditors**

Previous NFI exercises identified a few duplicate payments which had not been picked up through the health board’s normal creditor controls. Based on this, the finance department put in place a new monthly IT report to identify duplicate payments. This additional control has resulted in a reduction in duplicate payments and where NFI now picks up duplicate payments these have already been resolved by the finance department.

Source: NHS Lanarkshire

**Payments to private care homes**

39. Councils have identified 100 cases of overpayments to care home providers for people who have died. These were worth £865,173 (Exhibit 3, page 12). Eight cases totalling £103,111 were identified in the 2014/15 NFI exercise. All of these overpayments are being recovered.

40. Owing to the significant increase in identifying overpayments to care providers, East Dunbartonshire Council has undertaken a pilot looking at matching all social care costs for clients to deceased records (Case study 10, page 29).

**Case study 6**

**Aberdeen City Council – residential care homes**

Following the death of a resident, the care home is responsible for notifying the council. The 2014/15 NFI identified an issue involving payments to care homes. In some cases, care homes were not notifying the council quickly when residents died resulting in payments continuing when they should have stopped.

Processes were introduced to use information from the council's ‘tell us once’ initiative. This data is checked daily, resulting in payments to care homes being stopped much earlier.

Source: Aberdeen City Council
Payroll
41. This match includes all participating bodies’ employee payroll data as well as those of MSPs and councillors. The NFI can identify cases of potential payroll fraud. Investigations may lead, for example, to the discovery that employees are in breach of conditions of service or EU working time limits. Excessive working hours may also pose public safety risks.

42. The NFI also matches payroll data to Home Office immigration data. It is unlawful to seek employment if you are not entitled to live or work in the UK. The NFI allows public bodies to supplement their recruitment checks.

43. Thirteen payroll outcomes valued at £128,963 have been reported for the 2016/17 NFI exercise (Exhibit 3, page 12). The matches also resulted in the following:

- One public sector employee being dismissed. The employee was dismissed after he did not return from annual leave, could not be contacted and it was confirmed that he did not have permission to live or work in the UK.

- An employee resigning after being challenged about residency status.

- Two public sector employees being removed from the NHS bank staffing lists after it was confirmed that they did not have permission to live or work in the UK. One was in the process of being removed from the list after the NHS board became aware that they were no longer permitted to work in the UK. The other employee was removed from the bank list after the Home Office informed the NHS board that the employee no longer had the right to work in the UK.

Student immigration checks
44. The NFI provides the Student Awards Agency Scotland (SAAS) with matches identifying cases where students may not hold valid permissions to live or study in the UK.

45. The NFI exercise identified five cases where students were found not to be entitled to receive support. These students had received student support amounting to £0.1 million (Exhibit 3). The 2014/15 NFI identified overpayments of £0.2 million in ten cases where students were not entitled to support.

New matches were introduced in 2016/17

Housing waiting lists
46. Housing waiting list data was a new data set required for the 2016/17 NFI exercise. The aim is to identify possible cases of waiting list fraud. This happens when an individual has registered on the waiting list but there are possible undisclosed changes in circumstances or false information has been provided.

47. Councils identified 90 cases where applicants were removed from waiting lists. East Dunbartonshire Council identified 71 (79 per cent) of these cases.
Matches benefiting other public bodies

48. One key benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders. Scottish data for the 2016/17 NFI exercise benefited wider public bodies, both within and outwith Scotland to take action on 568 outcomes worth £1.12 million (Exhibit 5). There were 396 outcomes totalling £0.7 million in the 2014/15 NFI. Most of these outcomes are from cross-body housing benefits, council tax reductions and housing waiting list matches.

49. For those public bodies taking part in the NFI which may not always identify significant outcomes from their own matches, it is important to appreciate that other bodies and sectors may do so.

Exhibit 5
Matches benefiting other bodies both within and outwith Scotland

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£1.12m</td>
<td>£0.70m</td>
</tr>
<tr>
<td></td>
<td>568 outcomes</td>
<td>396 outcomes</td>
</tr>
<tr>
<td>Local government</td>
<td>£520,948</td>
<td>£153,825</td>
</tr>
<tr>
<td></td>
<td>232</td>
<td>62</td>
</tr>
<tr>
<td>Central government</td>
<td>£438,206</td>
<td>£390,549</td>
</tr>
<tr>
<td></td>
<td>254</td>
<td>269</td>
</tr>
<tr>
<td>NHS</td>
<td>£155,566</td>
<td>£147,196</td>
</tr>
<tr>
<td></td>
<td>77</td>
<td>65</td>
</tr>
<tr>
<td>Further education</td>
<td>£7,073</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: The Cabinet Office NFI secure web application
**Other NFI services to prevent and detect fraud**

50. As well as the main data matching exercise which takes place every two years, the NFI exercise provides other services to help identify and prevent fraud and error:

- The NFI AppCheck helps bodies check applications at the start of the process. New applications for jobs, a service or benefits bring risks. The person applying may not be who they say they are, or they may fail to declare relevant information. This preventative service provides access to information allowing organisations to stop fraudulent applications from being successful. For example, it allows users to verify an applicant’s immigration status, validate details provided on application forms and verify the applicant’s welfare entitlement.

- The flexible data matching service allows participating bodies to re-check any of the existing NFI data matches when it is convenient for them. This service matches data from the most recent NFI exercise with regularly refreshed data.

- With the Equifax Public Sector Gateway, NFI participants can complete additional checks on the NFI matches. This function allows NFI users to check current residency data, records of deceased persons and data about other individuals who may be living at an address.

51. Several Scottish organisations have used these additional NFI services. We recommend that bodies consider using the NFI AppCheck, flexible matching service and the Equifax Public Sector Gateway service when planning their counter-fraud activities.

**Case study 7**

**East Dunbartonshire Council – use of AppCheck**

An individual applied to East Dunbartonshire Council for a taxi licence. The council used AppCheck and discovered that the applicant has a Glasgow address and also a tenancy in Milton Keynes. The investigation led to Milton Keynes Council recovering their property.

Source: East Dunbartonshire Council

**Costs and benefits of participating in the NFI**

52. The estimated value of the NFI to the public purse since we last reported in June 2016 is £18.6 million in outcomes. Some of this represents overpayments that will never be recovered and estimated values that have been attached, for example to cancelling a blue badge. These amounts may not translate into cash savings, but they are still valuable outcomes.

53. We previously consulted public bodies and established from those that responded that the NFI overpayments are usually subject to the same recovery processes that apply to other debt. Most bodies do not keep separate records of
the NFI recoveries. Indeed, we would prefer that bodies devoted their resources to investigating, rather than separately recording the NFI overpayments that are often recovered by frequent small payments over long periods of time.

54. Based on the current NFI exercise, public bodies have indicated that the NFI overpayments being recovered are £4.8 million (88 per cent of overpayments identified, excluding estimates). The estimated forward savings are £13.1 million from areas such as benefits and pensions. This is public money that has been prevented from being paid out in fraud or error following investigations. We estimate that at least 70 per cent of the total outcomes of £18.6 million are actual cash savings or money being recovered for the public purse.
Part 3
How public bodies work with the NFI

Key messages

1. 83 per cent of participating public bodies managed their roles in the 2016/17 NFI exercise satisfactorily. This is an improvement since the NFI 2016 report, when it was 80 per cent.

2. All bodies have taken appropriate action in cases where fraud is alleged.

3. The effectiveness of the NFI arrangements has improved across the central government and NHS sectors. The picture for councils is mixed.

4. NFI arrangements in colleges are generally sound but could be further developed.

5. 62 per cent of audit committees reviewed our last NFI report and carried out the self-assessment checklist contained within it. This is an improvement since the 2014/15 NFI report when only 31 per cent of audit committees reviewed the self-assessment checklist.

6. About a third of bodies could follow up their matches more promptly. This is a slight improvement since the 2016 NFI report, when the figure was 41 per cent.

Overall findings

55. Auditors concluded that 83 per cent of participating bodies had managed their role in the 2016/17 NFI exercise satisfactorily (80 per cent in the NFI 2016 report). No participating bodies were assessed as requiring to improve urgently. These conclusions continue to indicate a high degree of commitment to the NFI and that most participating bodies are taking the NFI seriously by putting adequate arrangements in place.

56. Audit work indicates that central government bodies have better arrangements compared with the NHS, local government and college sectors (Exhibit 6, page 23). This may be because many central government bodies have less direct interaction with the public. This, in turn, means that most central government bodies have fewer types of data matches to process for the NFI exercise.
57. We held an NFI workshop in March 2017 for participating bodies. The workshop was well attended with over 50 participants from NHS, councils and central government bodies. The aim was to work through recommended approaches to the NFI with both experienced users of the NFI system and other new users for the 2016/17 exercise. The NFI team facilitated the sharing of good practice on the day. We plan to hold more events in autumn 2018 to help improve public bodies’ outcomes from the next NFI exercise.

58. We recommend that all bodies use our National Fraud Initiative: Self-appraisal checklist to self-appraise their involvement in the NFI before and during the 2018/19 NFI exercise. Part A of the checklist is designed to help audit committee members when they are reviewing, seeking assurance over or challenging how effectively their public body participates in the NFI. Part B of the checklist is for staff involved in planning and managing the NFI exercise.

Areas for further improvement

59. Auditors reviewed each body’s planning and progress five months after the release of matches to participants and provided recommendations for improvement where appropriate. Overall, auditors’ conclusions demonstrate that there is a high level of involvement by participating bodies with the NFI. There are still areas where they could improve further (Exhibit 7, page 24). In particular, auditors assessed 17 per cent of participating bodies overall as being ‘mostly adequate’. This means that although these bodies’ NFI arrangements are generally sound, there are some specific areas where they must improve further.
### Exhibit 7
Conclusions from audit work on NFI participating bodies

<table>
<thead>
<tr>
<th>Key questions (from local auditor questionnaire)</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall, how do you rate your audited body’s engagement with the NFI exercise (planning, progress and response to outcomes)?</td>
<td><img src="chart" alt="83% Satisfied, 17% Mostly adequate, 0% Unsatisfactory" /></td>
</tr>
<tr>
<td>Has the body completed its review of the 2016/17 matches?</td>
<td><img src="chart" alt="75% Satisfied, 23% Mostly adequate, 2% Unsatisfactory" /></td>
</tr>
<tr>
<td>In the auditors’ judgement has the body made satisfactory progress with processing its NFI matches?</td>
<td><img src="chart" alt="78% Satisfied, 22% Mostly adequate, 0% Unsatisfactory" /></td>
</tr>
<tr>
<td>Has the body taken appropriate action in cases where fraud is alleged?</td>
<td><img src="chart" alt="100% Satisfied" /></td>
</tr>
<tr>
<td>Has the body reported internally or externally on NFI progress and outcomes, eg to senior management/elected members/audit committees?</td>
<td><img src="chart" alt="83% Satisfied, 15% Mostly adequate, 2% Unsatisfactory" /></td>
</tr>
<tr>
<td>Does internal audit, or equivalent, monitor the body’s approach to the NFI and the main outcomes, ensuring that any weaknesses are addressed in relevant cases?</td>
<td><img src="chart" alt="78% Satisfied, 13% Mostly adequate, 9% Unsatisfactory" /></td>
</tr>
<tr>
<td>Do all departments involved in the NFI start the follow-up of matches promptly after they become available?</td>
<td><img src="chart" alt="70% Satisfied, 23% Mostly adequate, 7% Unsatisfactory" /></td>
</tr>
<tr>
<td>Did the body’s audit committee (or equivalent) and the key contact review the self-appraisal checklist in the 2016 NFI report as a means of monitoring the body’s planning and progress with the 2016/17 exercise?</td>
<td><img src="chart" alt="62% Satisfied, 23% Mostly adequate, 15% Unsatisfactory" /></td>
</tr>
<tr>
<td>Is the body deploying appropriate resources on managing the NFI exercise?</td>
<td><img src="chart" alt="85% Satisfied, 11% Mostly adequate, 4% Unsatisfactory" /></td>
</tr>
</tbody>
</table>

Source: Audit Scotland based on audit work in Scottish public sector bodies
60. It is worth noting from audit work that:

- auditors reported concerns in seven per cent for not following up matches promptly. This figure has improved considerably from the 2014/15 NFI exercise when auditors reported concerns in 41 per cent

- most of the staff directly involved in preparing for the NFI and following up matches demonstrate commitment. Auditors identified that there were issues in four per cent of bodies because of limited NFI skills, insufficient authority and/or not enough time available to coordinate the exercise. This is an improvement from the 2014/15 NFI exercise (16 per cent)

- auditors reported that in 15 per cent either the audit committee (or equivalent) or the key contact did not review the self-appraisal checklist to monitor the body’s planning and progress with the 2016/17 NFI exercise. This compares favourably with the 2014/15 NFI exercise (69 per cent).

61. We recommend that bodies review the guidance section within the NFI secure web application to identify possible ways of working more efficiently on the NFI matches.

62. Overall, auditors found an improved picture of involvement by all bodies compared with the 2014/15 exercise.

63. We recommend that where local auditors have identified specific areas where improvements could be made, the public bodies should act on these as soon as possible.

**Actions to improve the NFI**

**Scottish Parliament post-legislative scrutiny review of the NFI**

64. The Scottish Parliament’s Public Audit and Post-legislative Scrutiny Committee published a report in September 2017 following its post-legislative scrutiny review of the NFI. The committee concluded that the NFI was a success story in Scotland. It had improved the transparency of public finances and clawed back millions of pounds that would otherwise have been lost to fraud or error. The committee outlined several recommendations for ways in which the NFI could be strengthened.

65. We welcome the committee’s report and recommendations on the NFI. We have been considering the report’s implications and are working alongside the Scottish Government and partner bodies to enhance the impact of the NFI in the following ways:

- Raising awareness of the NFI by promoting the publication of this report on our website and social media. We also gave presentations earlier this year on the NFI at national events on tackling fraud and error in Scotland.

- Holding events with NFI participants, the Cabinet Office and the NFI data processing contractor to identify new and emerging key fraud risks within public sector bodies. The outcomes from these events will be used to enhance the existing NFI processes and data sets where possible.

- Working with the Cabinet Office and other UK audit agencies to identify additional data sets to include in the NFI.
• Working to identify additional public bodies which may benefit from being included in the NFI. For example, the Scottish Government is considering the feasibility of an NFI pilot for housing associations. All new public bodies created in Scotland will be considered for inclusion in the NFI, such as the new social security agency.

Case study 8

NHS Scotland Counter Fraud Service – use of social media

In February 2018, the NHS Scotland Counter Fraud Service launched a new social media page on Twitter. This page provides details of its work protecting the NHS and public sector from financial crime and provides updates and advice from counter-fraud services.

Source: NHS Scotland Counter Fraud Service

Case study 9

NHS Scotland Counter Fraud Service – Accurate and Honest Declarations Guide

The NHS Scotland Counter Fraud Service is working on patient applications for exemptions by supporting its partner organisations as they design systems and processes that reduce fraud. The service has published an Accurate and Honest Declarations Guide to designing application forms and declarations. It provides an explanation of the principles that should be adopted by those designing application processes, both internal and external. It also includes the latest insights from behavioural economics and a section on digital signatures.

Source: NHS Scotland Counter Fraud Service

Costs of NFI

66. Audit Scotland funds the cost of the NFI system and the biennial data matching for Scottish public sector bodies (£189,650 for the 2016/17 exercise). Participating bodies incur costs following up matches and investigating. Participating bodies also incur costs for additional services such as the AppCheck pre-application screening, which currently costs £1,850 a year.

67. Many bodies do not keep separate records for NFI costs as it is just one of many counter-fraud activities they are doing. Those that did have records were able to estimate that their costs ranged from £255 to £40,000 (Exhibit 8, page 27). This compares favourably with the average outcome for each public body in Scotland of £165,000 for the 2016/17 NFI.

68. Overall, the £18.6 million of outcomes from the 2016/17 NFI outweigh the costs.
### Exhibit 8
Cost of NFI

<table>
<thead>
<tr>
<th>Sector</th>
<th>Details</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authority</td>
<td>7 councils estimated the financial cost</td>
<td>Costs range from £9,000 to £40,000</td>
</tr>
<tr>
<td>Central government</td>
<td>7 bodies estimated the financial cost</td>
<td>Costs range from £255 for a small body to £20,000 for larger bodies</td>
</tr>
<tr>
<td>Health</td>
<td>7 boards estimated the financial cost</td>
<td>Costs range from £600 for a special board to £20,000 for a territorial board</td>
</tr>
<tr>
<td>Colleges</td>
<td>1 body estimated the financial cost</td>
<td>£2,000</td>
</tr>
</tbody>
</table>

Source: NFI local auditor questionnaire
Part 4
Future developments

Key messages

1. The 2018/19 NFI is due to start in autumn 2018 and we will review which bodies should be asked to submit data.

2. The NFI is now developing new ways to prevent and detect fraud.

Participating bodies and data sets

69. The 2018/19 NFI exercise is due to start in autumn 2018. We will continue to look at which bodies should be asked to submit data and which data sets should be included in the NFI. It is unlikely that the number of bodies will increase significantly.

70. We continue to work with NFI participants to find new ways to prevent and detect fraud and error. This includes identifying any emerging fraud risks.

71. Providing social care is one of the largest expenditure areas for councils. This is a complex area where client care requirements often change. Council social work services need to ensure that payments are accurate and reflect the level of care being provided. East Dunbartonshire Council has reviewed its social work systems to investigate, through an NFI pilot exercise, if it can use data matching to ensure that social care payments are cancelled when a customer dies (Case study 10, page 29). As a result of the pilot, an optional additional data match will be available to all councils for the 2018/19 NFI exercise.

72. The Cabinet Office and the Wales Audit Office are considering if they can use HMRC data along with credit reference data to identify any fraud and error in student awards. The aim of this pilot exercise is to identify economically active residents in the same household as students who have not been declared on student funding applications. This pilot work is being taken forward in Scotland through the Student Awards Agency for Scotland.

73. We are also investigating the possibility of working with the NHS Scotland Counter Fraud Service to identify potential areas for further data matching using NFI data sets in preventing and detecting patient exemption fraud.

74. We continue to work with the Scottish Government in promoting and enhancing participation in the NFI.
Case study 10

East Dunbartonshire Council – NFI pilot in social care

A pilot was undertaken to investigate if data matching could be used to ensure that social care payments were cancelled when a client died. Currently the NFI only matches the following:

- Private residential care home residents to deceased person records.
- Personal budget direct payments to housing benefits, pensions, Amberhill¹ and other councils’ personal budget data.

The council matched data for all clients on the social work system against deceased person data and identified 15 errors. This consisted of nine clients who received care from external providers and payments continued after the client’s death, and six additional clients who received care from the council. The overpayments identified for the nine clients of the external providers totalled £40,266. The council has now recovered the full amount from the care providers. In the cases of the six clients who received care from the council, it was confirmed that the care had stopped when the client had died.

The council has now introduced additional controls to strengthen its systems.

Note: 1. Amberhill is a system used by the Metropolitan Police to authenticate documents presented for identity verification.

Source: East Dunbartonshire Council and the Cabinet Office NFI secure web application

The Code of Data Matching Practice

75. Audit Scotland’s Code of Data Matching Practice has been updated for the 2018/19 NFI exercise. It was issued for a six-week consultation in May 2018. The revised Code reflects important data protection changes introduced by the General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679) and the subsequent Data Protection Act 2018. Once finalised, we will conduct data matching exercises under the requirements of the new Code.

The 2018/19 NFI exercise

76. The 2018/19 NFI will be continuing with successful batch data matches. We will also continue to promote the flexible and real-time data matching options aimed at fraud prevention through the application checker module (AppCheck) and the flexible matching service.

77. The data sets included within the NFI are being reviewed with a view to adding more. The Cabinet Office and other UK audit agencies are seeking to raise awareness of, and get more bodies involved in, the NFI.

78. We look forward to the next NFI exercise and continuing to work with the Cabinet Office, other UK audit agencies, and participating bodies in progressing NFI improvements. This will include promoting NFI wherever possible. This should strengthen arrangements to help safeguard public money against losses from fraud and error.
Endnotes

Appendix 1
NFI governance arrangements

Background

This appendix summarises the key legislation and controls governing the NFI data matching exercise.

Legislation

The 2016/17 NFI exercise was carried out under powers given to Audit Scotland for data matching included in The Criminal Justice and Licensing (Scotland) Act 2010.

The Criminal Justice and Licensing (Scotland) Act 2010 includes important data protection safeguards. These include a requirement for us to prepare a Code of Data Matching Practice, and to consult with the UK Information Commissioner and others before publication. Our code that was in place for the 2016/17 NFI exercise, The Code of Data Matching Practice 2010, ensures that the NFI exercises continue to comply with:

- data protection requirements
- best practice in notifying individuals about using their information for the NFI.

We have updated the Code of Data Matching Practice for the 2018/19 NFI exercise. We did this to reflect important data protection changes introduced by the General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679) and the subsequent Data Protection Act 2018.

The NFI web application

Bodies access the application online using passwords and encryption controls similar to internet banking. The secure website is the safest method of providing the data matches to bodies. The Cabinet Office regularly reviews the application and implements changes to improve its functionality, ease of use, and security.

Interactive training is available to participating bodies and auditors through the web application to support the Cabinet Office and Audit Scotland Guidance.

Security review and accreditation

The NFI system has gone through the Cabinet Office’s information assurance and risk management process. This means the system is HM Government-accredited annually to store and process data.
Any firm processing data for the Cabinet Office will do so under a contract in writing. This imposes requirements covering technical and organisational security standards. Under the contract the firm may only act on instructions from the Cabinet Office. The Cabinet Office, assisted by Audit Scotland and the other UK public sector audit agencies, reserves the right to review the firm’s compliance with these standards at any time. The Cabinet Office also requires annual security testing, supplemented by additional tests as appropriate.

This accreditation involves demonstrating that the NFI is suitably secured and that information risks are managed to government standards.

All of these measures provide current and future NFI participants with assurances that data is processed according to rigorous government security standards.
Appendix 2
Estimation bases

The figures used in this report for detecting fraud, overpayments and errors include outcomes already delivered (actual amounts participants have recorded) and estimates. Estimates are included where it is reasonable to assume that incidents of fraud, overpayments and errors would have continued undetected without NFI data matching.

Details of estimate calculations used in the report are shown below.

<table>
<thead>
<tr>
<th>Data match</th>
<th>Basis of calculation of estimated outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions</td>
<td>Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.</td>
</tr>
<tr>
<td>Council tax single person discount</td>
<td>Annual value of the discount cancelled multiplied by two years.</td>
</tr>
<tr>
<td>Council tax reduction scheme</td>
<td>Weekly change in council tax discount multiplied by 21 weeks.</td>
</tr>
<tr>
<td>Housing benefit</td>
<td>Weekly benefit reduction multiplied by 21 weeks.</td>
</tr>
<tr>
<td>Blue badges</td>
<td>Number of badge holders confirmed as having died multiplied by £575 to reflect lost parking and congestion charge revenue.</td>
</tr>
<tr>
<td>Payroll</td>
<td>£5,000 for each employee who is dismissed or resigns as a result of NFI matching, or £10,000 for each resignation or dismissal for employees who have no right to work in the UK. Estimates based on the past value of fraud (for example incorrect payment of sick leave), the costs associated with removing fraudulent employees from their posts, and the preventative forward savings for avoidance of a Home Office penalty for employing illegal workers. £50,000 for employees removed from the UK.</td>
</tr>
<tr>
<td>Social housing waiting lists</td>
<td>£3,240 for each case based on the annual estimated cost of temporary accommodation and the likelihood that future losses would occur owing to waiting list fraud, multiplied by two years.</td>
</tr>
<tr>
<td>Private care homes</td>
<td>£7,000 for each case based on average weekly cost of residential care multiplied by 13 weeks.</td>
</tr>
</tbody>
</table>

Source: Cabinet Office NFI team
Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.

About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.
Contents

Background 4
Self-appraisal checklist 4
How to work more efficiently 4
Appendix 1 – self appraisal checklist 5
Appendix 2 – How to work more efficiently 9
Background

1. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.

2. It means that public bodies can take action if any fraud or error has taken place, and it allows auditors to assess fraud prevention arrangements which those bodies have.

Self-appraisal checklist

3. Appendix 1 includes a two-part checklist that we encourage all participating bodies to use to self-appraise their involvement in the NFI prior to and during the NFI exercises.

4. Part A is designed to assist audit committee members when reviewing, seeking assurance over or challenging the effectiveness of their body’s participation in the NFI.

5. Part B is for officers involved in planning and managing the NFI exercise.

How to work more efficiently

6. Audit Scotland continues to encourage organisations to review and investigate NFI matches efficiently and effectively. This enables them to make better use of their limited resources. Some suggestions for improving efficiency and effectiveness are included at appendix 2.
<table>
<thead>
<tr>
<th>Leadership, commitment and communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?</td>
</tr>
<tr>
<td>2. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?</td>
</tr>
<tr>
<td>3. Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?</td>
</tr>
<tr>
<td>4. Are the NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?</td>
</tr>
<tr>
<td>5. Where we have not submitted data or used the matches returned to us, eg council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?</td>
</tr>
<tr>
<td>6. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?</td>
</tr>
<tr>
<td>Part A: For those charged with governance</td>
</tr>
<tr>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>7. Do we review how frauds and errors arose and use this information to improve our internal controls?</td>
</tr>
<tr>
<td>8. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part B: for the NFI key contacts and users</th>
<th>Yes/No/Partly</th>
<th>Is action required?</th>
<th>Who by and when?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning and preparation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Are we investing sufficient resources in the NFI exercise?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available? This includes considering the quality of data.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>4. Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>5. Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>6. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?</td>
<td></td>
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</tr>
<tr>
<td>7. Do we plan to provide all NFI data on time using the secure data file upload facility properly?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part B: for the NFI key contacts and users</td>
<td>Yes/No/Partly</td>
<td>Is action required?</td>
<td>Who by and when?</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>--------------</td>
<td>---------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>8. Do we adequately consider the submission of any 'risk-based' datasets in conjunction with our auditors?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective follow up of matches</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Do all departments involved in NFI start the follow-up of matches promptly after they become available?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Do we give priority to following up recommended matches, high-quality matches, those that become quickly out of date and those that could cause reputational damage if a fraud is not stopped quickly?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Do we recognise that NFI is no longer predominantly about preventing and detecting benefit fraud? Have we recognised the wider scope of NFI and are we ensuring that all types of matches are followed up?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Are we investigating the circumstances of matches adequately before reaching a ‘no issue’ outcome, in particular?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. (In health bodies) are we drawing appropriately on the help and expertise available from NHS Scotland Counter Fraud Services?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Procurator Fiscal)? Are we recovering funds effectively?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part B: for the NFI key contacts and users</td>
<td>Yes/No/Partly</td>
<td>Is action required?</td>
<td>Who by and when?</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>---------------</td>
<td>-------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>16. Do we avoid deploying excessive resources on match reports where early work (eg, on recommended matches) has not found any fraud or error?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Where the number of recommended matches is very low, are we adequately considering the related ‘all matches’ report before we cease our follow-up work?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Overall, are we deploying appropriate resources on managing the NFI exercise?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recording and reporting</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Are we recording outcomes properly in the secure website and keeping it up to date?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Do staff use the online training modules and guidance on the secure website and do they consult the NFI team if they are unsure about how to record outcomes (to be encouraged)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. If, out of preference, we record some or all outcomes outside the secure website have we made arrangements to inform the NFI team about these outcomes?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Appendix 2 – How to work more efficiently

<table>
<thead>
<tr>
<th>Concerns</th>
<th>How to work more efficiently</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many participants are not using the latest time-saving enhancements to</td>
<td>Ensure staff within the organisations that take part in the NFI keep up to date with new features of the web application and good practice by reading the guidance notes and watching the online training modules before they begin work on the matches.</td>
</tr>
<tr>
<td>the NFI software.</td>
<td></td>
</tr>
<tr>
<td>Matches that are time critical and could identify an overpayment are not</td>
<td>Key contacts should schedule staff resources so that time-critical matches, such as housing benefit to students and payroll to immigration, can be dealt with as soon as they are received.</td>
</tr>
<tr>
<td>acted on first.</td>
<td></td>
</tr>
<tr>
<td>Investigations across internal departments are not coordinated</td>
<td>Key contacts should coordinate investigations across internal departments and, for example, organise joint investigation of single person discount matches involving housing benefit, to ensure all relevant issues are actioned.</td>
</tr>
<tr>
<td>resulting in duplication of effort or delays in identifying overpayments.</td>
<td></td>
</tr>
<tr>
<td>Disproportionate time is spent looking into every match in every report.</td>
<td>Use the tools within the web application, such as the filter and sort options or data analysis software, to help prioritise matches that are the highest risk. This will save time and free up staff for the most important investigations.</td>
</tr>
<tr>
<td>Enquiries from other organisations that take part in the NFI are not</td>
<td>Prioritise responses to enquiries from other organisations so investigations can be progressed.</td>
</tr>
<tr>
<td>always responded to promptly.</td>
<td></td>
</tr>
<tr>
<td>Data quality issues that are highlighted within the web application</td>
<td>Review the quality of the data supplied before the next exercise as external providers normally have to phase in changes to extraction processes. Better data quality will improve the quality of resulting matches.</td>
</tr>
<tr>
<td>are not addressed before the next NFI exercise.</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Cabinet Office NFI team*
The National Fraud Initiative
Self-appraisal checklist

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500
or info@audit-scotland.gov.uk

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Audit and Risk Committee
Tuesday 17 September 2019

PAPER F

Internal Audit

Learner Engagement / Students’ Association
Dundee and Angus College
Student Engagement / Students’ Association

Internal Audit Report No: 2019/07
Draft issued: 4 September 2019
Final issued: 5 September 2019

| LEVEL OF ASSURANCE | Good |

Now, for tomorrow
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:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good</td>
<td>System meets control objectives.</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>System meets control objectives with some weaknesses present.</td>
</tr>
<tr>
<td>Requires improvement</td>
<td>System has weaknesses that could prevent it achieving control objectives.</td>
</tr>
<tr>
<td>Unacceptable</td>
<td>System cannot meet control objectives.</td>
</tr>
</tbody>
</table>

### Action Grades

<table>
<thead>
<tr>
<th>Priority</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority 1</td>
<td>Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit &amp; Risk Committee.</td>
</tr>
<tr>
<td>Priority 2</td>
<td>Issue subjecting the organisation to significant risk and which should be addressed by management.</td>
</tr>
<tr>
<td>Priority 3</td>
<td>Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.</td>
</tr>
</tbody>
</table>
Student Engagement / Students’ Association

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 Dundee and Angus College (‘the College’) Strategic Risk Register:

- 3.1 – Failure to reach aspirational standards in learning, teaching and service (risk rating: low).

Background

As part of the Internal Audit programme at the College for 2018/19 we carried out a review of the framework of student engagement structures and activities within the College, including the work of the Students’ Association. The Audit Needs Assessment, completed in May 2018, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The importance of appropriate student engagement (and having an effective students’ association) is recognised by both the Scottish Government and the Scottish Funding Council (SFC). This is reflected within the Code of Good Governance for Scotland’s Colleges, which includes a section on student engagement. Compliance with the Code is mandatory as part of the Financial Memorandum the College has in place with the SFC.

A range of good practice has been developed to assist colleges in developing and evaluating their student engagement activities and the work of their students’ associations. This includes:

- ‘Framework for the Development of Strong and Effective Students’ Associations in Scotland’ (developed by the National Union of Students Scotland, published in June 2015). This sets out the key principles and several themes that underpin effective students’ associations; and
Student Engagement / Students’ Association

Scope, Objectives and Overall Findings

Student engagement within the College relates to students and staff working together to improve the learning and teaching experience and the services required to support learning. The College wants its students to be involved in all aspects of learning, by helping to shape the College’s direction and by playing a key part in the decision-making process within the College.

The scope of this audit was to review the College’s student engagement activities (including the linkages with the Students’ Association).

The table below notes the objectives for this review and records the results:

<table>
<thead>
<tr>
<th>Objective</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The specific objectives of this audit were to obtain reasonable assurance that:</td>
<td></td>
</tr>
<tr>
<td>1. A comprehensive and robust Student Engagement Strategy is in place which is reviewed on a regular basis.</td>
<td>Satisfactory 0 0 1</td>
</tr>
<tr>
<td>2. Student engagement is monitored and evaluated on a regular basis.</td>
<td>Good      0 0 0</td>
</tr>
<tr>
<td>3. There is evidence of student engagement outcomes influencing planning and decision making.</td>
<td>Good      0 0 0</td>
</tr>
<tr>
<td>4. Adequate resources are allocated to student engagement activities, including the Students’ Association.</td>
<td>Good      0 0 0</td>
</tr>
<tr>
<td>5. Training and support is provided to staff and students where necessary.</td>
<td>Good      0 0 0</td>
</tr>
<tr>
<td>6. Students’ Association arrangements reflect the good practice of the SFC / National Union of Students (NUS) framework.</td>
<td>Good      0 0 0</td>
</tr>
</tbody>
</table>

| Overall Level of Assurance | Good 0 0 1 |

System meets control objectives

Audit Approach

From discussion with the Vice Principal (People & Performance), the Students’ Association President, the Students’ Association Development Officer and the Learner Engagement Manager, we established the College’s approach to student engagement and compared this with good practice.
Student Engagement / Students’ Association

Summary of Main Findings

Strengths

- The College has a good student engagement framework in place which includes: an established mechanism for engaging with students, gathering general student views and providing responses to those who provide their views; a range of ways for students to provide feedback on their courses and for this to be followed up; a Students’ Association which is supported by College staff and provided with a suitable budget; and a Student Partnership Agreement and supporting processes which set out how the College and Students’ Association will work together;
- There is a network of Class Reps in place, including campus lead reps, who receive appropriate training and support and undertake a range of activities throughout the year;
- The Students’ Association provides a voice for College students. It has a Student President, three Vice Presidents and student volunteers. Students’ Association office bearers receive induction and training and support is provided by College staff. Furthermore, office space is made available for office bearers to work from and dedicated areas are provided for students to socialise and relax in, and to support student led events and activities;
- The College and Students’ Association use a wide range of mechanisms to communicate with students, including: the College Virtual Learning Environment (VLE); social media platforms (such as Facebook, Twitter and Instagram); the Students’ Association website; emails; and through on campus activities; and
- Student engagement activities are monitored and evaluated using a variety of techniques.

Weaknesses

- We noted that there is currently no formal written Learner Engagement Strategy in place and that there is scope to develop this to ensure that learner engagement initiatives and planned activities are aligned to the College’s strategic outcomes and priorities and to those of academic departments, the Students’ Association and the Sports Union.

Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during our audit visit.
Main Findings and Action Plan

Objective 1: A comprehensive and robust Student Engagement Strategy is in place which is reviewed on a regular basis.

The key strategic direction and priority intentions for the College are set out in the Regional Outcome Agreement (ROA) for 2017-20.

The Students’ Association and the College have had a formal Partnership Agreement in place since 2015, which describes how the College and the Students’ Association commit to working together in partnership. The agreement also includes opportunities for the Students’ Association to contribute to the creation and approval of the ROA. The ROA is discussed with the Students’ Association office bearers and the Student Congress during the drafting stage to allow students to provide input during its development. In 2018/19 the Partnership Agreement was updated to form a tripartite agreement between the College, Students’ Association and the Sports Union.

The ROA identifies that the main focus of the College’s Learner Engagement service, over the period of the ROA, will be around the provision of support for career management activities; support to further enhance learner retention; equality and integration; and the delivery of enhanced capacity building for staff from across the College (supporting an expansion of good practice in engagement). The College worked with local employers, staff and students to identify a set of interpersonal and soft skills which will help students succeed at both a personal and work level. These are referred to as the D&A Attributes and a significant amount of the College’s learner engagement activities are built around the programme.

The key staff involved with student engagement are:

- The Vice Principal (People and Performance) has executive and senior line management responsibility for Learner Engagement and the Students’ Association;
- The Learner Engagement Manager, who oversees the Learner Engagement Officers and the Sport & Wellbeing Officer;
- A Students’ Association Development Officer that supports the work of the Students’ Association;
- There are three Learner Engagement Officers, each linked to a specific campus and tasked with developing a professional, working relationship with staff, students and Class Reps. They also facilitate student engagement activities, both within and out with the classroom;
- The Students’ Association Development Officer has responsibility for: ensuring that the Students’ Association operates in line with its Constitution; overseeing the use of the Students’ Association budget; providing assistance with the Students’ Association Annual Plan; mentoring and supporting the Students’ Association office bearers; and liaising with the Students’ Association Advisory Board and Student Congress;
- The Students’ Association Office Bearers are comprised of the Students’ Association President and a Vice President attached to each campus. The President is a full-time paid sabbatical post, and the three Vice Presidents have paid contracts for 10 hours per week; and
- Supporting the Students’ Association office bearers are a team of student volunteers who assist with the delivery of Students’ Association’s activities.
Objective 1: A comprehensive and robust Student Engagement Strategy is in place which is reviewed on a regular basis (continued).

A three-year Strategic Plan for the Students’ Association is in place. After induction, the Students’ Association office bearers, supported by the Students’ Association Development Officer, prepare an Annual Plan which focuses on five priority areas for the year. Updates are reported to the Students’ Association Advisory Board, which includes members of the College Board of Management, the Vice Principal (People & Performance), Learner Engagement Manager, the Students’ Association office bearers and members from NUS and an officer from Dundee University Students’ Association. Progress is also reported to the Student Congress which comprises the campus lead student reps plus the Students’ Association officer bearers. A ‘stop and review’ of the Students’ Association Strategic Plan is performed during the year with Student Congress to ensure that the strategy remains on track.

Student forums are also used to evaluate whether the Students’ Association objectives and actions are being achieved. The Annual Plan priorities are based on the prior year plan, sector developments and issues, feedback from the previous Students’ Association post holders, and items from the manifestos which the President and Vice Presidents campaigned under. This is created under the guidance of the Students’ Association Development Officer.

<table>
<thead>
<tr>
<th>Observation</th>
<th>Risk</th>
<th>Recommendation</th>
<th>Management Response</th>
</tr>
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<tbody>
<tr>
<td>We noted that there is currently no formal written Learner Engagement Strategy in place, although an annual operating plan is devised by the Learner Engagement Team, which provides details of specific actions planned for student engagement over the academic session. Additional actions are added during the year as new learner engagement activity is identified.</td>
<td>Learner engagement activity may not be aligned with the College’s overall strategic outcomes and priorities.</td>
<td>R1 A formal Learner Engagement Strategy should be developed which contains aims and objectives which are clearly linked to the College’s Regional Outcome Agreement and to the College’s partnership agreement with the Students’ Association; identifies and prioritises learner engagement activity; and identifies actions which focus specifically on how the Strategy will be implemented in practice.</td>
<td>Agreed.</td>
</tr>
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</table>

| To be actioned by: Learner Engagement Manager | No later than: 30 June 2020 |

Grade 3
Objective 2: Student engagement is monitored and evaluated on a regular basis.

There are a range of arrangements in place to monitor student engagement through:

- Staff structures, formal job descriptions, performance development reviews and mentoring (for the Students’ Association office bearers);
- Regular meetings between the Students’ Association office bearers, Students’ Association Development Officer and Vice Principal (People & Performance) and with the Learner Engagement Manager;
- Learner Engagement Team meetings, Learner Engagement Manager meetings with the Vice Principal (People & Performance) and meetings of the Students’ Association office bearers. These meetings include review of progress made against the Annual Plan;
- The Students’ Association Development Officer monitors the engagement of class reps across curriculum areas and maintains a list of classes and the names of the Class Reps to allow classes without Class Reps to be identified and followed-up. During academic year 2018/19 over 800 distinct class reps were in place;
- ‘Feedback Friday’ provides an opportunity for staff to set questions on specific issues and to obtain feedback from students. Responses are collated; fed back to the relevant staff group; and are shared with the class reps;
- The Learner Engagement Manager produces an annual report on learner engagement activity which is presented to the Executive Leadership Team;
- An update on the Students’ Association is presented at each meeting of the College Board of Management and the Learning, Teaching and Quality Committee. Students’ Association office bearers provide an update on their roles to the Students’ Association Advisory Board and to the Student Congress during the year. The Students’ Association Development Officer provides regular updates to the Vice Principal (People & Performance), who in turn provides updates to the Executive Leadership Team.
- The Students’ Association Development Officer also produces an annual report on the Students’ Association’s activity, which is presented to the, Students’ Association Advisory Board, the Student Congress and College Executive Leadership Team.

Evaluation is undertaken at a range of levels. The Learner Engagement Team undertakes a self-evaluation which informs its operational planning each year. The Students’ Association also reviews the success of events after each activity and takes this analysis into consideration when planning future events. Evaluation of the previous year’s Students’ Association Annual Plan is undertaken when the new office bearers prepare their plan for the year ahead.

The D&A Attributes programme, which is now in its third year, was developed following discussions with local employers, students and staff and identifies 12 key attributes which demonstrate the personal qualities and wider achievements which demonstrate that a student can add value to an employer. The scheme is designed to provide opportunities for students of all levels and abilities to engage with the College and with the wider community. Involvement in the Class Rep network (or working with the Students’ Association) are just part of the various initiatives and activities which students can get involved in as part of the D&A Attributes programme. Student participation in the D&A Attributes programme (and the attributes achieved) are monitored across curriculum areas by the Learner Engagement Team.

In curriculum areas, the College has adopted a ‘bringing learning to life’ approach by introducing student led projects into the curriculum. The benefits of this approach include an enhanced student experience and providing an opportunity for students to be rewarded and recognised for their achievements as part of the D&A Attributes programme. Potential benefits also include a positive impact on student retention and attainment rates. The Learner Engagement Team liaises with curriculum teams throughout the year to identify potential project opportunities for students within and across curriculum teams.
Student Engagement / Students’ Association

Objective 3: There is evidence of student engagement outcomes influencing planning and decision making.

Evidence of how student engagement influences planning and decision making is captured in are a range of ways, including:

- The Students’ Association President and one Vice President are full members of the College Board of Management;
- The Students’ Association office bearers are involved in planning events;
- Student feedback opportunities are provided (including through the Class Reps system, Student Congress and initiatives such as ‘Feedback Friday’) with feedback utilised by College management to make changes (where considered appropriate);
- Student questionnaires are issued during the year by the College and the Students’ Association which cover student experience in general or are targeted on specific issues. Mechanisms are in place to allow results to be fed back to the Students’ Association, the Learner Engagement Team, College management teams, the Students’ Association Advisory Board, Student Congress and the College Board of Management;
- The Student Congress, Students’ Association Advisory Board and College Board of Management are groups which engage with students and where students have the opportunity to influence the decision-making process. Several of the Students’ Association office bearers are members of the Board and its committees. In addition, Class Reps are invited to attend curriculum team meetings to participate in the discussions;
- The Learner Engagement annual activity plans and the Students’ Association Annual Plan all influence planning and decision making in relation to student engagement and other related matters;
- There is a close working relationship between the Students’ Association office bearers, Students’ Association Development Officer, Sports Union staff and the Learner Engagement Team;
- Students’ Association officers work closely on various projects with members of the Senior Leadership Team; and
- The Students’ Association run regular ‘Pizza with the Principals’ and ‘Cake with the Chair’ sessions during each academic year.
Student Engagement / Students’ Association

Objective 4: Adequate resources are allocated to student engagement activities, including the Students’ Association.

Significant resources are earmarked for the delivery of learner engagement activities. This includes the Learner Engagement Team, which comprises of the Learner Engagement Manager, three Learner Engagement Officers and the Sport & Wellbeing Officer. The Students’ Association is supported by the Students’ Association Development Officer. They are instrumental in ensuring that there is an adequate programme of student engagement activities; appropriate liaison between students and College management; and oversight of engagement activities.

In addition, the Students’ Association office bearers include four paid positions. The comprises of a full-time paid sabbatical for the President and 10 hours per week for each of the three Vice Presidents. These paid positions are supplemented by student volunteers who assist the Students’ Association team. There is an office located within the heart of the Gardyne campus for the Students’ Association team to work from, and additional accommodation is located within student social areas at both the Kingsway and Arbroath campuses. A budget is allocated for the organisation and delivery of activities and participating in external training. The Students’ Association office bearers are supported by the Students’ Association Development Officer and the Learner Engagement Manager.

The College staff development programme includes opportunities for training staff on how to develop and deliver student engagement activities.

Based on the information above, it is our view that the resources allocated to student engagement activities appears reasonable.

Objective 5: Training and support is provided to staff and students where necessary.

The Learner Engagement Team has significant experience and has received training in student engagement activities. Their training needs of the team are reviewed on an ongoing basis and training is provided where gaps are identified.

The Students’ Association office bearers receive a comprehensive induction when they take up post, and they advised that they attended most of the relevant Sparqs and National Union of Students training events, (while also considering any other continuing professional development (CPD) opportunities on a case-by-case basis). Office bearers have access to the College staff CPD activities and College staff mentor scheme. Support is provided to the Students’ Association team through ongoing contact with the Students’ Association Development Officer, Learner Engagement Manager and Vice Principal (People & Performance), who meet regularly.

The Class Reps are supported by the Students’ Association Development Officer and Students’ Association office bearers and their training includes:
• A welcome meeting; and
• Class Rep training covering the Class Rep role, expectations, providing techniques for effective working, discussing how to gather feedback, how to present this to staff and how to feed the outcomes back to the student(s) who raised the issue or to the whole course.

There is also a range of information on student engagement available through the Students’ Association website.
Objective 6: Students' Association arrangements reflect the good practice of the SFC / National Union of Students (NUS) framework.

We reviewed the College arrangements against the ‘Framework for the Development of Strong and Effective Students’ Associations in Scotland (developed by the SFC and National Union of Students Scotland) and confirmed that, overall, the College complies with the requirements set out within the guidance with no areas noted requiring recommendations for improvement. From our review of student engagement, we noted that key structures and activities outlined in the SFC/NUS Framework are in place, as described in more detail above.
Audit and Risk Committee

Tuesday 17 September 2019

PAPER G

Internal Audit

Catering Business Process Review
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Catering BPR

Management Summary

Introduction
As part of the Internal Audit programme at the College for 2018/19 we carried out a business process review of the Catering Service within the College. The Audit Needs Assessment, completed in May 2018, identified this as an area where there was scope for improvement in the existing business processes.

Scope and Objectives of the Audit
The scope of this review was to gather information to assist management in its own strategic review of the College catering service.

The objectives of the review, as set out in the original scope contained in Internal Audit Report 2019/02 - Internal Audit Annual Plan 2018/19 were as follows:

- there are opportunities for growing income, considering demand from a range of customers (students, staff, the public); customer experience (service, quality, layout, choice); and pricing, in comparison with similar catering outlets; and
- there are opportunities for reducing costs through efficiencies, considering staffing levels and deployment, procurement and food wastage.

Audit Approach
Following initial meetings with the Head of Estates and the Head of Catering and Hospitality it was requested that the scope of the review be extended to examine the catering outlets and also the operation of the curriculum/training outlets delivered as an integral part of Hospitality Operations across the College. It was explained that the reason for this change in scope was the proposed enhanced integration between the catering function and curriculum activity for catering courses, which had been discussed by the Senior Management Team.

A subsequent meeting was held to discuss the audit approach with the Catering Managers for the Kingsway/Gardyne and Arbroath campuses, the Course Leader - Hospitality for Kingsway/Gardyne campus and the Course Leader - Professional Cookery.

It was apparent from this meeting that individual site visits would be required to document the different ways in which each of the catering and curriculum/training outlets operated.
Audit Approach (Continued)

The commercial catering outlets included within the scope of the review were as follows:

- Kingsway Campus
- Gardyne campus
- Clova building at Arbroath campus
- Isla building at Arbroath campus

The training/curriculum outlets included within the scope of the review were as follows:

- KC Café at Kingsway Campus
- KC Training Restaurant
- 56 restaurant and Café 56 in the Esk building at the Arbroath campus

Separate site visits were conducted to see the catering outlets in operation at the Kingsway, Gardyne and Arbroath campuses. This allowed the opportunity to discuss the issues facing each of the outlets in more detail. It also provided the opportunity to explore the challenges/opportunities of enhanced integration between the commercial catering operation and the curriculum areas.

Ordinarily we would run one, or perhaps two, focus groups to allow issues identified to be explored further with stakeholders. However, following the site visits to each of the campuses it was agreed with the Head of Estates and the Head of Catering and Hospitality that the issues highlighted during each of these visits were so site specific that three distinct focus groups would require to be run at the Kingsway, Gardyne and Arbroath campuses. These focus groups were attended by staff from the catering outlets, curriculum staff and also representatives from the Students’ Association. The Head of Estates also attended all three focus groups.

Business improvement tools, such as Force Field analysis, Magic Wand and the Toyota Seven Wastes Model, were utilised to explore and prioritise a number of topics which had been identified during the site visits. In addition, ways to improve the current catering offerings at each campus were discussed and the practicality of a range of potential improvement actions were examined.

The results and the associated improvement actions arising from our meetings with management, the subsequent site visits and the focus groups are captured in Section 2, below, in the Main Findings and Action Plan.
Catering BPR

Summary of Main Findings

Strengths

• All of the managers and staff interviewed demonstrated a positive attitude towards future enhanced integration between the catering functions and the curriculum offering;
• A commitment to maintaining a good customer experience was evident for the catering outlets and the curriculum/training outlets; irrespective of whether the customer was a student, a member or staff or a member of the public;
• The budgetary pressures placed on the catering outlets in recent years has resulted in significant cost control measures to improve efficiency and to reduce the overall cost of providing catering services across the College;
• The Students’ Association have recognised the impact of food poverty on the student population and (through Learning and Development) have taken positive steps to address this through the provision of free breakfasts on specific days; and
• The catering outlets and training restaurants have explored various mechanisms to raise awareness of the service offering and to increase revenue.

Opportunities for Improvement

• The current configuration of the catering offering at each campus has created a scenario whereby the commercial catering outlets are competing directly with the curriculum/training outlets at specific times of the day;
• There are opportunities to improve pre-ordering arrangements, improve online ordering and payment facilities and to introduce a fast track queue for hot food to cut waiting times.
• Although there are standard operating procedures in place for ensuring food safety, maintaining hygiene and recording food waste the documentation varies between the catering outlets at Kingsway/Gardyne and Arbroath. There are also separate standard operating procedures in use within the curriculum areas;
• The marketing of both catering outlets and curriculum/training outlets could be improved through the use of social media and increased use of screens in public areas to increase the footfall of students, staff and the public in order to generate additional revenue;
• The outcome of the focus groups highlighted the fact that choice and speed of service were important factors for students and staff in their decision to access inhouse catering facilities or to travel outwith the College to purchase food or drink;
• The removal of advertising for external food suppliers will reduce exposure to promotional material from direct competition;
• There is a need for consistent application of the induction checklist to ensure that the catering facilities are properly showcased to both staff and students;
• There are variations in the pricing structures operated between catering and curriculum outlets. These variations are as result of the different budgetary pressures placed on catering (as a service department) and curriculum areas. There are also historic differences in the prices charged at each of the campuses with the pricing at the Arbroath campus broadly lower than the equivalent pricing at the Gardyne or Kingsway campus. We were advised that this situation arose due to legacy pricing structures adopted from Angus College and Dundee College on merger;
• There have been previous attempts to place students in the commercial kitchens in order to broaden their experience but there are important lessons which can be learned from these previous pilot exercises which can help improve the outcomes for both students and catering outlets going forward;
• As part of the annual budget setting process there is an opportunity for enhanced professional dialogue between catering managers and curriculum managers in order to identify shared opportunities for the delivery of savings and to align shared assumptions;
• There is an opportunity to review staffing structures within the catering function to ensure that the staffing complement is fit for purpose and sufficiently flexible to meet current and future needs;
Opportunities for Improvement (Continued)

- The current cleaning arrangements for the kitchens vary considerably between the catering outlets and the curriculum areas;
- The processes in place for ordering, receipting and storing dry and fresh ingredients are not co-ordinated between catering outlets and between curriculum areas, with separate procurement arrangements and processes for the receipting and storing goods in place at each location;
- There are variations in the contractual arrangements for vending machines across each of the campuses which impacts on the staff resource required to restock the machines and the choice available;
- There is an opportunity to introduce a deposit scheme for booking for the training restaurant to discourage the cancellations of booking and reduce the resultant food waste; and
- The development of partnerships with local charitable bodies would deliver community benefit and reduce food waste by directing surplus food of sufficient quality to these organisations rather than being disposed of.
Acknowledgements

We would like to take this opportunity to thank all of the staff and students at the College who helped us during our audit visits.
Main Findings and Action Plan

**Objective 1:** there are opportunities for growing income, considering demand from a range of customers (students, staff, the public); customer experience (service, quality, layout, choice); and pricing, in comparison with similar catering outlets.

The current arrangements at the Kingsway and Arbroath campuses, in particular, place the catering and curriculum/training outlets in direct competition with one another at specific times of the day. The strategic planning around the offering and menus have not been aligned and therefore there is overlap in the products being offered and the lower pricing structure for the curriculum/training outlets places the catering outlets at a competitive disadvantage.

**Recommendation 1** - As part of a move towards greater alignment between menus and course content, consideration should be given to joint planning of menus and service offerings to reduce the current overlap in provision between the catering and curriculum/training outlets.

Although overall turnover for the Kingsway, Gardyne and Arbroath catering outlets has increased year on year this upward trend has now plateaued. In addition, challenges remain for both of the catering facilities in Arbroath in terms of income generation. The changes made to the number of teaching weeks, the reduction of the teaching week, the impact of strike days, the loss of coffee income due to changes implemented around takeaway cups and the general reduction in footfall at the Arbroath campus have all contributed to the current challenges around income generation. The decision to remove takeaway cups was in line with the College’s Sustainability Strategy and in particular its commitment to reducing single use plastic.

The focus group discussion highlighted price as a factor in the decision of students to purchase food or drink onsite or to get food delivered on campus. However, as part of the focus group discussions, the ability to order ahead were also highlighted as important factors. We were advised that orders can be placed in advance at the Isla and Clova catering outlets at Arbroath, but this service is not widely used and is not replicated across all sites. Students also highlighted the frustration of waiting in line at peak periods to pay for their hot food.

**Recommendation 2** - Steps should be taken to introduce a pre-ordering service across all campuses and to conduct promotional activity to advertise these facilities.

**Recommendation 3** - The feasibility of creating an App to allow ordering of food and drinks should be explored with the potential for curriculum involvement as a project built into these considerations.
Catering BPR

**Objective 1:** There are opportunities for growing income, considering demand from a range of customers (students, staff, the public); customer experience (service, quality, layout, choice); and pricing, in comparison with similar catering outlets. (Continued)

Whilst some data is available from the 2018 Student Survey, on the attitude of students towards the catering, and curriculum/training outlets it was clear from the discussions at the all three focus groups that the demand from students is for ‘street food’ or for food which they can ‘eat on the go’. There was a general message that students do not want to sit down for a hot meal at lunchtime.

**Recommendation 4** - In order to gauge the demand from students and staff for particular menu choices it is recommended that the hashtag Feedback Fridays facility is utilised to explore a proposed move away from traditional hot food offerings towards a street food offering.

Feedback is gathered from customers at the Curriculum/Training restaurants and this is used to inform future menu choices and to improve the customer experience.

Restrictions on card payments were highlighted by students during the focus groups. There is an increasing desire to move away from cash towards payment using mobile phones. There is currently a £2 cap on any card payment and the lack of facilities to withdraw cash at some locations was highlighted as a reason why students, in particular, choose to go offsite at lunchtime.

**Recommendation 5** - The introduction of enhanced cashless technology, such as the use of a preloaded College card or payment by mobile phone to allow self-payment, should be evaluated to weigh up the costs and benefits of making such an investment. In addition, the introduction of a fast-track till for hot food purchases should be considered to reduce waiting times at peak periods.

The way in which the current offerings are marketed to customers varies across the outlets. The Training/Curriculum outlets have a dedicated page on the College website while the catering outlets largely rely on information disseminated through the portal or via blackboards.

**Recommendation 6** - It is recommended that increased use of social media (such as Snapchat, Instagram and Facebook) should be explored to market promotions using hashtags to target specific student groups. Enhanced use should be made of the televisions in the public areas at each campus to promote a ‘Deal of the day’. This should be supplemented by a quarterly meeting between the relevant Catering Manager and representation from the Students’ Association to share feedback.

The decision to allow external advertising for external food outlets within the Arbroath campus was highlighted as detrimental to income generation for the catering outlets. We were advised that this had been arranged through Learning and Development and that the supplier had been invited into the College during Freshers Fayre.

**Recommendation 7** - The current banner advertising for Dominos should be removed from the corridor adjacent to the Clova restaurant at the Arbroath campus and the College should consider adopting a policy that no similar advertising should be allowed at any campus in future where the supplier is in direct competition to a College offering (unless there is a compelling commercial reason to do so).
Objective 1: there are opportunities for growing income, considering demand from a range of customers (students, staff, the public); customer experience (service, quality, layout, choice); and pricing, in comparison with similar catering outlets. (Continued)

Although there has been some investment in the physical fabric of the catering outlets at all three campuses there is a perception that changes to the current configuration of available space would improve income streams and enhance the customer experience. This will be considered as part of a wider review of capital investment which will examine the current use of space by the catering outlets and the training/curriculum outlets for serving areas.

In order to ensure that students are aware of the facilities on offer from the outset it is important that they have the opportunity to visit the catering facilities at the campus in which they are studying in order to meet the staff and see the range of food and drinks on offer. We were advised that the induction process is not consistently applied, and some lecturers do not bring their students into the catering facilities as part of the induction process. Similarly, not all new employees are brought to the catering facilities as part of their induction. As a result, some students or staff may not be aware of the services on offer.

Recommendation 8 - The current induction checklist should be reviewed to ensure that the need to take students and new employees into the catering facilities is explicitly included and management should conduct checks to ensure that all lecturers are applying the checklist consistently.

We were advised that the prices in the Curriculum/Training outlets have not increased for three years and that these are due to be reviewed. This demonstrates the mismatch between the commercial pressures placed upon the catering outlets in contrast to the Curriculum/Training facilities. We were advised that for some cohorts of students their course does examine the costing of production of food items prepared and the calculation of margins on sale. Therefore, it seems logical to consider the cost of ingredients and the cost of preparation in determining the price to be charged for each menu item.

Recommendation 9 - The pricing structure should be reviewed as part of the process to align menus with course content in order to remove the current price differential and to allow commercial considerations to be applied consistently in calculating the margin on food served in the Curriculum/Training facilities in the same way that margins are calculated in the catering outlets to take account of the ingredients and the cost of preparation. This should include comparison with competing local suppliers for each campus.

The focus groups highlighted a recurring demand for the provision of hot water and microwave facilities at each campus.

Recommendation 10 - The Catering Managers should meet with Students’ Association representatives to discuss the practicality of introducing the provision of hot water and microwave facilities at each catering outlet across the three campuses.
Objective 2: there are opportunities for reducing costs through efficiencies, considering staffing levels and deployment, procurement and food wastage.

During the discussion with Catering Managers it became clear that there was a perception that the proposed increased collaborative working between the catering outlets and the curriculum staff was designed to replace catering staff with students. This was discussed with the Head of Estates and it was made clear to all stakeholders that the motivation for this proposed development is to enhance the student experience rather than to cut costs.

The Catering Manager at Arbroath stated that there had been previous attempts to provide work experience to students in the kitchen and working on the servery with limited success. It was highlighted that the students who had worked in the catering outlet had come in pairs for one day a time over a three week period. However, the level of knowledge of the students around hand washing and basic hygiene were not sufficient, and the skill set of the students meant that they required supervision. The level of food waste also increased. The topic of maximising the Student Experience was discussed at the course groups and a number of ideas to achieve a positive experience for catering staff, curriculum staff and students were identified.

Recommendation 11 - In order to deliver a positive Student Experience, the following measures should be taken when designing and implementing the new collaborative model:

1. A Code of Conduct or ‘House Rules’ should be drawn up and signed by all staff and students involved in the collaborative programme to ensure that there is clarity around roles and responsibilities and to reinforce the message that there should be respect between all staff and students.

2. A standard set of operational procedures and protocols should be developed to standardise the variable approaches and paperwork currently used by the catering outlets and for the curriculum. This will ensure a consistent approach for staff and students whether they are in a teaching kitchen or working in one of the catering outlets.

3. A set of core competencies should be developed and applied to ensure that only students who are working at the appropriate level are sent to work in a catering outlet. Students should not be sent to work in a catering outlet until at least three weeks after the start of their course to ensure that they have had the necessary online and face to face practical training.

4. For students involved in preparing food, they should be given responsibility for serving the food they have prepared, and consideration could be given to assigning the planning and preparation of specific menu choices to students (such as salad boxes or tray bakes).

5. There needs to be ongoing dialogue between the Catering manager and the Chef in Charge to ensure that any issues with specific students are identified from the outset and managed effectively.

6. The length of each placement should be designed to meet the needs of individual learners but should be of sufficient length to give them practical hands on experience of all aspects of the core competency framework and to reinforce their learning objectives.

7. Students will require to be available for the start of service rather than for the start of the normal teaching day in order to provide a more realistic and valuable experience.
Catering BPR

Objective 2: there are opportunities for reducing costs through efficiencies, considering staffing levels and deployment, procurement and food wastage. (Continued)

The current budgetary arrangements mean that the inhouse catering service is a separate cost centre from the curriculum areas for Hospitality and Professional Cookery. This is consistent with the budget structure we have observed elsewhere in the sector. There is an enhanced focus on controlling expenditure and income generation within the inhouse catering function and an expectation that the service should be working towards a breakeven position. However, in our experience - in working with a number of Colleges across Scotland - this is an extremely challenging target to achieve given the cost pressures which are borne by Colleges (in relation to salary costs and contractual arrangements in particular). There has been a concerted effort to remove cost from the catering outlet budget in recent years and this has seen a significant drop in headcount across all three campus sites. However, this has not been mirrored by similar pressure on salary costs on the curriculum side. The contractual arrangements for staff employed in the catering outlets vary considerably depending on the length of service. Any new staff would be employed on a 32 week or a 36 week contract but there are some catering staff who are employed on 38 week, 42 week or 46 week contracts. Therefore, although staff hours are worked out on an accumulated basis there is a misalignment between contracted hours and the 32 week teaching blocks for full time students.

Changes in the pattern of demand from students for food and beverage also present challenges in growing the income stream from catering activity. Therefore, whilst there are further steps which the College can take to increase income from catering activity (as set out in this report) this is unlikely to have a significant impact on the bottom line cost of providing the inhouse Catering Service across all three campuses. Therefore, in order to minimise the cost of providing the Catering Service to the College we see opportunities for further cost reduction. However, it is our view that this will only be achieved through increased collaborative working between the inhouse catering function and the curriculum areas for Hospitality and Professional Cookery.

Recommendation 12 - We recommend that as part of the annual budget process there should be a professional dialogue between catering managers and curriculum managers in order to identify shared opportunities for the delivery of cash releasing savings and to align shared assumptions around cost pressures and investment requirements.

Sickness absence, and the need to provide staff cover, was highlighted as an issue for the catering outlets. At Gardyne and Kingsway campuses if cover cannot be arranged within the team then this is dealt with through the use of agency staff. In Arbroath a different approach is taken with the Catering Manager stepping in to provide cover or the shutdown of specific service offerings (such as the salad bar for example) in order to avoid the need to pay for agency staff. We were advised that staff from one campus would not provide cover at a catering outlet at another campus due to the cost of travel between sites.

Recommendation 13 - Once the details of the new collaborative model are developed a review of staffing levels for each of the catering outlets should be conducted to ensure that the staffing structure is fit for purpose, is sufficiently flexible to meet future need and is financially viable.

The cleaning arrangements vary considerably between the catering outlet kitchens and the curriculum kitchens with Catering assistants expected to carry out cleaning duties as part of their role. In contrast there are dedicated cleaners employed to clean the curriculum kitchens in the morning and also after the students have left between 4pm and 7pm. Since the catering and hospitality courses are designed to prepare students for life in a commercial food and beverage environment then it is our view that in the kitchen environment there should be an onus placed upon students to take responsibility for ensuring that their station is clean before they leave. This would not remove the need for a periodic deep clean. This is simply intended to prepare students for the practicalities of life after college.
Objective 2: there are opportunities for reducing costs through efficiencies, considering staffing levels and deployment, procurement and food wastage. (Continued)

Recommendation 14 - The current cleaning arrangements for curriculum areas should be reviewed to ensure that the contracted hours are aligned with need and increased emphasis should be placed on students to ensure that they leave their stations clean before they leave the kitchen each day.

The contractual arrangements for the vending machines at the Kingsway and Gardyne campuses vary considerably from the arrangement in place at the Arbroath campus. At the Kingsway and Gardyne campuses the vending machines are not owned. They are operated by an external supplier and are restocked by the external supplier with a predetermined share of the sales proceeds passed to the College. These vending machines are located next to the catering outlets and it is the view of the catering manager that there is no net detriment in terms of income generation. In contrast the vending machines at Arbroath are located in the entrance hallway in the Clova building and the machines are restocked by catering staff. Whilst we recognise the different footfalls between the Kingsway/Gardyne campuses and the Clova building the focus group in Arbroath did question the current location of the vending machines and highlighted the restricted vending machine choice available at the Arbroath campus.

Recommendation 15 - The current vending machine arrangements at the Arbroath campus should be revisited to ensure that the current contracts are financially viable once the cost of restocking is factored into the equation.

The current arrangements for the ordering and receipt of ingredients from suppliers varies across campuses and between catering outlets and curriculum/training outlets. There are separate stores arrangements for catering outlets and curriculum/training outlets and on the curriculum side there is a Stores Co-ordinator who has three assistants. These staff are involved in ordering and receiving goods but are also responsible for ensuring that the right goods are transferred to the correct kitchen in order to allow lecturers to deliver classes. The current budgetary distinction between goods purchased for the catering outlets and goods purchased for the curriculum/training outlets presents an obvious barrier to more integrated procurement, receipt and storage of supplies. However, we see an opportunity for increased collaborative working, both internally and also externally with partners such as Abertay University, in order to streamline the current plethora of suppliers and driving savings whilst maintaining quality. Restricted fridge space at the Gardyne Campus was highlighted as a reason why fresh goods were brought in every day.

Recommendation 16 - The current process for the ordering, receipt and storage of supplies should be examined with a view to increased collaborative purchasing, streamlining and standardisation of the approach and a reduction in the number of suppliers (and therefore number of deliveries). The practicality of joint stores arrangements should also be explored in order to optimise usage of valuable storage space and to make best use of the expertise of the Stores Co-ordinator, recognising that separate budget arrangements will present challenges in terms of stock identification and control. This review should link into curriculum planning for HNC and HND students who have a specific focus on stock rotation and waste.

The topic of communication around student placements was highlighted as a key factor in avoiding food waste. If the relevant Catering Manager is unaware that specific cohorts of students are not in the College, then food may be prepared and not sold.
Catering BPR

**Objective 2:** there are opportunities for reducing costs through efficiencies, considering staffing levels and deployment, procurement and food wastage. (Continued)

**Recommendation 17** - To assist forward planning, the relevant Catering Manager should be provided with details of student placements or apprenticeship placements which will take large cohorts of students off campus.

It was also highlighted that cancellations of booking in the training restaurant also creates food waste. Deposits are not currently taken for bookings for the training restaurant. in order to reduce the volume of cancellations.

**Recommendation 18** - Consideration should be given to the introduction of a deposit scheme designed to minimise the frequency of cancellations (and therefore reduce food waste).

The level of food waste is monitored by both the catering outlets (on a weekly basis using a standard form) and the curriculum/training facilities (for the first few months as a learning tool to demonstrate to students which menu choices are popular and which ones are not which informs an annual review of the product range). All food waste is sent to the macerator in order to minimise the cost of disposal of food waste. However, the focus groups highlighted a shared frustration amongst staff and students that food is disposed of rather than being donated to local charities who work with underprivileged groups.

**Recommendation 19** - The possibility of sending any surplus food to local charitable organisations, rather than disposing of it, should be explored in order to provide a community benefit and to reduce food waste.
Audit and Risk Committee
Tuesday 17 September 2019

PAPER H

Internal Audit

Progress of 2018/19 Audit Plan
Dundee & Angus College

Internal Audit Progress Report
2018/19 Annual Plan

17 September 2019
# Internal Audit Progress Report

**September 2019**

Progress made in delivering the annual plan for 2018/19, finalised in September 2018, is shown below.

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Planned reporting date</th>
<th>Report status</th>
<th>Report Number</th>
<th>Overall Conclusion</th>
<th>Audit and Risk Committee</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Audit Needs Assessment &amp; Strategic Plan 2018 to 2021</td>
<td>May 2018</td>
<td>Draft 02/05/18 2nd Draft 04/05/18 Final 15/05/18</td>
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<td>This was taken forward in parallel with the review of Duty of Care.</td>
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<td>13 of the 19 actions reviewed have been fully implemented</td>
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<td>Fieldwork commenced on 02/09/19</td>
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<td>Bursary, childcare and hardship funds</td>
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<td>EMA audit</td>
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<td>13 of the 19 actions reviewed have been fully implemented</td>
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Gradings are defined as follows:

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<th>Grade</th>
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<td>Good</td>
<td>System meets control objectives.</td>
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<tr>
<td>Satisfactory</td>
<td>System meets control objectives with some weaknesses present.</td>
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<td>Requires improvement</td>
<td>System has weaknesses that could prevent it achieving control objectives.</td>
</tr>
<tr>
<td>Unacceptable</td>
<td>System cannot meet control objectives.</td>
</tr>
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</table>
Audit and Risk Committee

Tuesday 17 September 2019

PAPER I

Internal Audit

Follow up Reviews
Dundee and Angus College

Follow-Up Reviews

2018/19

Internal Audit Report No: 2019/09

Draft issued: 9 September 2019

Final issued: 10 September 2019

Now, for tomorrow
## Contents

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- Audit Scope and Objectives ........................................... 1
- Audit Approach ................................................................ 1
- Overall Conclusion ....................................................... 2 - 3
- Acknowledgements ....................................................... 3

### Appendices

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<th>Updated Action Plan: Internal Audit Report 2018/02 –</th>
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<td>Student Fees and Contracts / Registry</td>
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<td>Appendix II</td>
<td>Updated Action Plan: Internal Audit Report 2018/03 – Asset / Fleet Management</td>
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<tr>
<td>Appendix IV</td>
<td>Updated Action Plan: Internal Audit Report 2018/05 – Cash and Bank</td>
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1. Management Summary

Introduction and Background

As part of the Internal Audit programme at Dundee and Angus College (‘the College’) for 2018/19 we carried out a follow-up review of the recommendations made in Internal Audit reports issued during 2017/18 and reports from earlier years where previous follow-up identified recommendations outstanding. These were:

2018/02 – Student Fees and Contracts / Registry;
2018/03 – Asset / Fleet Management;
2018/04 – Data Protection;
2018/05 – Cash and Bank; and
2018/07 – Follow-Up Reviews 2017/18

Reports 2018/01 – Annual Plan, 2018/06 – Workforce Planning, 2018/09 – Student Support Funds and 2018/10 – Annual Report did not contain an action plan and therefore no follow-up activity was required on these specific reports as part of this review. Report 2018/08 – 2017/18 Student Activity Data will be followed up separately as part of the equivalent 2018/19 Student Activity Data report which will be considered by the November 2019 meeting of the Audit & Risk Committee.

Report 2018/07 included one outstanding action from 2015/16 and three outstanding actions from 2016/17, which required to be followed up again this year.

Audit Scope and Objectives

The objective of our follow-up review was to assess whether recommendations made in internal audit reports from 2017/18, and previous years, had been appropriately implemented and to ensure that, where little or no progress had been made towards implementation, that plans were in place to progress them.

Audit Approach

For the recommendations made in the reports referred to above we ascertained by enquiry and review of supporting documentation, as appropriate, whether they had been completed or what stage they had reached in terms of completion and whether the due date required to be revised.

Action plans from the original reports, updated to include a column for progress made to date, are appended to this report.
Follow-Up Review 2018/19

Overall Conclusion

The College has made very good progress in implementing the recommendations followed-up as part of this review with 13 of the 19 recommendations followed up being classified as ‘fully implemented’. Five recommendations were assessed as ‘partially implemented’. These five recommendations will be subject to formal follow-up as part of the equivalent review in 2019/20. One recommendation was assessed as ‘considered but not implemented’.

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<th>Area</th>
<th>Rec’n Grades</th>
<th>Number Agreed</th>
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<th>Partially Implemented</th>
<th>Little or No Progress Made</th>
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Follow-Up Review 2018/19

Overall Conclusion

The grades, as detailed below, denote the level of importance that should have been given to each recommendation within the internal audit reports:

<table>
<thead>
<tr>
<th>Priority 1</th>
<th>Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit &amp; Risk Committee.</th>
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<tr>
<td>Priority 2</td>
<td>Issue subjecting the College to significant risk and which should be addressed by management.</td>
</tr>
<tr>
<td>Priority 3</td>
<td>Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.</td>
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</tbody>
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Acknowledgments

We would like to thank all staff for the co-operation and assistance we received during the course of our reviews.
### Appendix I - Updated Action Plan: Internal Audit Report 2018/02 – Student Fees and Contracts / Registry

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Grade</th>
<th>Original Management Comments</th>
<th>To Be Actioned By</th>
<th>No Later Than</th>
<th>Progress at September 2019</th>
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<tbody>
<tr>
<td><strong>R1</strong> Investigate how additional validation controls can be built into UnitE to enhance the existing checking procedures which identify data issues before the fee data is transferred to Finance for import into the finance system. For example, linking the ‘Fees Checked’ box to critical data fields in UnitE which, if ticked when those critical data fields have not been completed, generates an error or warning message which directs staff to recheck the data.</td>
<td>3</td>
<td>This has been requested as an internal development with our ICT Team and is scheduled to be in place for enrolments starting 18/19.</td>
<td>Head of Administration Operations</td>
<td>31 July 2018</td>
<td>This has been investigated internally and a request was made to the software supplier for this functionality. Unfortunately, as this would be a bespoke requirement, it cannot be added at this time, therefore this action will not progress. Considered But Not Implemented</td>
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<td><strong>R2</strong> Develop a checklist for Administration staff which details what data fields in UnitE are to be reviewed for errors and completeness as part of the Checking Fee Process.</td>
<td>3</td>
<td>Further staff training and checklist will be issued for starting of session 18/19 enrolments.</td>
<td>Head of Administration Operations</td>
<td>31st July 2018</td>
<td>Checklist now in use and all administration staff have undergone further fee checking training. Fully Implemented</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Grade</td>
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<td>To Be Actioned By</td>
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<td>Progress at September 2019</td>
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</table>
| R3             | 3     | Data Management will work with Finance to develop further reports from UnitE capable of being reconciled with SUN. | Head of Administration Operations & Head of Finance | April 2018 | Work has continued between Data Management and Finance to enhance the reconciliation reports from student data and SUN, this will continue throughout session 2019/20.  
**Revised completion date:** 31 July 2020  
**Partially Implemented** |
### Appendix II - Updated Action Plan: Internal Audit Report 2018/03 – Asset / Fleet Management

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Grade</th>
<th>Original Management Comments</th>
<th>To Be Actioned By</th>
<th>No Later Than</th>
<th>Progress at September 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>2</td>
<td>AM1 will be finalised and submitted to SMT for discussion and approval. It will then be disseminated across all departments.</td>
<td>Head of Finance</td>
<td>31 July 2018</td>
<td>Updated Asset Management procedures approved and published on the College’s staff portal in April 2019. Fully Implemented</td>
</tr>
</tbody>
</table>

The procedural instructions for asset additions, currently in draft, should be reviewed to take on board any issues arising from this review. Once updated the procedures should be discussed and agreed by the SMT for dissemination and implementation across all departments.
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>R2</strong> The draft procedures for asset additions should be amended to include an example format for a departmental asset register which should be used by Budget Holders to record and monitor the assets owned by their department.</td>
<td>3</td>
<td>The Portable Appliance System will continue to be maintained, as will records of equipment requiring estates maintenance. The three legacy ICT asset registers will be merged into a single register and cross-referenced to the PAS. Consideration will be given as to whether a central asset register should be created, including assets in the above systems, in order to facilitate departmental stewardship of their assets. Clear guidance on thresholds will be provided.</td>
<td>Vice Principal Corporate Services</td>
<td>30 September 2018</td>
<td>A general assets register is available on the College staff portal. The updated asset management procedures require budget holders, Finance or Estates, depending on the nature of the addition, to record details of asset additions on the register. Estates have overall responsibility for publishing the register and for directing or co-ordinating periodic checks of the register alongside departmental budget holders. <strong>Fully Implemented</strong></td>
</tr>
<tr>
<td><strong>R3</strong> The procedural instructions for the disposal of assets, currently in draft, should be reviewed to take on board any issues arising from this review. Once updated the procedures should be discussed and agreed by the SMT for dissemination and implementation across all departments.</td>
<td>2</td>
<td>AM2 will be finalised and submitted to SMT for discussion and approval. It will then be disseminated across all departments.</td>
<td>Head of Finance</td>
<td>31 July 2018</td>
<td>Updated Asset Management procedures approved and published on the College’s staff portal in April 2019. <strong>Fully Implemented</strong></td>
</tr>
<tr>
<td>Recommendation</td>
<td>Grade</td>
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<tr>
<td>R4  Annual departmental spot checks should be introduced to ensure that additions and disposals have been processed in line with approved additions and disposal procedures and sample physical verification exercises should carried out to confirm that items recorded on the asset registers can be located and can be verified as still in operational use.</td>
<td>2</td>
<td>As noted under Strengths, annual verification checks will be carried out as part of the annual accounting cycle in order to confirm assets on the Fixed Asset Register. Consideration will be given to verification checks on other assets. For portable appliances, verification already forms part of the cyclical checks.</td>
<td>Vice Principal Corporate Services</td>
<td>30 September 2018</td>
<td>As previously noted, Estates have overall responsibility for publishing the assets register and for directing or co-ordinating periodic checks of the register alongside departmental budget holders. <strong>Fully Implemented</strong></td>
</tr>
<tr>
<td>R5  We recommend that the manual log of mileage be transferred to an electronic system to allow vehicle details to be held in one central fleet vehicle repository. The information to be captured for each vehicle should include the annual mileage; dates of completed safety checks and MOTs; maintenance and repair costs; fuel costs and other running costs. This information should be reviewed annually to ensure that the financial viability of vehicles is regularly monitored and challenged.</td>
<td>3</td>
<td>The manual logs will be transferred to a spreadsheet system, along with full safety, maintenance and cost information. Potential software solutions will be explored in order to streamline data recording and improve management information reporting.</td>
<td>Head of Estates</td>
<td>30 September 2018 (with a later date for implementation of any identified software solution).</td>
<td>A vehicle management software system has been procured that will capture all of the data highlighted in the recommendation. This will be in operation from the beginning of the new academic term in August 2019. <strong>Fully Implemented</strong></td>
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</table>
## Recommendation - Appendix III - Internal Audit Report 2018/04 – Data Protection

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Grade</th>
<th>Original Management Comments</th>
<th>To Be Actioned By</th>
<th>No Later Than</th>
<th>Progress at September 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>3</td>
<td>Encryption issues relating to online data transfer, emails and portable devices will be considered in the context of both GDPR and Cyber Security. As appropriate, discussions will be held with key partners, and in-house processes addressed through policy and training.</td>
<td>Head of ICT / Data Protection Officer</td>
<td>October 2018 (aligned with Cyber Essentials timeline)</td>
<td>In progress. By policy and guidance, the College encourages use of secure transfer methods. Where a partner has deployed a secure file transfer system, this is used and, in the absence of this, transmission of password protected encrypted data is encouraged or use of a secure link to a OneDrive file. The Head of ICT and DPO are examining feasibility of potential secure transfer third party solutions and possibilities around monitoring the transfer of personal data. Revised completion date: 31 July 2020 Partially Implemented</td>
</tr>
</tbody>
</table>
## Follow-Up Review 2018/19

### Appendix IV - Internal Audit Report 2018/05 – Cash and Bank

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Grade</th>
<th>Original Management Comments</th>
<th>To Be Actioned By</th>
<th>No Later Than</th>
<th>Progress at September 2019</th>
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</thead>
<tbody>
<tr>
<td>R1 The Catering Manager at Arbroath should ensure that the income recorded on the banking sheet for each till agrees to the till reports prior to cash being banked.</td>
<td>3</td>
<td>Agreed. Given staff shortages in the Catering Team we will explore the possibility of assistance from another support team, in order to ensure the cash is checked and countersigned by a second person before banking the cash. Z reports are checked randomly, rather than ad hoc, to retain the element of surprise. They will also be reconciled to weekly cash sheets.</td>
<td>Catering Manager</td>
<td>30 June 2018</td>
<td>Banking figures are checked by another member of staff before the money is banked. The member of staff initials the income record sheet to say they have checked. The Catering Manager checks till readings against sales figures on a weekly basis and also spot checks the banking weekly. Sales are also tracked using the till software by the Catering Manager.</td>
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Fully Implemented
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Grade</th>
<th>Original Management Comments</th>
<th>To Be Actioned By</th>
<th>No Later Than</th>
<th>Progress at September 2019</th>
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<tbody>
<tr>
<td><strong>R2</strong> Ensure that the Nursery spreadsheet utilised to track fees paid by parents is independently reconciled on a periodic basis to the income banked and processed through Capita.</td>
<td>3</td>
<td>Agreed. It should be noted however that the spreadsheet is checked weekly by the Student Services Advisor processing payments through Capita. This process is also used to identify invoices to be generated in cases of non-payment, as part of the collection procedure.</td>
<td>Student Services Manager</td>
<td>30 June 2018</td>
<td>The spreadsheet is independently reconciled. It was noted that the level of cash transactions have significantly reduced over the last year. Review conducted of the Nursery spreadsheet and reconciliation to the income banked in August and September 2019. <strong>Fully Implemented</strong></td>
</tr>
<tr>
<td><strong>R3</strong> Ensure that cash-up sheets at the Pop-up shop are signed by the student and manager who undertake the cash-up.</td>
<td>3</td>
<td>Agreed. This will be enforced and monitored via departmental checks.</td>
<td>Head of Learning</td>
<td>Immediately</td>
<td>A process has been introduced to ensure that at the end of each pop-up event two members of staff and the students involved in the pop-up event count the cash and sign the cash up sheets. Any cash is then receipted with the Finance Team. However, there has been no opportunity to implement the new process since there have been no Pop Up Shops since the audit was performed. <strong>Fully Implemented</strong></td>
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</table>
### Follow-Up Review 2018/19

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Grade</th>
<th>Original Management Comments</th>
<th>To Be Actioned By</th>
<th>No Later Than</th>
<th>Progress at September 2019</th>
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<tbody>
<tr>
<td>R4 A procedure should be developed and communicated to all relevant Sports Centre staff which sets out the requirement to complete the cash out sheet to record the cash collected that day and to evidence that this amount has been reconciled to Club Manager, with any variances being appropriately investigated.</td>
<td>3</td>
<td>The daily cash sheet will be further developed in conjunction with Finance. All Sports Centre Staff will receive training on the new procedure, including reconciliation of cash collected to Club Manager, with variances being investigated.</td>
<td>Head of Learning, Sport &amp; Fitness</td>
<td>30 June 2018</td>
<td>The cashing up procedure was developed by the agreed deadline. Training has been provided to all staff on cashing up procedure. Any new starts receive training. Leisure Supervisor received training on Club Manager including undertaking reconciliations. Completion of the new daily cash sheets and reconciliation by the Club Manager evidenced for May and June 2018. Fully Implemented</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Grade</td>
<td>Original Management Comments</td>
<td>To Be Actioned By</td>
<td>No Later Than</td>
<td>Progress at September 2019</td>
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<tr>
<td>R5 Ensure that the procedure referred to in R4 above incorporates a requirement to carry out a reconciliation between the Capita receipt sent back to the Sports Centre and the value of the cash collected and banked as recorded on the cash-up sheet, with any variances being appropriately investigated.</td>
<td>3</td>
<td>The new procedure will include reconciliation between the Capita receipt and the value of cash collected. Evidence of the reconciliation will be reviewed by the Head of Learning monthly. A further reconciliation with the financial system will be undertaken monthly in order to encapsulate all other forms of payment, such as Direct Debit.</td>
<td>Head of Learning, Sport &amp; Fitness</td>
<td>30 June 2018</td>
<td>Cash up procedure was developed by the agreed deadline to incorporate transfer of money between Gym reception and admin/finance. The procedure includes that once money has been banked a receipt would be stored in the appropriate space in the cash up folder located in reception. Reconciliations were performed by the Head of Learning, but this ceased 12 months ago. Moving forward, the reconciliations will now be completed by the Head of Sector, Care, Social Science and Sport.</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Grade</td>
<td>Original Management Comments</td>
<td>To Be Actioned By</td>
<td>No Later Than</td>
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<tr>
<td>R6 Ensure that all cash received at the Sports Centre for the previous 7 days (Monday to Sunday) is recorded on the new cash sheet in the “Banked” column and taken to the Gardyne Courier Collection point for banking on the next available working day.</td>
<td>3</td>
<td>The supervisor will ensure that cash is banked every 7 days. Evidence of this will be reviewed by the Head of Learning monthly.</td>
<td>Head of Learning, Sport &amp; Fitness</td>
<td>30 June 2018</td>
<td>Procedure includes banking to be carried out weekly. On a daily basis the cash is handed to administrative staff who bank this weekly as per the recommendation. Evidence this procedure was being followed was reviewed monthly by the Head of Learning, but this ceased around 12 months ago. Moving forward, this monthly review will now be completed by the Head of Sector, Care, Social Science and Sport.</td>
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</table>
### Appendix V - Internal Audit Report 2018/07 – Follow-Up Reviews

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Priority</th>
<th>Original Management Comments</th>
<th>To Be Actioned By</th>
<th>No Later Than</th>
<th>Progress Previously Reported</th>
<th>Progress at September 2019</th>
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<tr>
<td><strong>2016/05 – Space Management</strong></td>
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<tr>
<td>R2</td>
<td>2</td>
<td>Ensure that the Estates Strategy includes a reference to accommodation utilisation surveys and ensure that these are undertaken at least annually.</td>
<td>Vice Principal (Corporate Services)</td>
<td>Estates Strategy to be approved by the Board in September 2016.</td>
<td>April 2017</td>
<td>Estates Strategy 2019-2024 approved by the Board in March 2019. Strategy does not include reference to annual accommodation utilisation surveys but instead focuses on effective planning of room allocations and ongoing monitoring of room utilisation through a suite of reports drawn from the College’s timetabling system.</td>
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<td></td>
<td></td>
<td>The College’s space needs are a key component in developing our Estates Strategy and will be informed by utilisation rates. We will use the timetabling system to identify usage and consider supplementing this with a physical survey during a typical week.</td>
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<td>Revised completion date: 31 December 2017</td>
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### Follow-Up Review 2018/19

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Priority</th>
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</thead>
<tbody>
<tr>
<td>R2 (continued)</td>
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<td></td>
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<td></td>
<td><strong>August 2018</strong></td>
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<tr>
<td></td>
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<td></td>
<td>The Estates Strategy is being revised to reflect current planning assumptions for the Kingsway Campus. It will include a section on space utilisation. Spot checks were carried out during week three of each Semester in 2017/18. There will be a comprehensive space survey carried out in 2018/19.</td>
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<td><strong>Revised completion date:</strong> 31 July 2019</td>
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### Follow-Up Review 2018/19

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<tr>
<th>Recommendation</th>
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<th>To Be Actioned By</th>
<th>No Later Than</th>
<th>Progress at August 2018</th>
<th>Progress at September 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1 Update the Financial Procedure PP5 and the Procurement Authorisation Process (FINSP01) to cross refer between the documents so that staff are effectively signposted to the details of the circumstances in which a PO does not require to be raised.</td>
<td>3</td>
<td>Agreed. This would be useful, and we shall ensure that both are updated accordingly during next iteration of each document during 2017.</td>
<td>Head of Finance</td>
<td>31 December 2017</td>
<td>Whilst Financial Procedures make reference to Procurement, the Procurement Authorisation Policy has not yet been revised. This forms part of the Procurement Policy and is currently being updated in advance of a draft being presented at the Procurement and Resources Group (PRG) in October 2018. Policy and Procedure will be fully revised and published by December 2018.</td>
<td>Partially Implemented</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Priority</td>
<td>Original Management Comments</td>
<td>To Be Actioned By</td>
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<tr>
<td>R3 Specify in the College procurement procedures circumstances where the use of a single supplier may be justified. Where any of these circumstances apply, the reason for failure to hold a competition for the purchase of goods and services should be documented by completing a Single Tender Action form. This form should be attached to the PO.</td>
<td>3</td>
<td>Agreed. Whilst FINSP01 ‘Procurement Authorisation Process’ does set out level of authority required to proceed with fewer than required number of quotes, it will be enhanced during next review to make it clearer when such authority may be granted. Authority will be documented by use of a Single Tender Action Form or similar, and we will explore how this may be embedded within the new P2P system being installed this year.</td>
<td>Head of Finance</td>
<td>31 December 2017</td>
<td>Actions deferred, due in part to both delay in fully implementing P2P and procurement resource issues. This will now be addressed after allowing for further consultation within the PRG.</td>
<td>A formal Non-Competitive Action (NCA) Procedure was published in March 2019 and should now be attached to relevant purchase requisitions and stored permanently within the P2P system.</td>
</tr>
</tbody>
</table>

*Revised completion date: 31 December 2018.*

*Little or No Progress Made*
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Priority</th>
<th>Original Management Comments</th>
<th>To Be Actioned By</th>
<th>No Later Than</th>
<th>Progress at August 2018</th>
<th>Progress at September 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>R2</strong> The College should ensure that a CRM system is implemented for use by staff across both support and academic areas as soon as practicable. Prior to implementing a new CRM system, the existing processes used within the Customer Engagement Team relating to contacting clients (and recording information about client contact) should be reviewed and revised, so that the new CRM system is customised to the College’s needs based on what are considered effective and efficient processes.</td>
<td>3</td>
<td>A recommendation for this has already been included within the College’s ‘Good to Great Strategy’.</td>
<td>Director External Relations/Head of ICT</td>
<td>31 May 2018</td>
<td>The College CRM system continues to be a part of the College’s ‘Good to Great Strategy’ and progress has been made in identifying / scoping relevant platforms. This work will continue through the 2018/19 academic year.</td>
<td><strong>Partially Implemented</strong></td>
</tr>
</tbody>
</table>

**2017/07 – Business Development**

**Revised completion date**: 28 June 2019

**Partially Implemented**

The CRM system is progressing via Good to Great. There was a revision from the project brief to include managing student work placements and there are currently 3 models being presented from outside companies. It is the College’s intention that the system will combine CRM and managing student work placements, and this will be discussed with the external companies. First of the presentations are scheduled are to be held on 26 September 2019.

**Revised completion date**: 31 March 2020

**Partially Implemented**
Audit and Risk Committee

Tuesday 17 September 2019

PAPER J

Internal Audit

2019/20 Audit Plan
Dundee and Angus College

Internal Audit Annual Plan 2019/20

Internal Audit Report No: 2020/01

Draft issued: 06 September 2019
2nd Draft issued: 10 September 2019

Final issued:
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<tr>
<td>Section 3</td>
<td>Outline Scopes and Objectives</td>
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<td>• IT network arrangements / IT Strategy</td>
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<td>• Follow-Up Reviews</td>
<td>14</td>
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</tbody>
</table>
Introduction

1.1 The purpose of this document is to present for consideration by management and the Audit & Risk Committee the annual operating plan for the year ended 31 July 2020. The plan is based on the proposed allocation of audit days for 2019/20 set out in the Audit Needs Assessment and Strategic Plan 2018 to 2021 (Report 2019/01, prepared in May 2018). The preparation of the Strategic Plan involved dialogue with management, and the Audit & Risk Committee approved the plan at its meeting on 15 May 2018.

1.2 A copy of the Strategic Plan is included at Section 2 of this report and shows a number of changes from the original Strategic Plan prepared in 2018. The changes made are as follows:

- The removal of the four day review on Curriculum from the 2019/20 programme;
- The addition of a four day review on Staff recruitment and retention to the 2019/20 programme;
- The deferral of the three day review of Budgetary Control from 2019/20 into 2020/21;
- The acceleration of the four day review of Procurement and creditors/purchasing from 2020/21 into the 2019/20 programme;
- The addition of a two day review on the College’s arrangements for dealing with the National Fraud Initiative;
- The deferral of the three day review of Corporate Planning from 2019/20 into 2020/21;
- The acceleration of the four day review of IT network arrangements and the one day review of IT Strategy (which will be reported jointly as one report) from 2020/21 into 2019/20; and
- The deferral of the four day review of Systems Development/Implementation from 2019/20 into 2020/21.

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 2019/20, together with the audit approach. These have been arrived at following discussion with the Vice Principal (Corporate Services). 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, unless linkages are specified, 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.
### Strategic Plan 2018 to 2021

#### Proposed Allocation of Audit Days

<table>
<thead>
<tr>
<th>Category</th>
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<th>Actual Days</th>
<th>Planned 19/20 Days</th>
<th>Planned 20/21 Days</th>
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<td><strong>Reputation</strong></td>
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<tr>
<td>Publicity</td>
<td>Gov</td>
<td>M</td>
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<td></td>
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<tr>
<td>Health and Safety</td>
<td>Gov</td>
<td>M</td>
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<tr>
<td>Equality and diversity</td>
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<td>Quality</td>
<td>Perf</td>
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<td>Perf/Gov</td>
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<td>Staff recruitment and retention</td>
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<td><strong>Estates and Facilities</strong></td>
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<td>Building maintenance</td>
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<td>Debtors/ Income</td>
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<td><strong>Commercial Issues</strong></td>
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<td>Business Development</td>
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Proposed Allocation of Audit Days (Continued)

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<td>Perf</td>
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<td>IT strategy*</td>
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<td>Credits Audit</td>
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<td>Bursary, Childcare and Hardship Funds</td>
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<td>EMA Audit</td>
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<td>Attendance at Audit &amp; Risk Committee</td>
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Key

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

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

* these projects will be linked.
Outline Scope and Objectives

<table>
<thead>
<tr>
<th>Audit Assignment:</th>
<th>Staff recruitment and retention</th>
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<tbody>
<tr>
<td>Priority:</td>
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<tr>
<td>Fieldwork Timing</td>
<td>December 2019</td>
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<tr>
<td>Audit &amp; Risk Committee Meeting:</td>
<td>March 2020</td>
</tr>
<tr>
<td>Days:</td>
<td>4</td>
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</tbody>
</table>

Scope

The audit will consider whether the College is making best use of its staff.

Objectives

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

- the recruitment process is efficient and effective and adheres to requirements regarding equality and diversity;
- the College has a systematic approach for ensuring that its staff resources are aligned to effectively deliver its commitments;
- there is a systematic approach for translating business objectives into actions / tasks for members of staff;
- appropriate succession planning arrangements are in place;
- the College’s approach to training, including induction training, is clearly informed by an assessment of where there are skills / knowledge / performance gaps;
- the College has a systematic approach to evaluating its training to ensure that it is achieving the desired impact;
- a systematic process is used for providing feedback to staff on performance and agreeing action to improve performance where necessary; and
- senior managers systematically assess the state of morale, satisfaction and motivation of staff. Where problems with morale, satisfaction or motivation are identified, appropriate action is taken.

Our audit approach will be:

The Vice Principal (People & Performance) and the Head of People & Organisational Development will be interviewed, and the College’s policies, procedures and structure will be reviewed, to assess compliance with the above objectives and with extant employment legislation.
Scope

This audit will consider the key internal controls in place over the College’s spend on staff costs of approximately £29m per annum. Our audit will cover the procedures in place within both Human Resources and Finance. The review will be conducted following the implementation of the new integrated HR / Payroll system iTrent which is currently ongoing.

Objectives

The objective of our audit will be to obtain reasonable assurance that systems are sufficient to ensure:

- correct calculation of gross pay and deductions;
- correct calculation of employer national insurance and superannuation contributions;
- part-time lecturers, overtime and travel & subsistence payments are properly authorised;
- approval and checking of changes to employee standing data;
- starters and leavers are properly treated and enter and leave the system at the correct dates; and
- proper authorisation, processing and recording of payments.

Our audit approach will be:

From discussion with Human Resources and Finance staff, and review of procedures documentation, we will identify the key internal controls in place within the College’s Human Resources / Payroll systems and compare these with expected controls. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.

Compliance testing will then be carried out to ensure that the controls in place are operating effectively, concentrating on starters, leavers and variations to pay.
Audit Assignment: Procurement and Creditors / Purchasing
Priority: Medium
Fieldwork Timing: March / April 2020
Audit & Risk Committee Meeting: May 2020
Days: 4

**Scope**

This audit will focus on the systems of internal control in place for the ordering of goods and services and the payment of invoices.

We will also consider whether the procurement strategy followed and procedures in place support best value purchasing across the College in relation to non-pay spend.

**Objectives**

The objectives of the audit will be to ensure that:

- the College's Procurement Policy, Strategy and procurement guidance are comprehensive, kept up-to-date and in line with the Procurement Reform (Scotland) Act 2014 (‘the Act’) and The Procurement (Scotland) Regulations 2016 (‘the Regulations’);
- procurement procedures ensure that:
  - areas of high spend across the College are monitored appropriately;
  - opportunities for pooling of expenditure are identified in order to achieve best value; and
  - collaborative procurements and frameworks available to the College are utilised where appropriate;
- the College's procurement guidance on quotes and tenders are being complied with;
- purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers, with the risk of unauthorised and excessive expenditure being minimised;
- all payments are properly authorised, processed and recorded; and
- appropriate controls are in place over the amendment of standing supplier data on the finance system.

**Our audit approach will be:**

From discussions with the Vice Principal (Corporate Services), the Head of Finance and the Procurement Manager, and a sample of budget holders, we will establish what procurement strategies, procedures and monitoring arrangements are in place within the College. These will then be evaluated to establish if they follow recognised good practice.
Audit Assignment:  Procurement and Creditors / Purchasing (Continued)

Our audit approach will be (continued):

Specifically, we will seek to establish whether the procurement procedures ensure that areas of high spend across the College are monitored appropriately, identifying opportunities for pooling of expenditure in order to achieve best value, and ensuring that joint purchasing arrangements available to the College are utilised where appropriate.

We will also document controls in place within the purchasing / payments system through interviews with Finance staff and also seek to establish whether the expected key controls are in place by reference to standard control risk assessment templates. We will also perform compliance testing where considered necessary to determine whether key controls are working effectively, including selecting a sample of items of expenditure from the financial ledger and testing to ensure compliance with the College’s Financial Regulations and Procedures.
Audit Assignment: National Fraud Initiative

Priority: Medium

Fieldwork Timing: August 2020

Audit & Risk Committee Meeting: September 2020

Days: 2

Scope

The scope of this audit will be to consider the college’s arrangements for delivering its duties in relation to the National Fraud Initiative. The Annual Audit Plan 2018/19, produced by the College’s external auditors, Audit Scotland, in May 2019 explains that “the National Fraud Initiative (NFI) is a data-matching exercise led by Audit Scotland to aid the detection of fraudulent payments. NFI allows public bodies to investigate matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.” Audit Scotland highlighted issues around the timing of submission of NFI payroll data and concluded that “There is a risk that fraud and error may not be detected timeously.”

Therefore, the scope of the review will not duplicate the work which Audit Scotland will conduct in order to report on the College’s engagement in submitting the base data and investigating any matches identified. Instead our review will focus on the process followed for the 2018/19 NFI exercise in order to improve arrangements for the next iteration which is likely to take place in 2020/21 (given that the previous exercise was conducted in 2016/17 indicating a two year cycle).

Objectives

The overall objective of the audit will be to obtain reasonable assurance that the College can demonstrate that:

- there are effective arrangements in place to provide the required data, in the format requested, within the timescales set out by Audit Scotland;
- the Audit & Risk Committee is properly sighted on the work required to ensure compliance with the NFI guidance and are informed of the outcome of the data matching process in order to allow consideration of any associated risks around the prevention and detection of fraud;
- the National Fraud Initiative Self-assessment Checklist has been completed and improvement actions identified; and
- a robust action plan has been developed to address any issues for the College arising from the publication of the national performance report ‘National Fraud Initiative 2018/19’.

Our audit approach will be:

Through discussions with the Vice Principal (Corporate Services) and the Head of Finance we will examine the College’s approach to meet the requirements of the 2018/19 NFI exercise and the way in which any lessons learned are being identified and addressed in order to strengthen the College’s arrangements for the next iteration of NFI.
Audit Assignment: IT Network Arrangements / IT Strategy
Priority: Medium
Fieldwork Timing: January / February 2020
Audit & Risk Committee Meeting: March 2020
Days: 5

Scope

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

IT Strategy
This aspect of the audit will include a high-level review of the College’s IT/Digital Strategy.

Objectives

IT Network Arrangements
Our review will encompass the security tools in place, how these are currently used, the configuration of key elements of IT infrastructure which protect access to data, plus the policy and procedures giving guidance as to how security should be managed by both the IT department and users.

IT Strategy
The objectives of this aspect of the audit will be to obtain reasonable assurance that:

• an IT strategy group (or equivalent) has been formed to prepare and maintain the strategy;
• the IT/Digital Strategy was developed in consultation with users and taking into account the Regional Outcome Agreement and other operational plans;
• the IT/Digital Strategy shows:
  ¦ objectives;
  ¦ how they will be achieved;
  ¦ resources required;
  ¦ clearly defined timescales for achieving specific goals and objectives; and
  ¦ implications;
• staff are aware of, and have ready access to, the IT/Digital Strategy; and
• procedures have been established for monitoring implementation of the IT/Digital Strategy and responsibilities formally assigned.
Our audit approach will be:

IT Network Arrangements
Our approach will be based upon the guidance and best practice provided by the National Cyber Security Centre (NCSC); discussion with the Head of ICT and other members of the ICT Team, review of relevant documentation; and observation. This will cover the following areas:

- Information risk management;
- Secure configuration of ICT equipment;
- Network security;
- Managing user privileges;
- ICT user education and awareness;
- Incident management;
- Malware prevention;
- Monitoring;
- Removable media controls; and
- Home and mobile working.

IT Strategy
Through discussions with the Head of ICT, and review of relevant documentation, we will assess whether the IT strategic planning process and monitoring controls accord with good practice. Applicable extracts from the Control Objectives for Information and Related Technology (COBIT) framework for information technology management and governance will be used as benchmarks.
Audit Assignment: Credits Audit
Priority: Required audit
Fieldwork Timing: August / September 2020
Audit & Risk Committee Meeting: November 2020
Days: 8

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 contains no 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 major requirements for recording and reporting fundable activity identified at Annex C to the Credits Audit Guidance and the key areas of risk identified in Annex D.

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

We will carry out an audit on the College’s student support funds for the year ended 31 July 2019 and provide an audit certificate.

### 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 2019 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.
Scope

Guidance on the audit requirements for Education Maintenance Allowances (EMAs), issued by SFC, includes the requirement to have a separate audit of EMAs on an academic year (August to July) basis.

Objectives

To obtain reasonable assurance that:

- the information set out in the EMA returns is in agreement with the underlying records;
- the College used the funds in accordance with SFC’s conditions and the principles of the EMA programme; and
- the systems and controls for the administration and disbursement of the funds are adequate.

Our audit approach will be:

Through discussion with Finance staff, and review of relevant documents, we will record the systems and procedures used by the College in compiling the EMA 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.
**Internal Audit Annual Plan 2019/20 - DRAFT**

<table>
<thead>
<tr>
<th>Audit Assignment:</th>
<th>Follow-Up Reviews</th>
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</tr>
<tr>
<td>Days:</td>
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</tbody>
</table>

**Scope**

This review will cover reports from the 2018/19 internal audit programme and reports from earlier years where previous follow-up identified recommendations outstanding.

**Objectives**

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

**Our audit approach will be:**

- for the recommendations made in previous reports verify by enquiry, review of supporting documentation or sample testing, as appropriate, the status of the recommendations as reported by College management; and
- prepare a summary of the current status of the recommendations for the Audit & Risk Committee.