

The 2018/19 audit of City of Glasgow College

Report on the investigation of an alleged fraud



AUDITOR GENERAL 

Prepared for the Public Audit and Post-Legislative Scrutiny Committee by the Auditor General for Scotland
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000
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Introduction

1. I have received the audited financial statements and the independent auditor's report for City of Glasgow College for 2018/19. I am submitting these financial statements and the independent auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report that I have prepared under section 22(3) of the Act.
2. The purpose of this report is to draw Parliament's attention to an alleged fraud perpetrated against City of Glasgow College. The report outlines the nature of the alleged fraud and the action which has taken place following its discovery. At the time of writing this report, Police Scotland has formally charged a former college employee with embezzlement (fraud) and breach of trust. The matter is therefore subject to criminal proceedings, and my reporting on this is necessarily limited to what is already in the public domain through the college's annual audit report.

Background

3. The 2018/19 annual audit report for the City of Glasgow College refers to an alleged fraud perpetrated against the college from 2016 to 2019. The report outlines how IT equipment, including laptops and mobile phones, appears to have been purchased and subsequently removed from the college by a member of staff. The present value of IT equipment which cannot be accounted for is estimated to be £600,000 (exclusive of VAT).
4. The college identified the alleged fraud during the 2018/19 financial year and undertook an internal staff disciplinary exercise and asked its internal auditors to conduct a forensic review of the incident. A former employee was charged with embezzlement and breach of trust in January 2020 and is the subject of an ongoing Police Scotland investigation.
5. The annual audit report notes that for the purposes of the annual accounts audit, the value of the identified alleged fraud is not material in the year under audit or in total. Nevertheless, the college has made full disclosure of the alleged fraud within its annual accounts and has informed regulatory bodies, including Glasgow Colleges' Regional Board (GCRB), the Scottish Funding Council (SFC), the Scottish Government, and the Office of the Scottish Charity Regulator (OSCR).
6. Based on the findings from the internal auditor's forensic review, the college's external auditor concluded that the College Board's arrangements for the prevention and detection of fraud and other irregularities require improvement. The external auditor noted that certain updates have now been made to the college's Financial Regulations and Fraud Prevention Policy.
7. In addition to the internal auditor's review, the college asked the external auditor to review the Finance and IT functions within the college. Taking account of the issues arising from the internal audit, the external auditor decided to undertake a review of these functions and this was nearing completion in April 2020.
8. The college is liaising both with Police Scotland over recovery of the missing IT equipment, and with the college's insurers with respect to recovery of the potential losses resulting from the missing IT equipment.

Conclusion

9. The college has been the subject of an alleged fraud which is the subject of criminal proceedings.
10. I have asked the external auditor to keep this matter under review pending the outcome of both the criminal proceedings and their own review of the Finance and IT functions. I anticipate producing a further report once the legal proceedings are concluded.

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