

Room 109, Falkirk Campus

5.30pm

**AGENDA**

1. Apologies for Absence
2. Declarations of interest

**FOR APPROVAL**

3. Annual Report and Financial Statements 2014/15  
(Joint item with Finance Committee) Alison Stewart
4. Draft External Audit Annual Report to the Board of Management  
(Joint item with Finance Committee) Henderson Loggie
5. Minute of Audit Committee of 27 August 2015
6. Matters Arising
  - a) A/14/036 Internal Audit Plan 2015-2018
  - b) A/14/040 Risk Management
7. Chair's Annual Report to the Board of Management Nigel Scott
8. Internal Audit Plan 2015-2018 Scott Moncrieff

**FOR DISCUSSION**

9. College Assurance Map Alison Stewart
  10. SDS Audit Report Caroline Hogg  
(The attachment to paper 10 is withheld from publication on the Forth Valley College website under Section 36 Confidentiality of the Freedom of Information (Scotland) Act 2002.)
  11. Presentation of Internal Audit Reports Scott Moncrieff
    - a) Review of 2014/15 SUMs Return
  12. Progress Report on Audit Recommendations Stephen Jarvie
  13. Risk Management Alison Stewart
  14. Review of Risk
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15. Any other competent business

**FOR INFORMATION**

Programme of Committee Business

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**1. Purpose**

To present to members the Annual Report and Financial Statements for the period to 31 July 2015.

**2. Recommendation**

Members consider the financial position of the College for the 16 months ended 31 July 2015 and approve the Annual Report and Financial Statements for the period ended 31 July 2015.

**3. Background**

The Office for National Statistics (ONS) reclassification of FE Colleges came into effect from 1 April 2014. There are a number of significant implications resulting from this reclassification not least the inability to retain surplus cash without this in effect being frozen due to government resource budgeting restrictions.

In September 2014 the decision to move Colleges year end to 31 March was reversed and the year end reporting date was moved back to 31 July. The financial statements have therefore been prepared for the 16 month period from 1 April 2014 to 31 July 2015.

The Annual Report and Financial Statements have been prepared in accordance with the Accounts Direction issued by the Scottish Funding Council in August 2015 which requires the College to comply with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in July 2007, the Scottish Public Finance Manual (SPFM) and the Scottish government's Financial Reporting Manual (FRoM).

The SPFM and FRoM both require additional disclosures. Key changes from previous year's disclosures are the content of the Governance Statement and the requirement to include a Remuneration Report.

**4. Income and Expenditure**

Due to change in the financial year end and the number of one off adjustments linked to the reclassification in 2013-14 it is difficult to provide a meaningful comparison of the results for the period to 31 July 2015 against either the original budget, which based on a 12 month fiscal year or the 2013-14 Accounts which covered an 8 month period.

Overall for the 16 month period to 31 July 2015 the College is reporting a deficit of £2,873k (2013-14 – operational surplus of £240k).

The reversal of 2013-14 year end adjustments for SFC grant income, tuition fees and salary costs (holiday pay accruals) distort the 16 month period figures. The net effect of these adjustments is minus £520k.

The Board of Management approved to donate up to £1.4m to the Foundation in March 2015. The calculation of the amount of the transfer was aimed to minimise the level of cash held at 31

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March 2015 and the potential for this to be frozen under the government resource budgeting rules. The actual donation made was £1.1m

There are significant non cash adjustments in relation to net depreciation £829k, pension valuations £1.973m as well as an exceptional loss on valuation of land at Branshill, Alloa £615k.

The key message to take is that excluding non cash adjustments and the donation to Forth Valley College Foundation, the College generated a cash surplus of £1.2m from its day to day operations.

#### **5. Balance Sheet**

Again it is difficult to provide a meaningful comparison of the Balance Sheet. The March 2014 year end was part way through the academic year and required a number of adjustments to reflect this which would not be required at a July year end.

The increased bank balance at 31 July reflects the operational cash surplus generated of £158k, cash being held to cover HMRC payment of £420k, and unspent Student Support funding of £245k.

The College has moved to a position of reporting net current assets due, in the main, to the increased cash levels.

#### **6. Financial implications**

SFC guidance states that for the financial period ended 31 July 2015 Colleges are permitted to report operating deficits equivalent to the net depreciation figure and FRS 17 pension charges. The net depreciation at 31 March 2015 is £622k and the charge arising from FRS 17 Pension valuations of £1.973m means that FVC falls within the guidelines.

Reporting a deficit does have implications however, and to counter any queries or concerns by the users of the Financial Statements, SFC have issued a statement of assurance for Colleges to incorporate into their Financial Statements for the financial period ended 31 July 2015. To mitigate the risks of this deficit being detrimental to future business partnerships, the SFC also issued Colleges with a statement of assurance for inclusion in the Financial Statements for the 16 months ended 31 July 2015. This statement stated the deficit should be viewed as a "technical" deficit and should not be interpreted, on its own, as a challenge to the College's on-going financial sustainability. The full Statement is in the Accounts.

#### **7. Banking Covenants**

A final point to note is that due to the transfer of £1.1m to the Foundation, the College has breached the banking covenants in relation to the £4.5m loan with Barclays Bank. The implications of this are being worked through with Barclays who are aware that this would happen and the reasons for this.

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8. Equalities

Assessment in Place? – Yes  No  Non-Applicable

9. Risk

	Likelihood	Impact
Very High		
High		
Medium	x	x
Low		
Very Low		

Please describe any risks associated with this paper and associated mitigating actions

The College has breached the financial covenants in relation to the £4.5m Term Loan with Barclay's bank. The reporting of significant deficits could be misinterpreted and impact negatively on the College's financial reputation.

Discussions are ongoing with Barclays bank regarding the covenants with a view to having these removed, as they are no longer appropriate given following the reclassification of Colleges.

Risk Owner – Alison Stewart

Action Owner – Monica Halcro

10. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes  No

Health and Safety – Yes  No

Paper Author – Alison Stewart

SMT Owner – Alison Stewart



**FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE SIXTEEN MONTHS ENDED**

**31 July 2015**

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**The financial statements were approved and authorised for issue on 10 December 2015.**

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**Professional Advisers**

Financial Statement Auditors:

Henderson Loggie  
34 Melville Street  
Edinburgh  
EH3 7HA

Internal Auditors:

Baker Tilly Risk Adviosry Services LLP (to 31<sup>st</sup> July 2015)  
23 Queen Street  
Edinburgh  
EH2 1JX

Scott Moncrieff (from 1<sup>st</sup> August 2015)  
Exchange Place  
3 Semple Street  
Edinburgh  
EH3 8BL

Bankers:

Barclays Bank  
120 Bothwell Street  
Glasgow  
G2 7JT

Solicitors:

MacRoberts  
Capella  
60 York Street  
Glasgow  
G2 4TB

CMS Cameron McKenna LLP  
191 West George Street  
Glasgow  
G2 2LD

Simpson & Marwick (t/a Clyde & Co from 1 October 2015)  
144 West George Street  
Glasgow  
G2 2HG

## OPERATING AND FINANCIAL REVIEW

### 1 NATURE, OBJECTIVES AND STRATEGIES

The Board of Management present their report and the audited financial statements for the 16 month period ended 31 July 2015.

#### Legal Status

Forth Valley College came into being on 1 August 2005 as a result of the merger of Clackmannan and Falkirk Colleges. The Office for National Statistics (ONS) reclassified all incorporated FE Colleges as central government entities, to be referred to as Arm's Length Public Bodies from 1 April 2014. The College is a registered charity (Scottish Charity number SCO21191) for the purposes of the Law Reform (Miscellaneous Provisions) (Scotland) Act 2005.

The Financial Statements cover all activities of the College.

#### Mission Statement

The College Mission Statement is:

**Making Learning Work**

#### College Vision

The College Vision is:

**Shaping the Future  
Delivering a World Class Service  
Driving Our Momentum**

#### Strategic Themes

Forth Valley College of Further and Higher Education has 6 key strategic themes for the 2014-2018 period. These are;

- Creating a superb environment for learning
- Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly
- Instilling an energy and passion for our people, celebrating success and innovation
- Leading as a business that is a champion for governance, financial control and balanced risk taking
- Enhancing our position as the business and community partner of choice
- Delivering a whole system approach. Simply effective, efficient and consistent.

#### Implementation of our Strategic Plan

2014-15 was a strong period for the College as we embarked upon our vision of 'Making Learning Work'.

**Creating a superb environment for learning** – We have continued to invest in our estates ensuring we offer the best possible learning environment for our students. This year saw the demolition of our Middlefield building which was stage one of our wider ambitions for a new Falkirk campus. The College is now progressing with a strategy to build a new Falkirk headquarters campus. Support to deliver this project through the Not for Profit Distribution (NPD) procurement model was included in the Scottish Government budget announcement in October 2014.

Our new campuses in Alloa and Stirling continue to perform well, with high demand for the accommodation and positive feedback from students, staff, the local community and visitors on the quality of the facilities we offer.

## OPERATING AND FINANCIAL REVIEW (continued)

### 1 NATURE, OBJECTIVES AND STRATEGIES (continued)

**Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly** – This theme is fundamental to ensuring we live up to our mission statement of “Making Learning Work”.

In 2014-15 we further developed our new Curriculum Review process to ensure that our future curriculum developments continue to meet the needs of the employers of Forth Valley and beyond and to take full account of national priorities, such as the Scottish Government’s Youth Employment Strategy (December 2014).

We were able to report a further increase in the percentage of our students succeeding in their college courses, at all levels and across both full-time and part-time. We achieved a 91% response rate in our follow up survey of 2013-2014 completing students and were delighted that 94% of those responding were in a positive destination (employment or further study).

In 2014-15 the College also launched its highly engaging Creative Learning initiative, with over 30 members of staff participating in a Creative Learning Action Community, through which they were supported to work collaboratively with colleagues, across departmental boundaries, to design and facilitate innovative and value-added learning experiences for their students.

We continued to operate our successful “Listening to Learners” focus group process, through which over 2,500 students contributed their views and helped to shape learning within their programmes of study. Satisfaction levels remain very high across all of the factors included on the focus group agendas.

**Instilling an energy and passion for our people, celebrating success and innovation** – This year the College was successful in achieving the highly prestigious Beacon Award for Innovation in Learning – the only Scottish College to be recognised within this UK wide initiative. This accolade put the College in an excellent position to develop further its ambition of recognising and celebrating success.

Staff development processes have also been revamped and have proved to be successful in their innovative approach in engaging staff and creating a platform of ownership and pride in the delivery of learning and teaching as well as in increasing the knowledge base, skills and industrial experience of employees. The recent development of an Ambassador role within the College will also give more opportunities for staff to represent the College at a wide range of national and international events.

The plans to relaunch the Cultural Survey will give the College an opportunity to assess the impact of the first survey and identify improvements for the future.

**Leading as a business that is a champion for governance, financial control and balanced risk taking** – Further to the reclassification of Colleges in Scotland as arm’s length public bodies by the Office of National Statistics (ONS), the sixteen months to 31 July 2015 is the first reporting period under the new status.

Part of the reclassification process included Colleges changing to a year end date that is in alignment with other government departments. Subsequently, this decision was reversed and the financial reporting period end reverted to 31 July. This has resulted in producing financial statements for 8 months to 31 March 2014 and then 16 months to 31 July 2015.

The impact of being an arm’s length public body is that the College is no longer able to generate and hold surpluses. We have revised our internal practices to ensure we are in compliance with the Scottish Public Finance Manual and other relevant guidance.

In line with the transition arrangements for the implementation of Post 16 Education (Scotland) Act 2013 and the College Sector Board Appointments: 2014 Ministerial Guidance, a new regional Board of Management was

## OPERATING AND FINANCIAL REVIEW (continued)

### 1 NATURE, OBJECTIVES AND STRATEGIES (continued)

recruited and appointed in March 2015. The appointments of the non-executive members was approved by Scottish Ministers. A formal induction process was completed for all new members.

**Enhancing our position as the business and community partner of choice** – Strong employer and stakeholder relationships continue to develop across the College across a wide range of sectors reflecting the curriculum we deliver. Our aim is to create a positive impact on both the local and national economy by meeting the skills requirements of our employers and thus impacting on their productivity and competitiveness. The developments with Scottish Power and its contractors, to rebuild the existing power lines across Central Scotland, continue and we have created a bespoke external training facility for both Scottish Power apprentices and the contractors' reskilling programme. This relationship and the commitment of Scottish Power to their MA delivery resulted in them being awarded MA Employer of the Year in the Large Employer category. We have also maintained our position as a leading Modern Apprenticeship provider in the sector building on the engineering provision and now delivering a first in Scotland for a MA in Digital Journalism with support from the National Union of Journalists.

Partnerships are key to the College and our relationship with Skills Development Scotland in relation to the development of the Skills Investment Plans in both Life Sciences and Chemical Sciences has created new opportunities for the College in terms of increased numbers of MAs in life sciences and conversion courses in the chemicals sector to address key skills needs within this sector.

An international strategy has been developed this year and the College has recruited an International Manager to deliver on our ambitions and plans in the international arena. We are developing collaborations with key HE/FE and local authority partners particularly the University of Stirling and both Falkirk and Stirling Councils. We have travelled to both China and Turkey to start to develop links in the oil and gas sectors both with our partners and independently. Our strong position with OGAS (The Oil and Gas Academy of Scotland) is also supporting our international plans as well as generating the delivery of training requirements for Shell UK.

All the relationships and activities with our key employers and stakeholders have generated a tangible benefit to the College supporting and making a contribution towards its financial sustainability.

**Delivering a whole system approach. Simply effective, efficient and consistent** – We have continued to maximise the benefit from the significant investment in the College's ICT infrastructure over recent years. The amount of material available via our Moodle VLE has increased, providing increased flexibility and allowing learners to take control of their own learning. This has been supported by increased use of the Eduroam service which enables students to bring in their own laptops and smartphones which can access College resources via the College wireless network.

We have continually improved our online application process, supported by the functionality for applicants to create a bespoke prospectus on our website, to provide a clear and supportive system to new and returning students. We have embedded our online student funding application which significantly improved the application process and helped to ensure faster decision making and communication to students. We also developed a schools portal in partnership with Falkirk Council, which allows local schools to see real-time information on school pupil applications to the College, which we hope will enable enhanced dialogue between all partners to enable students to successfully transition on to their correct course.

Through the development of a College Data dashboard we are making real-time information available to appropriate staff throughout our organisation, and we have continued to develop our HR systems to allow staff access to a self-service "My Staff Record" area. For students we have developed "My Info" to provide real-time access to initially timetable and attendance information, with the ability to access this portal from any mobile device.

**OPERATING AND FINANCIAL REVIEW (continued)**

**Performance Indicators**

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## **OPERATING AND FINANCIAL REVIEW (continued)**

### **2 ESTATES STRATEGY**

The Forth Valley College agreed Estates strategy has always comprised a vision for three new campuses. The first in Alloa, the second in Stirling and a third in Falkirk. £55m has already been invested in phases 1 and 2 of this strategy with Alloa and Stirling successfully completing on programme and within budget in 2011 and 2012 respectively.

The College developed an Outline Business Case for a new campus in Falkirk in December 2014 which was communicated to the Scottish Funding Council and Scottish Futures Trust, and received acknowledgement to proceed to the next phase, to develop a full business case (FBC).

The new campus plans include servicing the current Falkirk Campus curriculum provision and in addition, partnering with the Falkirk Community Trust on their business case to provide a new 500 seat Arts Venue facility as part of the new campus.

The New Falkirk Campus will be located on the 10.87 acre Middlefield Campus site (building now demolished) and an additional section of land (4.8 acres) to the East of this, which the College has secured from Callendar Estates. The new facility will be approximately 21,680 sqm including the Arts Centre facility and will incorporate low carbon initiatives, such as Photovoltaic's and Combined Heat and Power, along with other sustainable functions required to meet the Building Research Establishment Environmental Assessment Method (BREEAM) standard.

The FBC is due to be completed in December 2015, thereafter this will be submitted to the Scottish Funding Council and the Scottish Futures Trust for approval.

Once approved, the College will issue an invitation to tender and enter a period of competitive dialogue. The College will select a preferred bidder with the construction planned to commence summer 2017 and complete in the summer 2019.

### **3 FINANCIAL POSITION**

#### **Financial Results**

The finances of Forth Valley College are regulated by the Financial Memorandum between the Board of Management and the Scottish Funding Council (SFC) under which the Principal is designated as Accounting Officer, responsible to the Chief Executive of the Council for the stewardship of the College's finances and assets. The financial statements have been prepared to comply with the Accounts Direction issued by SFC and with the associated revised Statement of Recommended Practice: Accounting for Further and Higher Education which was issued in July 2007.

The sixteen months to 31 July 2015 is the first financial reporting period in which the College has operated as an arm's length public body. This reclassification, effective from 1 April 2014, means the College is regulated by the Financial Reporting Memorandum (FRM) and also by the Scottish Public Finance Manual (SPFM) as well as the FE/HE Statement of Recommended Practice 2007.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **3 FINANCIAL POSITION (continued)**

#### **Financial Results (continued)**

The College's financial objectives are:

- maintain a position of financial security in the context of significant internal and external demand upon resource;
- optimise land and other assets in the interest of the College;
- manage the impact of estates upon financial security;
- continue to seek increased allocations from SFC to meet demographic demand;
- grow commercial activity rates and overall contribution to the College;
- implement efficiencies and improvements identified through our business transformation activity
- embedded sustainability throughout College practices.

A consequence of the reclassification is the treatment of non-cash costs. Adherence to central government rules leaves the College unable to access accumulated cash reserves without the appropriate budget cover having been authorised from the Scottish Government. Any under-utilisation of allocated budget cover results in cash effectively being frozen. In order to minimise frozen cash in the College sector during the financial period being reported, the SFC granted Colleges additional budget cover up to the level of net depreciation at 31 March 2015 (Scottish Government's financial year end). The net depreciation for the College was £622m and we had SFC authorisation to donate this value to the Arms Length Foundation. This figure, as well as further cash surpluses accumulated at 31 March 2015 resulted in the College donating £1.1m into the Forth Valley College Foundation. This prevented that cash becoming inaccessible to the College.

Further non cash costs were incurred due to the FRS 17 adjustments relating to the Local Government Pension Scheme (LGPS) which provides benefits on retirement to non-teaching staff. The revaluation of this liability and the early retirement provision included a £1.973m charge to the Income and Expenditure Account in the period.

As per FReM guidelines a revaluation exercise of land and buildings was undertaken at 31 July 2015. This resulted in an upward adjustment to the revaluation reserve in the Balance Sheet of £899m and a write off in the Income and Expenditure Account of £615k due to the downwards revaluation of land held at Branshill, Alloa. There was no existing revaluation to offset this loss against.

SFC issued a letter to Colleges to provide assurance that the resulting deficit of £2.9m which arise from these non-cash transactions should not be interpreted as a challenge to the College's financial sustainability and to treat this as a "technical" deficit. This is detailed in Note 35 to the Financial Statements.

The SFC continue to be the main source of College income, with 73% (2014 - 72%) of funds attributable to them. Grant In Aid funding remained stable compared to prior year and this year the College received European Social Fund Priority 5 Funding of £527k (2014 - £0k).

#### **Treasury Management**

The College has a treasury management policy in place to ensure that treasury management is effective in the successful identification, monitoring and control of financial risk. In balancing risk against return, the College will adopt a risk-averse approach rather than maximising returns.

The College has a borrowing facility in place with Barclays Bank for which all relevant consents required under the Financial Memorandum with the SFC have been obtained. The College has also arranged to hedge its exposure to interest rate movements in its loan facility. The hedge covers 100% of the College's borrowings.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **3 FINANCIAL POSITION (continued)**

#### **Financial Results (continued)**

##### **Cash Flows**

Cash flow plans were presented to the SFC as part of the final approval process for both the Alloa and Stirling developments. These detail the impact over the next twenty five years of the estates development programme on the operating cash position of the College. Cash levels are kept to a minimum per central government regulations. The College requests a cash drawdown from SFC monthly to maintain a working capital balance with excess cash being donated to an Arms' Length Foundation at the end of each fiscal year (31 March), if central government budgeting rules have been met.

##### **Liquidity**

The College has an unsecured £4.5m loan facility with Barclays Bank, with an outstanding balance of £4.4m. The loan facility was to assist in the overall funding of the estates development programme. The level of funding provided is within borrowing limits approved by SFC and deemed serviceable under their project funding model.

##### **Creditor Payment Policy**

The College has a policy of paying suppliers within agreed terms unless the invoice is contested. Disputes and complaints are handled as quickly as possible. Every effort is made to take advantage of additional discount where this is offered for prompt payment. The College did not make any late interest payments during the year.

Standard creditor terms are set on our finance system to be 30 days and can be amended to adhere to supplier terms if authorised by Finance Team Management. Invoices are paid on a weekly basis by the due date and only if they are authorised for payment on the finance system. The average number of days taken to pay suppliers in the financial period being reported was 29 days (2014 - 29 days).

##### **Taxation Status**

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

## **4 CURRENT AND FUTURE DEVELOPMENTS**

### **Student numbers**

In the academic year 2014-15 the College met its weighted SUMs target enabling full draw down from the SFC of Activity Based Funding. In the academic year the College expects to have enrolled 3,348 full time students and 11,520 part time students.

### **Student Achievements**

At College level, 2014-15 retention and successful completion statistics for both FE and HE, FT and PT are either sustained or have increased on the previous year, except for the HE part time provision retention that fell by 1%.



## **OPERATING AND FINANCIAL REVIEW (continued)**

### **4 CURRENT AND FUTURE DEVELOPMENTS (continued)**

#### **Student Achievements (continued)**

In terms of early withdrawal, these rates have remained the same, with the exception of FT FE, which has improved by a further 1% to 5%. Early withdrawal for PT HE, on the other hand, has worsened by 1% to 2%, a return to its 2012-2013 level. Early withdrawal rates for other modes and levels remained the same as for 2013-14 and all compare favourably with the sector further withdrawal rates for that year. It is also worth noting that 16% of FT FE students and 10% of HE FT students who withdrew before the end of their programme did so to enter employment.

As regards successful completion, the FT FE figure rose a further 1% to 71%; the PT FE rate rose 2% to 91% and the PT HE rate remained the same as the previous year, at 89%. There was, however, a significant increase in the successful completion rate for FT HE students, from 72% in 2013-14 to 79% in 2014-15. This is 2.3% above the highest performing college in 2013/14.

The above statistics demonstrate that the College has achieved its 2014-15 Outcome Agreement targets for these PIs and we continue to strive for and achieve year on year improvements in student achievement.

#### **Curriculum Developments**

We continue to rigorously review our overall curriculum portfolio, in the light of local and national skills priorities and sustain an excellent reputation with our employers, delivering industry-relevant courses within our campuses and bespoke training on employers' premises. We value these close links and utilise employer input to maintain the vocational relevance of the training we offer, and to secure the future employability of our learners.

A particular focus for curriculum development during 2014-2015 was the emerging Developing the Young Workforce agenda. The Commission for Developing Scotland's Young Workforce, led by Sir Ian Wood, published its report, "Education Working for All!" in June 2014. The report contains 39 recommendations for local authorities, schools, colleges and other agencies aimed at reducing youth unemployment. In December 2014 the recommendations were included in the Scottish Government's refreshed Youth Employment Strategy, which set out seven year plans for schools, colleges, apprenticeships, employers and equality.

One target within the Strategy is to increase the percentage of school leavers achieving vocational qualifications at SCQF level 5 or above. In pursuit of this aim, the College introduced five HNC courses for S5 pupils starting in August 2014.

In 2014-2015 the College also further developed its integrated degree partnership with the University of Stirling, bringing on stream two further degree programmes, in Computing Science and Digital Media.

#### **Future Developments**

We made successful bids in 2014-15 to Skills Development Scotland for development grants for three Foundation Apprenticeship Pathfinder programmes and one Advanced Apprenticeship pilot. Two of the Foundation Apprenticeships, in Social Services and Healthcare; and Early Education and Childcare, have been developed and will run for the first time in 2015-16. The third Foundation Apprenticeship and the Advanced Apprenticeship are both in Engineering and will continue to be developed for first offer in 2016-2017.

As we continue to develop and strengthen our employer relationships we have initiated the development of key systems to ensure data is recorded and maintained, and can provide KPIs for our key areas of delivery. For example our employer engagement system will support how we are engaging with employers and maintain key information and data about the employers and stakeholders we are working with. This will also be supported by

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **4 CURRENT AND FUTURE DEVELOPMENTS (continued)**

#### **Future Developments (continued)**

an employer portal to provide employers with essential data on their employees in relation to attendance, progress and behaviours when attending College.

We have published an ambitious four year Strategic Plan for 2014-18, aligned to our Outcome Agreement with SFC. These documents outline the key strategies and goals for the coming years and will ensure greater transparency through the effective monitoring of progress.

Forth Valley College is continuing to progress with the development of the new headquarters campus in Falkirk. An Outline Business Case for the development was approved by the Board of Management on 11 December 2014 and submitted to the Scottish Funding Council who recommended that the College proceed towards Full Business Case (FBC).

Throughout 2015, the College has been progressing with the development of the FBC. Key technical advisors along with architects have been appointed following relevant procurement exercises to assist the College in the preparation of the FBC. Extensive internal consultation has occurred along with public events and meetings with key external stakeholders. In particular, the College has been working closely with Falkirk Council and Falkirk Community Trust to identify areas of potential complementary provision in the new campus. The College has also agreed to purchase land, conditional on final FBC approval, next to the existing intended site for the new campus to incorporate the size of the proposed building and surroundings.

Throughout the process, governance arrangements have been in place with a specialist Falkirk Campus Project Board established to oversee progress. The Falkirk Campus Project Board is comprised of Board of Management Members and College staff along with representation from Scottish Futures Trust and the College's Project Managers.

Next steps for the project relate to the completion of the FBC which will be presented to the Board for consideration and approval in early 2016.

In order to increase consistency with International Financial Reporting Standards, the UK Generally Accepted Accounting Practice is being replaced with FRS 100, 101 and 102. This applies to accounting periods beginning on or after 1 January 2015. The College will be required to comply with FRS 102 as well as the revised FE HE SORP 2015. As a result of these changes these financial statements will be restated in order to comply with FRS 102 as well as the opening Balance Sheet at 1 April 2014.

### **5 RESOURCES**

The College has net assets of £34.8m (2014 - £41.4m). The College employed 519 people, on average, in 2014-15 excluding modern apprentices, (expressed as full time equivalents).

### **6 PRINCIPAL RISKS AND UNCERTAINTIES**

The College recognises the need to take informed and calculated risks to allow for the growth of the College. The College has comprehensive risk management systems in place to ensure that risks are fully analysed and receive the appropriate level of approval before activity commences. All risks identified within the College are monitored on an on-going basis and specialist registers are created for large individual projects such as estates developments.

The College has updated the strategic risk register to reflect the recent changes across the sector. The register provides details of individual risks, their potential consequences and the mitigating actions put in place to manage these risks.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **6 PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

The College has robust risk management processes in place to ensure relevant risks are captured, assessed and (where possible) mitigated against. The College maintains a register of strategic risks which is reported on at each meeting of the Audit Committee as well as being reported to the Board of Management.

At this time, the top risks on the Strategic Risk Register are –

- Government accounting rules restrict College's ability to use available resource at the Board's discretion; this is linked to the next highest risk which is a consequence of the change in College status
- That the College is in breach of the covenants relating to the £4.5m loan facility with Barclays Bank
- There will be inadequate facilities for learners due to lack of capital investment
- National Bargaining will impact on the salary structure and terms and conditions of both support and teaching staff

### **7 STAKEHOLDER RELATIONSHIPS**

In line with other Colleges, Forth Valley College has many stakeholders including: the Scottish Government; the Scottish Funding Council; Local Authorities; Community Planning Partnerships; Learners; Skills Development Scotland; Sector Skills Councils; employers; businesses and staff. The senior roles in the organisation are designed to enhance and promote these key strategic relationships.

#### **Equalities Policy**

Forth Valley College is committed to the provision of equal opportunities in all aspects of College life.

Our Equalities policies ensure that staff, learners and visitors are treated equally regardless of the protected characteristics of gender, gender reassignment, race, disability, sexual orientation, religion or belief, age, pregnancy and maternity, marriage and civil partnership. We value diversity and aim to advance equality of opportunity, foster good relations and eliminate discrimination, harassment and victimisation in order to meet both the General Equality Duty and Public Sector Equality Duty.

Our Equality Outcome Plan outlines how we will develop and implement policies and procedures to ensure that equalities issues are integrated in all strategic, departmental and service area plans. Our Equalities Policy outlines how we ensure that the provisions of the Equality Act 2010 and the Public Sector Equality Duty (Specific Duties for Scotland: Implications for Colleges and HEIs guidance) are implemented throughout College for all groups sharing the protected characteristics listed above.

#### **Health & Safety**

The health, safety and welfare of all staff, students and visitors is of paramount importance at Forth Valley College. Health and Safety performance is monitored and reviewed by the College Health and Safety Operational Team and full time Health and Safety Co-ordinator. With guidance from this team, Head of Facilities Management and Health and Safety, Department Heads, health and safety representatives and employees across the College ensure that legislative requirements are met and sustained. There is an active Health and Safety Committee which monitors strategic health and safety matters, and reports health and safety related issues regularly to the Senior Management Team. At Board level, the HR Committee closely monitors and reviews the College Health and Safety Strategy on a regular basis.

## REMUNERATION REPORT

### for the 16 months ended 31 July 2015

This report outlines the remuneration policy of Forth Valley College for the Board of Management and the Senior Management Team (SMT), and provides details of members remuneration for the sixteen months ended 31 July 2015.

#### Board of Management

Forth Valley College Board Members, with the exception of the Chief Executive/Principal are appointed for a fixed period, normally, four years. With the exception of the Chief Executive/Principal and elected staff representatives, these members do not have contracts of service with Forth Valley College.

The Chairman was appointed in March 2014 by Scottish Ministers. The level of remuneration for the Chairman is set by Scottish Government who informs Forth Valley College on an annual basis of any increase to be awarded.

#### Senior Management Team

The SMT is responsible for the day to day management of Forth Valley College's activities and operations. The Chief Executive/Principal, Ken Thomson, is a member of both the Board and the SMT.

The Chief Executive/Principal and other SMT members are on standard Forth Valley College contracts of employment. Their contracts provide for a notice period of 3 months. For 2014/15 there was no bonus scheme in operation in Forth Valley College.

If an SMT member's employment with Forth Valley College is terminated on the grounds of redundancy or in the interests of the efficiency of the organisation, severance payments will apply based on age and on length of service and are subject to approval by the Scottish Funding Council. This basis is identical to that applied for all other employees.

#### Remuneration Committee

The Remuneration Committee determines, and recommends to the Board of Management, the framework or broad policy for the remuneration of the members of the SMT, including the Chief Executive/Principal, and other such members of the management team as it is designated by Forth Valley College to consider. This policy is set within the context of the applicable Government guidelines. With input from the Chairman and Chief Executive/Principal it determines the total individual remuneration package of members of the SMT.

#### Senior Management Team Remuneration

As part of the Forth Valley College's performance management system, each SMT member agrees with the Chief Executive/Principal their personal performance objectives.

Forth Valley College aims to ensure that the remuneration packages offered to SMT:

- enable Forth Valley College to attract, retain and motivate high calibre leaders;
- remunerate individuals fairly for individual responsibility and contribution and;
- take account of salary policy within the rest of Forth Valley College and the relationship that should exist between the remuneration of the Senior Management Team and that of other employees.

**REMUNERATION REPORT (continued)****for the 16 months ended 31 July 2015 (continued)****Senior Management Team Remuneration (continued)**

Basic salaries are reviewed annually from 1 August. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibilities and performance. All senior posts are evaluated as part of our job evaluation process to ensure they reflect the responsibility and accountability of the role and are graded appropriately. The Colleges Job Evaluation system and processes are externally audited on an annual basis. Salary payments are made monthly.

SMT members are all members of either the Scottish Teachers' Superannuation Scheme (STSS) or the Local Government Pension Scheme (LGPS). As ordinary members, they contribute a rate of pensionable salary dependant on salary. In the financial period being reported the rates were between 9.0% and 12.4% and Forth Valley College contributed 14.9% of the employees' pensionable salary to the SPPA and 19.4% to the LGPS. These schemes are defined benefit schemes that provide benefits at a normal retirement age of 65 for LGPS and state pension age for STSS. The pension benefits consist of an annual pension, based on a final pensionable salary calculation up to 31 March 2015 and a career average pensionable salary with effect from 1 April 2015. For members who joined before 1 April 2007 for STSS and 1 April 2009 for LGPS a tax free lump sum will be paid automatically.

Remuneration of the Principal/Chief Executive and other Senior Management Team who served during the sixteen months to 31 July 2015, including salary, pension benefits and other allowances was:

**REMUNERATION REPORT (continued)****for the 16 months ended 31 July 2015 (continued)**

The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a point in time. The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlements into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

In considering the accrued pension benefits figure the following contextual information should be taken into account:

- (i) the figures for pension lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) The accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

**REMUNERATION REPORT (continued)****for the 16 months ended 31 July 2015 (continued)****Real Increases in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

For the period April 2014 to March 2015 the Chairman was entitled to claim remuneration of £200 for every 7.5 hours up to a maximum total fee of £20,800. For the period April 2015 to March 2016 the maximum total fee is £15,600. The Chair will receive no fee for any time devoted to performing their functions which exceeds 104 days in the period April 2014 to March 2015 and 78 days in the following period. The Chair is not entitled to a pension in respect of their office.

In the period April 2014 to March 2015 the Chairman has waived his fee and for the period April 2015 to July 2015 the Financial Statements include an accrual of £5,200.

**Median Pay Multiples**

The relationship between the remuneration of the highest paid member of the Senior Management Team and the median remuneration of the employees of Forth Valley College is as follows:

The median remuneration of Forth Valley College's employees is based upon the annualised full-time equivalent salary of the employees at 31 July 2015. (2014: at 31 March 2014)

Including severance payments, no employee (2014: no employees) received remuneration in excess of the highest paid member of the Senior Management Team.

**Compensation for loss of office**

Three employees left under voluntary exit terms during the year. They received a total payment of £49k.

**Ken Thomson**  
**Accountable Officer**  
**10 December 2015**

## Statement of Corporate Governance and Internal Control

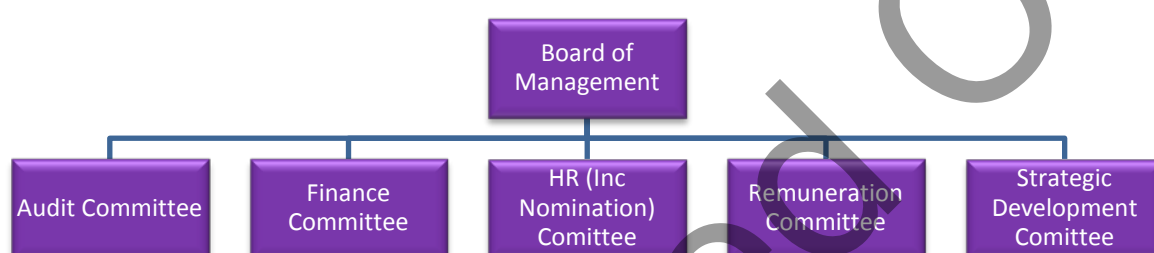
### Introduction

The College is committed to exhibiting best practice in all areas of corporate governance. This summary describes the manner in which the College has applied the principles in the Code of Good Governance for Scotland's Colleges.

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in Forth Valley College in the 16 month period to 31 July 2015 and reports the Board's assessment of the effectiveness of these arrangements.

### Governance Structure

The College has a robust and effective Board and Committee structure in place.



Additionally, in recognition of the significant developments as the Falkirk Campus Project Board progresses towards the realisation of the new Falkirk Headquarters Campus, an additional committee has been established. While the Falkirk Campus Project Board is separate from the main Board of Management structure, three non-executive Board Members serve on this Board to ensure adequate representation from the main Board of Management.

### Board of Management Committees

#### Audit Committee

The committee met on four occasions. Its role is to contribute to good governance by providing assistance to the Board of Management on issues of compliance, risk, financial probity and the overall effectiveness of internal College control systems. The internal and external auditors normally attend meetings.

#### Finance Committee

The committee met on four occasions during the period. Its role is to contribute to good governance by providing independent advice to the Board of Management on the financial management of the College, providing a strategic overview of the College's financial direction while ensuring a position of financial security and that all relevant audit and legislative requirements are met.

#### HR Committee (Inc. Nomination Committee)

The committee met on four occasions and advises on HR strategy (including industrial relations matters), oversees the Board's health & safety responsibilities, monitors the Board's equal opportunities aspirations, and oversees the Board nominations process.



## Statement of Corporate Governance and Internal Control (continued)

### Remuneration Committee

The committee met once during this period. Its role is to provide good governance advice and assistance to the Board of Management on the remuneration of senior College staff, considering sectoral guidance and maintaining comparability with relevant external bodies.

### Strategic Development Committee

The committee met on five occasions. Its role is to contribute to good governance by providing assistance to the Board of Management on the strategic direction of the College, to act as the primary linkage between the Board of Management and the Student Union Executive, and to consider matters relating to the interests of learners in the College.

### Board of Management Members

In line with the requirements of the College Sector Board Appointments: 2014 Ministerial Guidance, the College undertook an open, fair and merit-based recruitment exercise in 2014/15 to fill the 12 non-executive positions on the Board. A skills matrix was developed to support the recruitment process and to ensure that the appointments would provide the correct mixture of skills to enable the Board to fully undertake their duties.

Owing to the number of existing non-executive members who has expressed an interest in continuing to serve on the Board, a specialist recruitment panel was established to oversee the interview and appointment process. This panel consisted of the Chair, Board members who were not seeking to be re-appointed and an independent external member.

Following the recruitment process, the recommendations of the panel were communicated to Scottish Ministers who approved the recommendations. This also resulted in the College achieving, for the non-executive positions available, a 50-50 gender balance.

The first meeting of the new Board of Management occurred on 26 March 2015 and the membership now consists of 18 members as follows –

- Chair
- 12 Independent Non-executive members
- 2 Student Members
- 2 Staff Members
- Principal

There is a clear differentiation in the roles of the Chair of the Board and that of the Principal. Matters reserved to the Board of Management are set out in the Standing Orders and Operating Guidelines, the Scheme of Delegation, and under the Financial Memorandum with the Scottish Funding Council. The Board of Management is responsible for the on-going strategic direction of the College, approval of major developments and the approval of annual budgets.

Members of the Board have a collective responsibility for the proper conduct of the College's affairs. Members have full and timely access to all relevant information to enable them to perform their roles effectively. Members' roles and responsibilities are described in the Code of Good Governance for Scotland's Colleges and the Guide for Board Members in the College Sector. A register of members' interests is available on the College's website at <http://www.forthvalley.ac.uk>

### Board Effectiveness

The Board of Management has adopted the Code of Good Governance for Scotland's Colleges. The code outlines the activity to be undertaken by a Board. The Board of Management has an effective mix of skills in place,

**Statement of Corporate Governance and Internal Control (continued)**

supplemented by a comprehensive induction process which is further enhanced by Board training activities such as the provision of equalities training.

There are self-evaluation processes, led by the Chair and an evaluation process for the activity of the Chair led by the Vice-Chair. These offer a mechanism for members to feedback on their perceptions of the Board, their contribution and any future training needs.

**Attendance**

The Board of Management normally meets formally four times per year and has a number of committees which are formally constituted with terms of reference. As this financial period covers 16 months, there were a total of 5 meetings of the Board of Management.

	Status	Date of Appointment	Date of Retiral (If Applicable)	Board of Management (Five Meetings)	Audit Committee (Four Meetings)	Finance Committee (Four Meetings)	HR (Inc. Nomination) Committee (Four Meetings)	Remuneration Committee (1 Meeting)	Strategic Development Committee (Five Meetings)
Mr H Hall, Chair	Regional Chair	3/3/14	N/A	4				1	
Mrs A Mearns, Vice Chair	Senior Non-Exec	02/03/15	N/A	4				1	4
Dr K Thomson	Principal	01/08/13	N/A	5					
Mr R Addie	Staff	01/04/10	11/12/14	2					2
Mr C Alexander	Non-Exec	02/03/15	N/A	4	4				
Dr W Blair	Non-Exec	01/08/06	26/06/14	1			1	1	
Mr A Buchan	Student	26/03/15	N/A	2					1
Mr R Burns	Staff	26/03/15	N/A	2					
Mrs F Campbell	Non-Exec	02/03/15	N/A	3			3		5
Mr A Carver	Non-Exec	02/03/15	N/A	5		2			3
Ms L Dougall	Non-Exec	26/03/15	N/A	2					
Mr D Gentles	Student	20/09/12	26/06/14	1					1
Mr B Gil	Non-Exec	01/08/07	11/12/14	2	2				
Ms B Hamilton	Non-Exec	02/03/15	N/A	5	2		4		
Mrs C Jack	Non-Exec	02/03/15	N/A	4		4			5
Mr L McCabe	Non-Exec	02/03/15	N/A	3		4			
Mrs E McGeorge	Staff	01/09/09	25/03/15	2			3		
Mr K Richardson	Non-Exec	02/03/15	N/A	5		3			1
Mr N Scott	Non-Exec	02/03/15	N/A	5	3		3		
Ms L Simpson	Student	11/09/14	N/A	4					3
Mr T Smith	Student	11/09/14	11/12/14	0					
Ms A Stephen	Staff	26/03/15	N/A	1					1
Mrs S Struthers	Non-Exec	01/09/08	25/09/14	1		1			
Mr S Tolson	Non-Exec	26/03/15	N/A	1					
Ms A Winchester	Non-Exec	26/03/15	N/A	2					1

## **Statement of Corporate Governance and Internal Control (continued)**

### **Assessment of corporate governance**

In the opinion of the Board of Management, we can confirm that corporate governance has been exercised throughout the period in accordance with the principles of the Code of Good Governance for Scotland's Colleges, the Scottish Public Finance Manual (SPFM) and the Financial Memorandum.

### **Risk Management and Internal Control**

The Board of Management has overall responsibility for ensuring the effective identification, mitigation and monitoring of strategic risks within the College. The Audit Committee has delegated authority from the Board of Management to approve the Risk Management Policy and to review regular reports from the College Senior Management Team regarding risk.

The College operates a Strategic Risk register which identifies the most significant risks to the College. This register is taken to every meeting of the Audit Committee for comment and challenge. It is also provided annually to the Board of Management and Finance Committees.

The Principal is responsible for the maintenance of the College strategic risk register and for ensuring appropriate risk mitigation actions are implemented to address significant risks to College operations and strategic objectives.

Senior Management Team members are responsible for establishing controls to mitigate identified risks wherever possible. This information is included on the Strategic Risk Register in summary form.

Risk Management is embedded in the operations of the College. The identification and mitigation of risk is a component in all decision making and is a standing item at all Senior Management Team, Board Committee and Board of Management meetings.

The College also operates a risk management system whereby areas of significant risk to the College have their own specific risk register. It is under this approach that an estates risk register was established to support the Falkirk Headquarters campus project.

Delegation of responsibility for managing the key risks in the risk registers is essential if risk management is to be effective. The risk registers, therefore identifies "owners" for each risk.

### **Internal Audit**

The College has an internal audit service, the work of which concentrates on areas of key activities determined by an analysis of the areas of greatest risk, input from Senior Management Team and areas of significant change to operational systems/practices and in accordance with the annual internal audit plan approved by the Audit Committee. The internal auditors report to the Principal and to the Audit Committee on a regular basis and have direct access to the Chair of the Audit Committee. The internal auditors have issued an annual report which gives an opinion of the adequacy, reliability and effectiveness of the College's internal control systems. On the basis of the work undertaken during the period the auditors have expressed an opinion that no significant issues were noted with governance and the College's system of internal control and risk management.

### **Internal Control**

The Board of Management is aware of the need for effective internal control and acknowledges its responsibility for such a control system to be in place. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

**Statement of Corporate Governance and Internal Control (continued)**

The system of internal control is based on a framework of regular management information, financial regulations and administrative procedures.

In particular it includes:

- comprehensive budgeting systems with an annual budget approved by the Board of Management;
- regular reviews by the Finance Committee of quarterly and annual financial reports which indicate financial performance against forecasts; and
- setting targets to measure financial and non-financial performance.

**Assessment of the effectiveness of internal controls**

The Board of Management is of the view that there is an on-going process for identifying, evaluating and managing the College's significant risks. This process is reviewed by the Board of Management through the Audit Committee. A formal Business Continuity Plan is maintained within the College.

For the period to 31 July 2015, the Internal Auditors reported completion of all reviews in the Audit Plan. Internal Audit was of the opinion that based on internal audit work undertaken, that risk management processes were well developed and not significant issues were noted with the system of internal control and governance.

The external auditors have given an unqualified audit opinion on the accounts for the period to 31 July 2015 and on the regularity of transactions reflected in the accounts. No further significant issues have been identified as part of their audit process.

On the basis of the assurances provided from the sources of assurance outlined above, I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the period ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

**Going Concern**

The financial statements have been prepared on a going concern basis as the Board of Management believes that the College has adequate resources to allow it to continue for the foreseeable future.

Approved by order of the members of the Board on 10 December 2015 and signed on its behalf by:

**Hugh Hall**  
Chairman

**Dr Ken Thomson**  
Principal

## Statement of the Board of Management's Responsibilities

The Board of Management are required to present audited financial statements for each financial period.

In accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial period.

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period. These financial statements comply with the Accounts Direction issued by the Scottish Funding Council.

In preparing the financial statements, the Board of Management has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure;
- ensure sound corporate governance and proper conduct of the College's operations.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee;

**Statement of the Board of Management's Responsibilities (continued)**

- a professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

In October 2010, the UK Office for National Statistics (ONS) decided to reclassify incorporated further education colleges throughout the UK so that they would be treated as part of central government for financial budgeting and reporting purposes. The UK ONS's reclassification decision is the consequence of the current level of Ministerial control and does not relate to the plans for improved governance that feature in the Post-16 Education (Scotland) Act 2013.

The implications of this are material and impact upon the ability of the College to generate and retain income, to generate and retain surpluses (reserves), to protect and use existing reserves, and to access capital funding and commercial borrowing. The use of Arm's Length Foundations on a sector wide basis to shelter on-going College reserves was approved by Scottish Government Ministers. Forth Valley College Foundation was incorporated in December 2013 and has been awarded charitable status from the Office of the Scottish Charity Regulator (OSCR).

**Disclosure of information to auditors**

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Board on 26 June 2014 and signed on its behalf by:

**Hugh Hall**

Chair

## **Independent auditor's report to the members of the Board of Management of Forth Valley College, the Auditor General for Scotland and the Scottish Parliament**

We have audited the financial statements of Forth Valley College for the period ended 31 July 2015 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Income and Expenditure Account, Statement of Historical Cost Surpluses and Deficits, Statement of Total Recognised Gains and Losses, Balance Sheet, and Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective Responsibilities of the Board of Management and Auditor**

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the college's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the colleges affairs as at 31 July 2015 and of its deficit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

**Independent auditor's report to the members of the Board of Management of Forth Valley College, the Auditor General for Scotland and the Scottish Parliament (continued)****Opinion on regularity**

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

**Opinion on other prescribed matters**

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and
- the information given in the Operating and Financial Review for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

Catherine Wyllie  
Statutory Auditor  
For and on behalf of Henderson Loggie  
Statutory Auditors  
Chartered Accountants  
34 Melville Street  
Edinburgh  
EH3 7HA

10 December 2015

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Henderson Loggie is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.



**Income and Expenditure Account for the sixteen month period ended 31 July 2015**

Uncontrolled Copy

Uncontrolled Copy

**Balance Sheet as at 31 July 2015**

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**Cashflow Statement for the period ended 31 July 2015**

	Note	Period Ended 31 July 2015 £000	Period ended 31 March 2014 £000
<b>Cash inflow/(outflow) from operating activities</b>	21	1,053	(5,463)
Returns on investments and servicing of finance	22	(230)	(43)
Capital expenditure and financial investment	23	0	0
<b>Increase/(decrease) in cash in the period</b>		<u>823</u>	<u>(5,506)</u>
 <b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(Decrease) in cash in the period		823	(5,506)
Change in net funds resulting from cash flows		<u>0</u>	<u>0</u>
Movement in net funds in period		823	(5,506)
Net funds at 31 March 2014	25	786	6,292
<b>Net funds at 31 July 2015</b>	25	<u>1,609</u>	<u>786</u>

## Notes to the Financial Statements

### 1 Statement of Principal Accounting Policies

#### Basis of preparation

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, and the Accounts Direction issued there under by the Scottish Further and Higher Education Funding Council which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2007).

#### Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

#### Recognition of income

Income from grants, contracts and other services rendered is included in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Scottish Funding Council (SFC) are recognised in the period in which they are receivable.

#### Tangible fixed assets

##### *Land and buildings*

The majority of the College's buildings being specialised buildings, open market value is not an appropriate basis of valuation. Land and buildings are therefore valued on the basis of depreciated replacement cost with the exception of the land at Branshill, Alloa and the Middlefield site which are valued on the basis of Open Market value. Land is not depreciated and buildings are depreciated over their estimated life as identified by the valuer.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and released to income and expenditure account over the estimated life of the building on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs. They are not depreciated until they are brought into use.

## Notes to the Financial Statements (continued)

### 1 Statement of Principal Accounting Policies (continued)

#### **Subsequent expenditure on existing fixed assets**

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- market value of the fixed asset has subsequently improved ;
- asset capacity increases;
- substantial improvement in the quality of output or reduction in operating costs;
- significant extension of the asset's life beyond that conferred by repairs and maintenance.

#### **Buildings owned by third parties**

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to on-going future economic benefit.

These assets are then depreciated over their expected useful economic life.

#### **Equipment**

Equipment costing less than £10,000 per individual item or grouped items is written off to the income and expenditure account in the year of acquisition. All other equipment and vehicles are capitalised and depreciated in accordance with the depreciation policy.

Where items of equipment are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the estimated life of the asset on a basis consistent with the depreciation policy.

#### **Depreciation**

Depreciation is provided to write off the cost or valuation of tangible fixed assets on a straight-line basis over the expected useful lives of the assets. New build campuses at Alloa and Stirling are depreciated using a component accounting approach.

i) Buildings	20 - 50 years
ii) Plant & Equipment	5 years
iii) Building improvements	10 years
iv) IT Equipment	4 years
v) Motor vehicles	7 years
vi) Equipment acquired for other projects	project life
vii) Specialist Equipment acquired for Oil and Gas teaching	10 years

#### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Rental costs in respect of operating leases are charged to the income and expenditure account on a straight line basis.

**Notes to the Financial Statements (continued)****1 Statement of Principal Accounting Policies (continued)*****Revaluation reserve***

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from the revaluation reserve to the income and expenditure account together with any surplus or deficit on disposal.

***Impairment of assets***

Any reduction in the recoverable amount of fixed assets arising from impairment reviews are recognised in the Income and Expenditure account or Statement of Total Recognised Gains and Losses as appropriate.

***Maintenance of premises***

The costs of maintenance are charged to the income and expenditure account in the period in which they are incurred.

***Stocks***

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

***Liquid resources***

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

***Taxation***

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

***Provisions***

The College provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using an appropriate discount rate.

## Notes to the Financial Statements (continued)

### 1 Statement of Principal Accounting Policies (continued)

#### Agency arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College Income and Expenditure Account, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College Income and Expenditure Account.

#### Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the yearend rates. The resulting exchange differences are dealt with in the determination of income and expenditure.

#### Retirement benefits

##### Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme is a pension scheme providing benefits based on final pensionable pay, prior to 1/4/15 and a career average scheme from 1/4/15. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the income and expenditure account represents the service cost expected to arise from employee service in the current year.

##### Scottish Teachers' Superannuation Scheme (STSS)

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

#### Pension Provision

Provisions are recognised when the College has a present or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. The College has made provision for the enhanced pensions, payable to former employees who have taken early retirement, for which it is liable. This provision is calculated based on the actuarial tables which take account of the enhancement payable, the age, sex and marital status of the former employee. The annual cost of the enhancement is funded from the provision. The provision is made in accordance with FRS12 and any movements are adjusted through the Income & Expenditure Account.



**Notes to the Financial Statements (continued)**

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**Notes to the Financial Statements (continued)**

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**Notes to the Financial Statements (continued)**

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**Notes to the Financial Statements (continued)****35 Deficit arising from non-cash transactions**

One consequence of college reclassification as central government bodies is that, from 1 April 2014, while colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated. For the financial year 2014-15 this meant that the College generated surplus cash of £622k from SFC funding and commercial income, which had been earmarked against depreciation. The Scottish Funding Council, issued guidance to the College on this matter on 30 January 2015 (SFC/AN/03/2015) which gave approval for the cash to be applied to student support, loan repayments and to deliver improved services to learners. This guidance was further expanded in March 2015 to allow the College to make a donation to Forth Valley College Foundation. Without the approval to spend this cash it would have been effectively frozen.

The impact of the above, together with the impact of pension valuations and a loss on revaluation of land in Alloa has resulted in a £2.8m reported deficit the College for 2014/15. The Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following SFC's guidance on the treatment of net depreciation should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's on-going financial sustainability. The "technical" deficit also applies to the pension and land revaluation adjustments. This position has been agreed with Audit Scotland and the Scottish Government.

**Appendix 1****Accounts Direction****Direction by Scottish Funding Council****2014-15 Accounts direction for Scotland's colleges and universities**

- 1 It is the Scottish Funding Council's direction that colleges and universities comply with the 2007 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts<sup>1</sup>.
- 2 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2014-15 (FReM) where applicable.
- 3 Incorporated colleges are also reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2015.
- 4 The financial statements should be signed by the chief executive officer and by the chair, or one other member of the governing body.
- 5 Incorporated colleges should reproduce this Direction as an appendix to the financial statements.

Scottish Funding Council

10 August 2015

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<sup>1</sup> A new SORP has recently been approved by the Financial Reporting Council which will be applicable to all UK further and higher education institutions from the 2015-16 reporting year



**Forth Valley College**

**Annual Audit Report for 2014/15  
to the Board of Management and  
the Auditor General for Scotland**

**External Audit Report No: 2015/02**

**Draft Issued: 25 November 2015  
2<sup>nd</sup> Draft Issued: 26 November 2015  
Final Issued:**

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### Notice: About this report

This report has been prepared in accordance with our responsibilities under International Standards on Auditing (ISAs) and those set out within Audit Scotland’s Code of Audit Practice (‘the Code’) and Statement of Responsibilities of Auditors and Audited Bodies.

This report is for the benefit of only Forth Valley College and is made available to Audit Scotland (together with the beneficiaries), and has been released to the beneficiaries on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without prior written consent.

Nothing in this report constitutes a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against Henderson Loggie CA (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law Henderson Loggie CA does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

## Executive Summary

### Financial Statements

- On 10 December 2015 we plan to issue an audit report with an unqualified opinion on the financial statements of the College for the period ended 31 July 2015 and on the regularity of the financial transactions reflected in those financial statements.
- The current financial period covers the 16 months from 1 April 2014 to 31 July 2015. This change in year-end was as a result of the Cabinet Secretary for Education accepting the Chief Secretary to the Treasury's offer of derogation to all colleges to change their year-end from 31 March to 31 July on 5 September 2014. This change has allowed the College's financial year to be aligned to its academic year, although the College is still required to meet HM Treasury budgeting and reporting requirements at a March year end.
- The College has shown a deficit for the 16 month period ended 31 July 2015 of £2.873 million (surplus of £0.240 million for the eight months ended 31 March 2014). The College has an Income and Expenditure Account balance of £(4.787) million at 31 July 2015 (31/03/14: £(3.477) million).
- The College met its WSUMs target for the academic year to 31 July 2015 (2013/14: target met).
- There was an increase in the enhanced early retirement provision largely as the result of changes in actuarial assumptions which increased expenditure recognised in the Income and Expenditure Statement by £1.282 million.
- A donation of £1.100 million was made to the Forth Valley College Foundation, an arms' length body, prior to 31 March 2015. On 24 June 2015 the Forth Valley College Foundation agreed to award a grant of £1.800 million to the College for assistance with the new Falkirk campus redevelopment project although none of this was received prior to 31 July 2015.
- The College's pension liability increased in total by £3.315 million to £13.517 million at 31 July 2015 (2013/14: increased in total by £3.024 million) which was largely due to changes in key actuarial assumptions relating to discount rates, and higher pensionable pay as a result of auto-enrolment legislation taking effect which led to an increase in staff enrolled in the LGPS pension scheme. This increase in pensionable pay also had an impact in the increase of £0.425 million in Financial Reporting Standard (FRS) 17 pension costs recognised in the Income and Expenditure Statement. There was also a 2% staff pay increase award and slight increase in staff numbers which increased pay costs.
- The annual financial statements of the College comply with the Accounts Direction issued by the Scottish Funding Council (SFC), the Statement of Recommended Practice (SORP) on Accounting for Further and Higher Education and, as far as applicable, the Government Financial Reporting Manual 2014/15 ('the FReM').
- 10 composite audit and accounting adjustments were made to the draft financial statements presented for audit; which had the impact of decreasing the reported deficit for the period by £0.213 million.
- A number of disclosure and clarification adjustments were made to the financial statements to ensure SORP, FReM and Accounts Direction compliance and improve the overall presentation of the financial statements.

## Corporate Governance

- The College's Statement of Corporate Governance and Internal Control confirms that corporate governance has been exercised throughout the period in accordance with the principles of the Code of Good Governance for Scotland's Colleges, the Scottish Public Finance Manual (SPFM) and the new SFC Financial Memorandum with colleges.
- No material weaknesses in the accounting and internal control systems were identified during the 2014/15 financial statements audit which would adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. Some areas were however identified from our systems controls testing during 2014/15 where controls could be further improved to bring them more into line with good practice.
- We did not identify any matters of concern relating to the College's corporate governance arrangements regarding the prevention and detection of fraud, or standards of conduct and the prevention and detection of corruption.
- The College had an on-going process for identifying, evaluating and managing its significant risks.

## Performance

- The College management and committee structure included mechanisms to monitor and manage financial and non-financial performance which are considered appropriate.
- A Regional Outcome Agreement with the SFC was in place for 2014/15 and the Self-Evaluation review of this found that all key targets had been met.

## Outlook

- The funding position will remain challenging going forward. Commercial work has been an important income source to generate extra income for the College. However the downturn in the oil and gas sector, which is affecting commercial income, and the impact of national pay bargaining proposals are of significant concern and robust budget setting and monitoring arrangements will be essential in helping to retain sustainability.
- The College's total funding allocations for the 2015/16 academic year from the SFC for Teaching and Fee Waiver is £19.767 million, the same as that received for 2014/15 and with the equivalent academic output (15/16: 83,984 credits, 14/15: WSUMs target 118,503). The College's capital allocation for 2015/16 from the SFC has decreased by £0.355 million to £1.056 million (2014/15: £1.411 million).

## Outlook (Continued)

- The College's planned Falkirk campus redevelopment project is progressing with a Final Business Case being developed by the College in conjunction with appointed consultants. However legal issues with the Non-Profit Distribution model being used by the Scottish Futures Trust have been identified and the College is waiting on the Scottish Futures Trust to resolve these before proceeding with the project.
- Three new accounting standards (FRS 100, 101 and 102) come into force in 2015/16, however comparative figures for 2014/15 will be required to be restated using these new standards. In addition, a new Education SORP has been developed following the publication of the new FRSs, which will also be effective from 2015/16.

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## Introduction

### Background

1. 2014/15 was the fourth year in our five year appointment as external auditors of Forth Valley College ('the College'). This report summarises our opinion and conclusions and highlights significant issues arising from our work. It covers the communication of findings from the audit required by International Standard on Auditing (ISA) (UK and Ireland) 260: Communication of Audit Matters with Those Charged with Governance. The financial statements for 2014/15 cover a 16 month period to July 2015 and the comparative figures are for an eight month period to 31 March 2014. Paragraph 25 explains the reasons for this.
2. The audit framework is outlined in our Strategic Planning Memorandum and 2014/15 Annual Audit Plan issued on 27 May 2015 and considered and approved by the Audit Committee at its meeting on 4 June 2015. The scope of the audit was to:
  - provide an opinion on, to the extent required by the relevant authorities, the financial statements and the regularity of transactions in accordance with the standards and guidance issued by the Financial Reporting Council;
  - review and report on the College's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, and prevention and detection of corruption; and the College's financial position; and
  - review and report on the College's arrangements to manage its performance, as they relate to the economy, efficiency and effectiveness in the use of resources.
3. Our audit approach focused on the identification of the significant risk areas facing the College and the significant classes of transactions, estimates, other account balances and disclosures impacting upon the financial statements. These include:
  - compliance with legislation and financial regulations;
  - fixed assets transactions, including consideration of any impairment as a result of revaluation or asset conditions, on-going estate improvements and maintenance; and compliance with relevant financial reporting standards;
  - recoverability of debtors;
  - recognition of funding provided for specific purposes and the regularity of corresponding expenditure;
  - the accounting for transfers made to the Forth Valley College Foundation (arms-length foundation);
  - compliance with FRS 17 – Retirement Benefits and provision for pension liabilities for early retirees; and
  - compliance with the SORP on Accounting for Further and Higher Education, FReM and Accounts Direction. In particular, the additional disclosures required this year where the FReM requirements go beyond the SORP.

## Basis of Information

4. External auditors do not act as a substitute for the College's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
5. To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff of the College. Except to the extent necessary for the purposes of the audit, this information has not been independently verified. The contents of this report should not be taken as reflecting the views of Henderson Loggie CA except where explicitly stated as being so.
6. As our audit is designed primarily to enable us to form an opinion on the financial statements taken as a whole, our report cannot be expected to include all the possible comments and recommendations that a more extensive special examination would bring to light. Weaknesses or risks identified by us are only those that have come to our attention during our normal audit work in accordance with the Audit Scotland Code of Audit Practice, and may not be all that exist.

## Acknowledgement

7. Our audit has brought us in contact with a range of College staff. We wish to place on record our appreciation of the co-operation and assistance extended to us by staff in the discharge of our responsibilities.

## Financial Statements

### Audit Opinion

8. On 10 December 2015 we plan to issue an audit report with an unqualified opinion on:
- the financial statements of the College for the period ended 31 July 2015;
  - the regularity of the financial transactions reflected in those financial statements; and
  - other prescribed matters, being the part of the Remuneration Report to be audited and the consistency of the information in the Operating and Financial Review with the financial statements.
9. We are required to undertake audit work from the Balance Sheet date up to the date of signing the financial statements and this will be undertaken in the period up to 10 December 2015. To date no post balance sheet events have been identified that required adjustment to be made to the financial statements or additional disclosure in a note thereto.

### Audit Completion

10. An important measure of proper financial control and accountability is the timely closure and publication of audited financial statements. Table 1 summarises the three key elements of the audit process.

**Table 1: Key elements of the audit process**

#### **Completeness of draft financial statements**

A set of draft financial statements was received on 14 September 2015, the first day of the audit fieldwork. The first draft did not include the Operating and Financial Review, Corporate Governance information and a number of financial statement disclosures. These were received on 23 November 2015 after the audit fieldwork had been completed. These were of a high standard and required minimal presentational changes as part of the audit process.

#### **Quality of supporting working papers**

Working papers provided to support financial statement figures were of a satisfactory standard.

#### **Response to audit queries**

Audit queries were dealt with in a timely manner.

### Corporate Governance Statement

11. Colleges are required to include a statement on their corporate governance arrangements within their annual financial statements. The statement describes the ways in which the College has complied with good practice in corporate governance, including the arrangements for risk management.



## Corporate Governance Statement (Continued)

12. We are required to review the statement to assess whether the description of the process adopted in reviewing the effectiveness of the system of internal control appropriately reflects the process and report where the statement is not consistent with our knowledge of the body and report if the statement does not comply with SFC requirements.
13. The College's Statement of Corporate Governance and Internal Control for 2014/15 confirms that corporate governance has been exercised throughout the period in accordance with the principles of the Code of Good Governance for Scotland's Colleges, the SPFM and the new SFC Financial Memorandum with colleges.
14. From our audit work and our review of the College's statement we have no issues to report within our audit opinion.

## Remuneration Report

15. 2014/15 is the first time a Remuneration Report has been required in college financial statements. The information to be included is prescribed by the FReM.
16. We are required to audit part of the Remuneration Report and review the remainder as part of our review of the Operating and Financial Review. We express a specific opinion on whether the audited part has been properly prepared.
17. We received the Remuneration Report for audit on 17 November 2015. At the date of issue of this draft report the audit of the report is not complete. From the work done to date the disclosure narrative appears adequate but we are awaiting information to check staff pension figures. An update on progress will be given at the Audit Committee meeting on 1 December 2015.

## Operating and Financial Review

18. The SORP sets out the requirements for an Operating and Financial Review to be included in the financial statements. The content is prescribed through the Accounts Direction from the SORP and the FReM.
19. We review the information provided in the Operating and Financial Review and consider whether or not it is consistent with the financial statements and other information we have gathered in the course of our audit. We are not required to verify, or report on, the completeness of the information in the Operating and Financial Review, with the exception of the audited element of the Remuneration Report.
20. We received the Operating and Financial Review on 23 November 2015 and have concluded an unqualified opinion can be provided for this.

## Audit and Accounting Adjustments and Confirmation

21. In Table 2 we draw attention to the agreed audit and accounting adjustments to the financial statements made by management following the audit process which had the impact of decreasing the 2014/15 deficit by £0.213 million.

## Audit and Accounting Adjustments and Confirmation (Continued)

Table 2: Audit and accounting adjustments

Description	I&E DR £'000	I&E CR £'000	B/Sheet DR £'000	B/Sheet CR £'000
1 Other SFC grant income Accrued Income <i>Being accrual of ESF grant earned but not received as at 31/07/15</i>		188	188	
2 SFC Grant Income – release of deferred capital grants Deferred capital grants <i>Being correction of error made in calculation of release of deferred capital grants</i>		189	189	
3 Staff costs Accruals <i>Being errors in holiday pay accrual calculation identified</i>		46	46	
4 Prepayments Expenditure <i>Being omission of a prepayment relating to a telecommunications invoice</i>		10	10	
5 Fixed Assets – IT Equipment Accumulated Depreciation Fixed Assets – IT Equipment Cost <i>Being writing out of IT equipment disposed of which was fully written down at period end</i>			282	282
<b>Reclassifications</b>				
6 Other income – Residences and catering Other income – Other income <i>Being misclassification of offsite catering income</i>	64	64		
<b>Late Adjustments made by the College</b>				
7 Fixed Assets – Accumulated Depreciation Fixed Assets – Cost Exceptional loss on revaluation of land Revaluation Reserve <i>Being adjustments for revaluation received after audit fieldwork</i>	615		5564	5279 900
8 Staff costs Accruals <i>Being adjustment for Chair's remuneration not claimed</i>		25	25	
9 Operating Expenses Accruals <i>Being late accruals/adjustments relating to expenditure</i>	16			16
10 Income Accrued income and prepayments Accruals and deferred income <i>Being late accruals/adjustments</i>	40			17 23
<b>Total</b>	<b>735</b>	<b>522</b>	<b>6,304</b>	<b>6,517</b>
<b>Overall increase in Net Deficit</b>	<b>213</b>			

## Audit and Accounting Adjustments and Confirmation (Continued)

22. In addition, a number of disclosure and clarification adjustments were made to the financial statements to ensure SORP and Accounts Direction compliance and improve the overall presentation of the financial statements.

### Confirmations and Representations

23. We confirm that as at the date of this report, in our professional judgement, Henderson Loggie CA was independent within the meaning of regulatory and professional requirements and the objectivity of audit staff was not impaired.
24. In accordance with auditing standards, we obtained representations from the College on material issues.

## Financial Reporting

25. Colleges were reclassified as Government Bodies from 1 April 2014, resulting in a change of financial year-end to 31 March. From 1 April 2014 Incorporated Colleges and Regional Boards were required to comply with the SPFM, except where directed by SFC's Accountable Officer. Financial reporting is now undertaken in accordance with HM Treasury's FReM 2014/15 in addition to the SORP on Accounting for Further and Higher Education and the SFC's Accounts Direction. As a result:
- in 2013/14 colleges prepared financial statements for an eight month period to 31 March 2014;
  - following this change colleges have been allowed to return to the 31 July financial year end although they are still required to meet HM Treasury annual budgeting and reporting requirements at March. The current financial period for 2014/15 covers the 16 months from 1 April 2014 to 31 July 2015.
  - in April 2015 the College submitted the required Resource and other returns for 31 March 2015 to the SFC. In September, as allowed, an update was submitted which made the following adjustments:

◆ Deferred Capital Grant additional release	£0.140m
◆ Reduced donation to Foundation	£0.250m
◆ Pension liability accrual (as at 31 July 2015)	(£1.973m)
26. The application of the FReM results in some changes and additional disclosure. The College has valued assets at current value with a valuation taking place and being applied in the financial statements every five years (with an interim valuation in year three) for some time. In 2013/14 the College also included an accrual for holiday pay in the financial statements. As a result changes that might have been required in 2014/15 to comply with these elements of the FReM were already in place in the College's financial reporting. Other changes to reporting in 2014/15 are inclusion of the following information in the Operating and Financial Review:
- Estates strategy information,
  - Remuneration Report

## Financial Position

27. Colleges are required to break even in line with their agreed spending budgets each year to 31 March. Updated returns at 31 March show a resource underspend of £0.532m, due in the main to the adjustments noted in paragraph 25 (excluding pension liability).. For 2014/15, as noted in the financial statements at note 35, the SFC has allowed colleges to treat the depreciation allocation of their budgets as if it was a cash resource, thereby resulting in a deficit in the Income and Expenditure Account. There are also a number of other non-cash items impacting on the deficit position. Table 3 provides a summary of the College's planned and actual financial results.

**Table 3: Comparison of planned and actual financial results**

	2013/14 (8 months) Actual £000	2014/15 (16 months) Planned £000	2014/15 (16 months) Actual £000	2015/16 (year) Planned £000
Financial outturn Surplus/(Deficit)	240	(724)	(2,873)	63
Income and expenditure reserves (excluding pension reserve)	(3,477)	(3,449)	(4,787)	(2,822)
Cash balances	786	1,689	1,609	1,735

Source: Audited financial statements and June 2015 Forecast Financial Return (FFR)

28. The deficit of £2.873 million includes the following non-cash items:

	£'000
Use of depreciation cover	622
Early retirement pension revaluation	1,702
Loss on revaluation of land	615

29. A direct comparison of College income in 2014/15 of £43.419 million against last financial period is not possible given the change in accounting year-end. Points to note for 2014/15 include:

- SFC Capital and Maintenance Grant recognised has increased as £0.500 million of the 2015/16 grant allocation (relating to 1 April 2015 – 31 March 2016) has been accrued, £0.500 million of grant funding was received for the demolition of the Middlefield building, and ESF WSUMs income of £0.600 million was received (nil in 2013/14 as there was no ESF programme) along with receipt of a range of other one-off or new grants; and
- there has been slightly increased income from tuition fees and education contracts, including collaboration with universities and continuation of major commercial contracts won in 2013/14.

## Financial Position (Continued)

30. A direct comparison of College expenditure in 2014/15 of £45.677 million against last year is not possible given the change in accounting year-end. Points to note for 2014/15 include:
- there was a 2% staff pay increase award and small increase in staff numbers which increased pay costs;
  - a £0.900 million increase in pension costs (including FRS17 pension cost increase of £0.425 million) was noted. This was largely due to higher pensionable pay as a result of the number of staff enrolled in the LGPS pension scheme increasing by 21% through implementation of the Government’s auto-enrolment legislation;
  - there was an increase in the enhanced early retirement provision cost by £0.514 million largely due to changes in actuarial provision as a lower discount rate on liabilities was applied by the actuary; and
  - expenditure includes a donation of £1.100 million (2013/14: £4.400 million) made to the Forth Valley College Foundation (refer paragraph 46 below).
31. During the period the Middlefield building was demolished as it has reached a condition where it was uneconomical to operate and unsuitable to accommodate staff or students. A SFC grant was used to fund the cost of this expenditure (£0.287 million).
32. In recent years, voluntary severance costs, accounting for estates developments and the donation to the Forth Valley College foundation has led to the College reporting an Income and Expenditure Account reserve deficit (£4.787 million at 31 July 2015). As demonstrated from the information in paragraphs 27 to 30 the underlying position in 2014/15 continues to be robust and projections show that the College should be able to manage the position long term as long as it reacts to any negative changes on a timely basis.

### 2014/15 SUMs Outturn

33. The College’s outturn against its 2014/15 Weighted SUMs target is shown in Table 4 below.

**Table 4: 2014/15 Weighted SUMs estimated outturn**

	2013/14	2014/15
WSUMs target (including ESF and PACE WSUMs)	118,503	121,664
WSUMs actual	118,631	121,781
Excess	128	117

Source: Audited SUMs returns

### Accrued Income

34. In 2013/14 due to differences between the timing of SFC teaching grant in aid payments and the amount of SFC income recognised there was £2.076 million of teaching grant income accrued at 31 March 2014. As the year end has changed back to a July year end there is no need to accrue such income in 2014/15 and this has led to a material decrease in accrued income.

## Financial Position (Continued)

### Accruals and Deferred Income

35. In 2013/14, due to the 31 March year end, there was a significant accrual for holiday pay which was due to staff earning holidays which they would mostly use in June, July and August. Due to the change in year end to July, the holiday pay accrual is not as significant and this is the reason for the material decrease in the accruals and deferred income figure.

### FRS 17 Retirement Benefits

36. In 2014/15 the College accounted for its participation in the local government pension scheme as a defined benefit scheme. This is consistent with the accounting treatment adopted in previous years.
37. The College's pension liability increased in total by £3.315 million (2013/14: increased in total by £3.024 million) to £13.517 million at 31 July 2015 which was largely due to changes in key actuarial assumptions relating to discount rates.

### Capital Income and Expenditure

38. Arrangements to access capital funding have changed under the FRoM.
39. The majority of the £0.638 million of capital additions in 2014/15 related to the purchase of IT equipment (£0.562 million). Of this most expenditure related to replacement and upgrades of desktop computers as part of year one of the College's IT replacement strategy.
40. In December 2014 an Outline Business Case for a new Falkirk campus was completed. It set out that £19 million of backlog expenditure on the existing Falkirk campus had been identified and that with the future of the Grangemouth petro-chemical complex secure it was important that the College had a modern fully equipped facility to support the oil and gas industry as well as the needs of other local employers and residents. The need for a new campus was also identified as important in order to achieve the College's curriculum strategy and to become a national and international centre of excellence.
41. An external project manager for the project was appointed in March 2015, along with a Falkirk Campus Project Board which includes the project manager, Scottish Futures Trust, Senior Management Team members, and some Board members. The College are now at an advanced stage with a full business case.
42. Legal issues with the Non-Profit Distribution model planned to be used by the Scottish Futures Trust to part fund the project have been identified and the College is waiting on the Scottish Futures Trust to resolve these before proceeding with the project.
43. As part of the plans for the new Falkirk campus the Middlefield building was demolished (see paragraph 31). At 31 July 2015 the Middlefield site was included in the College's financial statements at a value consistent with an independent valuation on the basis of market value less expected directly attributable selling costs deducted in line with the Education SORP. Based on the valuation obtained we are content that the Middlefield site is included in the financial statements at an appropriate valuation.

## Financial Position (Continued)

### Capital Income and Expenditure (Continued)

44. FRS 15 – Tangible Fixed Assets and the SORP require that where a tangible fixed asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful economic life. The requirements of FRS 15 to capitalise and depreciate separately the components of what could previously have been treated as a single item ensures that the assets are charged to the Income and Expenditure Account over the periods in which they are consumed. We noted in last year's Annual Report that the new Alloa and Stirling campuses were depreciated on a component accounting basis in 2012/13 for the first time. We noted however that the Falkirk campus buildings has been depreciated over 32 years as a whole and not as separate components and last year recommended that component accounting was considered further for the College's other buildings in future years. Management advised that the College does not intend to adopt component accounting for the current Falkirk Campus. It is proposed that if when the new Falkirk Campus is brought into use component accounting will be adopted for the new building.

### Provisions

45. The College has a provision in its balance sheet at 31 July 2015 of £8.698 million (31/03/14: £7.536 million) relating to pension costs from early retirements awarded to former employees. The College's approach to the valuation of the provision is to have an independent actuarial firm calculate this provision annually.

### Forth Valley College Foundation

46. An arms-length foundation, the Forth Valley College Foundation, was set up in December 2013. The objects of the Foundation are to advance the charitable purposes of the College to include the advancement of education by making grants and financial support for projects and activities being carried out by and supported by the College. The main reason for setting up the Foundation is that the Central Government budget mechanisms mean that the ability to use college reserves and surpluses in future periods is restricted. The College has donated £1.100 million to the Foundation by way of a donation in March 2015.
47. On 24 June 2015 the College made an application to the Forth Valley College Foundation for a £1.800 million grant towards the new Falkirk campus redevelopment project. This was approved by the Foundation and is still to be received by the College.
48. To ensure that the Foundation is not consolidated into the College's financial results it requires to be independent of the College. College management determined, and we concur, that the Foundation is at arms-length from the College and does not require to be consolidated at 31 July 2015. This position will be reviewed annually.

## Corporate Governance

### Corporate Governance

49. The College is responsible for ensuring that governance arrangements follow the three fundamental principles of openness, integrity and accountability and that these arrangements are in place to ensure the proper conduct of its affairs. Mechanisms to monitor the adequacy and effectiveness of these arrangements should also be in place.
50. Our responsibility, as noted in the Code of Audit Practice, is to review and report on audited bodies' corporate governance arrangements as they relate to:
- Bodies' reviews of corporate governance and systems of internal control, including reporting arrangements;
  - The prevention and detection of fraud and irregularity;
  - Standards of conduct and arrangements for the prevention and detection of corruption; and
  - The financial position of audited bodies.
51. Comments on the financial position and the College's Corporate Governance Statement are covered in the Financial Statement section of this report.
52. The Designation of Regional Colleges (Scotland) Order 2014 came into force on 3 March 2014 and formally designated Forth Valley College as the Central regional college.
53. The Board of Management has been kept up-to-date regularly with information about the regionalisation process including the duties of regional colleges. During the period the Scottish Government appointed a Regional Chair for the College's Board and the new Regional Board was appointed. A skills matrix was developed to support the recruitment process and a panel consisting of the Chair, Board members not seeking reappointment, and an independent external member undertook this process.
54. The Post-16 Education (Scotland) Act 2013 includes provisions in relation to the identification of principles of good governance practice for the college sector. In December 2014 the 'Code of Good Governance for Scotland's Colleges' was published which is mandatory for Colleges to comply with. The Code sets out the principles of good governance across five main areas: Leadership and Strategy; Quality of the Student Experience; Accountability; Effectiveness; and Relationships and Collaboration. Colleges will be expected to comply with the new Code as condition of grant from the SFC or their regional strategic body. We requested the College to undertake an evaluation of their compliance with this which did not highlight any areas of non-compliance.
55. Incorporated colleges and Regional Boards are required to comply with the requirements of the SPFM, except where directed by SFC's Accountable Officer. During the period College procedures have been updated to reflect SPFM / FRoM requirements.
56. A new Financial Memorandum with Colleges has been agreed with the SFC setting out the formal relationship between the SFC and fundable bodies in the college sector, and the requirements with which fundable bodies are expected to comply in return for payment of grant by the SFC.



## Corporate Governance (Continued)

57. We have considered the College's governance arrangements through formal review of documents and procedures and informal observation of the operation of committee arrangements and the relationships between Board members and staff. In particular we have considered arrangements for risk management and reporting to committees. We did not identify any areas of concern regarding the College's governance arrangements.

### Risk Management

58. Risk management is important for the development and on-going review of systems of internal control.
59. The College's Risk Management Policy and Procedure details the College's approach to risk capture, monitoring and reporting.
60. The College has a Strategic Risk Register which is reviewed by the Audit Committee. Risk is a standing item on the agenda for the Senior Management Team, all Board committees and the Board. There are also risk registers which are compiled and reviewed by each operating area of the College.

## Systems of Internal Control

### Control Environment

61. No material weaknesses in the accounting and internal control systems were identified during the 2014/15 financial statements audit which would adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
62. Some areas were however identified from our system controls testing undertaken during 2014/15 where controls could be further improved to bring more into line with good practice. These have been raised with management, an action plan has been agreed and some items have already been addressed. Actions for improvement included:
- Ensuring that all payroll runs and bank reconciliations have evidence of being appropriately reviewed and authorised;
  - incorporating further checks to ensure that all changes made to supplier standing data in the Sun finance system are bona fide;
  - making sure that staff do not have the ability to both raise and authorise a purchase request on the P2P purchase order authorisation system;
  - considering what controls could be put in place to ensure that transactions processed by the administrator of the P2P and Sun systems are appropriate;
  - reviewing the BACS transaction limits and requiring two electronic BACS signatories;
  - ensuring that all cash income banking sheets are correctly completed and signed-off and that till rolls are always attached and agree to banking sheets; and
  - implementing procedures to ensure that all journals are reviewed and evidence of this review is recorded.

### Internal Audit

63. Audit Scotland's Code of Audit Practice directs us to maintain effective co-ordination with internal audit and place the maximum possible reliance on their work. Baker Tilly provided internal audit services to the College in 2014/15.

## Systems of Internal Control (Continued)

64. We have reviewed the scope and extent of work performed by internal audit during the year and considered the impact of their findings and conclusions on our work, where appropriate. We have also considered the adequacy of the provision and are content that the audit service is of good quality.
65. The annual internal audit report for the year ended 31 July 2015 found that, based on the work undertaken, there were no significant issues noted with governance, the system of internal control, or the risk management framework.

## Fraud and irregularity, standards and conduct, and prevention and detection of corruption

66. During 2014/15 we had regard to ISA 240: The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements.
67. The College has appropriate arrangements in place regarding the prevention and detection of fraud, including Standing Orders and Operating Guidelines and Code of Conduct, Financial Regulations and an Anti-Fraud Policy and Anti-Bribery and Corruption Policy.
68. No frauds were identified during the period from 1 April 2014 up to the date of signing the financial statements.
69. The College has in place the following procedures / policies in relation to standards of conduct and prevention and detection of corruption:
- Standing Orders and Operating Guidelines and Code of Conduct;
  - Register of Board Members' Interests;
  - Anti-Fraud Policy;
  - Anti-Bribery and Corruption Policy; and
  - Whistleblowing Policy.
70. The arrangements for maintaining standards of conduct and the prevention and detection of corruption are considered to be appropriate.

## Performance

### Performance Audit

#### Introduction

71. The terms of appointment from Audit Scotland include a requirement for a proportion of our audit time to be spent on performance audit work. Performance audit work covers a variety of areas, both financial and non-financial, including both Audit Scotland centrally directed studies and locally determined studies based on agreement between each organisation and their auditors.
72. No mandatory performance audit studies were identified by Audit Scotland for the College during 2014/15 although Audit Scotland has requested auditors to provide information in a data set for use in a sector report. In particular it has requested information about voluntary severance schemes and payments. During the 2014/15 period the College made three severance payments to staff totalling £0.050 million (ex-gratia payments and pay in lieu of notice), and no payments were made under a voluntary severance scheme.

#### Education Scotland Review

73. We are required by Audit Scotland's Code of Audit Practice to contribute to the 'whole organisation' approach to inspection through co-ordination amongst auditors, inspectors and other scrutiny bodies. We therefore place reliance on the reported results of the work of statutory inspectorates in relation to corporate or service performance.
74. Education Scotland undertook their annual engagement review in May 2015 and feedback from this was positive.

#### College Performance Arrangements

75. Arrangements for financial and non-financial management are established in the College, through the operation of the Senior Management Team and the Board and its various committees. This includes budget setting and monitoring structures.
76. The College's Standing Orders and Operating Guidelines and Code of Conduct, including its Scheme of Delegation records the performance management aspects of the Board and each committee, and where appropriate, their responsibility to take action to address issues in performance. Discussion with managers and our review of meeting papers and minutes confirms these responsibilities appear to be undertaken in an appropriate manner
77. The College has a Corporate Plan 2014-18 and an annual 2014/15 Operational Plan.
78. Key performance indicators are set out in the Operating and Financial Review in the College's annual report.

## Performance Audit (continued)

79. The College has a Regional Outcome Agreement which is aimed at responding to the national objectives and priorities for post-16 education, and works with Local Authorities, Community Planning Partnerships, Skills Development Scotland and employers to ensure its education provision meets the needs of learners and the community. The College continues to work in partnership with organisations to achieve economies of scale and better efficiency.
80. In October 2014 the College undertook a self-evaluation against the targets set out in the 2014/15 Regional Outcome Agreement and this found that all significant targets had been met.
81. The College's arrangements for performance management as outlined above are considered to be appropriate.

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## Outlook

### 2015/16 and beyond

82. The funding position will remain challenging going forward. Commercial work has been an important income source of extra income. However the downturn in the oil and gas sector, which is affecting commercial income, and the impact of national pay bargaining proposals are of significant concern and robust budget setting and monitoring arrangements will be essential in helping to maintain sustainability.
83. The College's total funding allocations for the 2015/16 academic year from the SFC for Teaching and Fee Waiver is £19.767 million, the same as that received for 2014/15 and with effectively the same academic output (15/16: 83,984 credits, 14/15: WSUMs target 118,503). The College's capital and maintenance allocation, excluding arrangements to fund the new campus, for 2015/16 from the SFC has decreased by £0.355 million to £1.056 million (2014/15: £1.411 million).
84. It is expected that the use of depreciation allocations as if they were a cash allocation will be allowed again in 2015/16, resulting in a further deficit in the financial statements if the money is spent.

### ONS Reclassification

85. Arrangements between colleges and the SFC to manage the revised funding mechanisms are likely to develop further as lessons are learned from the initial period of change.

### FRS 102 'The Financial Reporting Standard' and new Education SORP

86. The FRC has been implementing a convergence programme aligning UK Generally Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS) and published three new FRSs (FRS 100, 101 and 102) with the substantive FRS 102 'The Financial Reporting Standard' representing the final step towards IFRS convergence. These three new FRS' become the new UK GAAP, which is fully IFRS-based. The new accounting standards come into force for accounting periods commencing on or after 1 January 2015 which means that 2015/16 will be the first reporting year. However, comparative figures for 2014/15 will require to be restated.
87. In addition, a new Education SORP has been developed following the publication of the new FRSs and this received final approval from the FRC on 26 March 2014 following an extensive consultation process, and will also be effective from 2015/16. The new SORP was formally published in May 2014 and is available on [www.fehesorp.ac.uk](http://www.fehesorp.ac.uk).

## Appendix I - Audited Bodies' Responsibilities

### Extracts from the Audit Scotland Code of Audit Practice

The Scottish ministers, elected members, governing bodies, boards, accountable officers, managers and officials have primary responsibility for ensuring that public business is conducted in accordance with the law and proper standards, and that public money is handled with integrity and spent appropriately. Public bodies and those responsible for conducting their affairs must discharge this accountability by establishing and maintaining proper governance arrangements and effective stewardship of the resources at their disposal.

#### Financial statements

Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources. Audited bodies are responsible for:

- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority
- maintaining proper accounting records
- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the relevant financial reporting framework (e.g., the Financial Reporting Manual or an Accounting Code of Practice)
- preparing and publishing with their financial statements an annual governance statement, statement on internal control or statement on internal financial control and a remuneration report
- preparing consolidation packs and, in larger bodies, preparing a Whole of Government Accounts return.

Many audited bodies publish other information, such as an annual report, alongside the financial statements.

Audited bodies should prepare financial statements in accordance with statutory timescales or in good time to allow audits to be completed by any dates specified by sponsoring directorates or other bodies. Financial statements should be prepared in accordance with all relevant regulatory requirements and be supported by accounting records and working papers prepared to an acceptable professional standard.

#### Corporate governance arrangements

The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer

Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements.

Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.

### Systems of internal control

Audited bodies are responsible for developing and implementing systems of internal control, including risk management, financial, operational and compliance controls.

They are required to conduct annual reviews of the effectiveness of their governance, systems of internal control, or internal financial control, and report publicly that they have done so. Such reviews should take account of the work of internal audit and be carried out by those charged with governance, usually through bodies' audit committees.

Rigorous self-evaluation should be a central part of audited bodies' performance management to support continuous improvement

### Prevention and detection of fraud and irregularities

Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity.

This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity
- participating, when required, in data matching exercises carried out by Audit Scotland.

### Standards of conduct and arrangements for the prevention and detection of bribery and corruption

Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and should put proper arrangements in place for:

- implementing and monitoring compliance with appropriate guidance on standards of conduct and codes of conduct for members and officers
- promoting appropriate values and standards
- developing, promoting and monitoring compliance with standing orders and financial instructions

### Financial position of audited bodies

Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified
- compliance with any statutory financial requirements and achievement of financial targets
- balances and reserves, including strategies about levels and future use
- the impact of planned future policies and foreseeable developments on their financial position.

### Best Value

The Scottish Public Finance Manual explains that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure Best Value. Best Value is defined as the continuous improvement in the performance of functions. This includes having regard to the concepts of economy, efficiency and effectiveness and the need to meet equal opportunity requirements, and contributing to the achievement of sustainable development.

Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control accountability and evaluation of the use of resources. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.

## Appendix II – Follow Up of 2013/14 Annual Audit Report Recommendations

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer/Time For Action	Progress 2014/15
36	<p><b>Financial Position</b></p> <p><b>Forth Valley College Foundation</b></p> <p><b>R1</b> The College should maintain an ongoing review of its involvement with the Foundation to ensure that this remains independent and that the Foundation does not need to be consolidated in the College financial statements in future.</p>	Medium	The Board of Management believes that it holds no control over the operations of Forth Valley College Foundation. The College however has recognised the risk that if the Foundation's operations are not seen to be independent this may lead to consolidation. This risk will be monitored by the Audit Committee to ensure independence is maintained.	Yes	<p>Alison Stewart,                      Director of Finance</p> <p>Will need to be reviewed year on year</p>	This has been considered and the Foundation remains at arms-length

### Grade

High	Issue subjecting the organisation to material risk and which should be dealt with as a high priority
Medium	Issue subjecting the organisation to significant risk and which should be addressed by management.
Low	Less significant matters, which would enhance efficiency, or do not require urgent attention but which should be followed up within a reasonable timescale.



**S1.19, Stirling Campus (commencing at 4.30pm)**

Present: Mr Nigel Scott (Chair)  
Mr Colin Alexander  
Mrs Lorna Dougall  
Mrs Beth Hamilton

In Attendance: Mrs Alison Stewart, Associate Principal and Executive Director of Finance  
Mr Stephen Jarvie, Corporate Governance and Planning Officer  
Ms Janet Hamblin, Baker Tilly  
Mr Gary Devlin, Scott Moncrieff  
Mr Michael Smith, Scott Moncrieff  
Mr David Allison, Associate Principal and Executive Director Information Systems  
(For item A/14/038)

The Chair highlighted that this was the last meeting for Baker Tilly and thanked Janet Hamblin for the work undertaken since 2007. He outlined the work Baker Tilly had undertaken in conjunction with the College to strengthen the role and input of Internal Audit.

The Chair also introduced Gary Devlin and Michael Smith from Scott Moncrieff.

The Chair informed members that, to ensure compliance with the Code of Governance as approved by the Board of Management, there had been a change in membership. Mr Ralph Burns had moved to another committee and Mrs Angela Winchester had been appointed to the committee.

**A/14/032 Apologies for Absence**

Mrs Angela Winchester

**A/14/033 Declarations of Interest**

None.

**A/14/034 Minute of Audit Committee of 4 June 2015**

Approved.

**A/14/035 Matters Arising**

a) A/14/026 External Audit Planning Memorandum

The Chair noted that members had requested a breakdown of the activities and costs of External Audit. The Associate Principal and Executive Director of Finance reported that the College did not break down activity in this manner but that the College was fully satisfied with the level of activity. She highlighted that, owing to changes to the College sector finances, Henderson Loggie had been doing a significant level of additional work.

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**A/14/036 Internal Audit Plan 2015-2018**

Mr Gary Devlin presented the draft plan and outlined the work undertaken with the SMT to create the plan using the College risk register as a basis. He highlighted that the plan belonged to the Committee and sought buy in from the members to the content.

Mr Michael Smith commented that the College risk processes in place were good and that Scott Moncrieff would be further supporting these by running risk workshops for the SMT and Heads of Department.

Members noted that the risk workshop would be of benefit to Board members and requested that an invitation be sent out once the timings were set.

Members queried whether having an in-depth Health and Safety review in the first year and then no further Health and Safety work for the rest of the plan was the best approach. Members recommended that a more regular review pattern be established.

Members also queried the timing of the review of the project management for the new Falkirk campus, noting the significant risk to the College of this activity.

Mr Gary Devlin acknowledged that the plan was a draft and could be changed to accommodate the input of the committee.

The Chair requested that members consider the plan as outlined and feedback any changes or refinements they would like to see.

The Associate Principal and Executive Director of Finance noted that there were a number of external assurance mechanisms in place beyond internal audit.

It was agreed that the College would look to produce a map of all assurance mechanisms in place to allow members to fully review the internal audit plan and timings of the audits.

- a) Members noted the content of the draft plan

**A/14/037 Internal Auditors Annual Report 2014/15**

Janet Hamblin presented the annual report for 2014/15. She outlined the audit reports that had been completed over the course of the year and noted that Baker Tilly were happy overall with the reports and the controls in place.

She highlighted that there was a need to ensure that policies and procedures were kept up to date and that, if this were done, the College was in a good position.

- a) Members approved the report
-

**A/14/038 Presentation of Internal Audit Reports**

Janet Hamblin, Baker Tilly, presented two reports to the committee.

**Marketing and Communications**

She outlined the contents of the report, noting the medium recommendations and highlighted the good practice regarding the use of the Workboard system by the team to track activity.

She noted overall that the department were moving strongly in the right direction.

**Follow Up**

She reported on the follow up review of completed recommendations, using the College's action tracker. She confirmed that, overall where the College indicated that a recommendation was complete, this had happened.

- a) Members noted the content of the recommendations

**A/14/039 Progress Report on Audit Recommendations**

The Corporate Governance and Planning Officer presented an update on progress on audit recommendations. He highlighted that there were currently no recommendations which had passed their agreed implementation date.

Members queried progress on the Student Finance KPI's and asked why this had not been put in place. The Associate Principal and Executive Director of Finance reported that the College was waiting until there was a full years data to run comparisons against.

Members queried if the recommendation on the monitoring of actuals within Business Development was on track. The Associate Principal and Executive Director of Finance reported that the College systems did not record data to allow for a direct comparison of time spent by staff. She outlined the process that is in place which would allow for the monitoring of the annual expenditure within this area once the accounts were fully prepared.

- a) Members noted the content of the report

**A/14/040 Risk Management**

The Associate Principal and Executive Director of Finance presented the College Strategic Risk register and highlighted that the College was seeking to remove two risks from the register and outlined the reasons for this.

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She acknowledged that a large proportion of the risks were financially based and that the risk workshop to be facilitated by Scott Moncrieff would be aimed at capturing non-financial risks.

The Associate Principal and Executive Director of Finance also presented members with a copy of the risk register for the new Falkirk Campus project. She updated members on an increase to one of the risks as a result of the ONS decision to move a revenue NPD project into the Scottish Government's capital budget. She confirmed that Scottish Futures Trust were currently examining the impact of this decision on other NPD funded projects.

She highlighted that it would be highly unlikely for the College to be allowed to move the Falkirk Campus to the OJEU tender stage for the construction of the campus until this matter is resolved.

- a) Members noted the content of the report and approved the removal of the two highlighted risks.
- b) Members noted the high level risk associated with the funding for the Falkirk campus.

**A/14/041 Review of Risk**

No additional risks were identified.

**A/14/042 Any Other Competent Business**

The Associate Principal and Executive Director of Finance highlighted to members that the annual joint meeting of the Audit and Finance Committees may need to be rescheduled as the Chair of the Finance Committee is not available to attend the agreed date.

Members agreed to change the date of the meeting and asked the College to look into and circulate potential alternative dates.

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1. Purpose

To present to members the annual report from the Chair of the Committee to the Board of Management.

2. Recommendation

That members approve the attached report.

3. Background

The Chair of the Audit Committee presents a report of the Committee's activities on an annual basis. As this report is tied into the associated financial year, the information within this paper covers the 16 month period from 1 April 2014 to 31 July 2015 period.

4. Financial Implications

Please detail the financial implications of this item – None. All audit activity is fully budgeted and progress against agreed activity is monitored.

5. Equalities

Assessment in Place? – Yes  No

If No, please explain why – Not applicable

Please summarise any positive/negative impacts (noting mitigating actions) – Not Applicable

6. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – Failure to adequately check internal systems via the internal audit service could lead to systemic errors or inefficiencies. The Internal Audit function, overseen by the Audit Committee, ensures that adequate assurances are received.

Risk Owner – Ken Thomson

Action Owner – Alison Stewart

**7. Other Implications –**

Please indicate whether there are implications for the areas below.

**Communications** – Yes  No

**Health and Safety** – Yes  No

**Please provide a summary of these implications** – Not Applicable

**Paper Author** – Stephen Jarvie

**SMT Owner** – Alison Stewart

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**ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF MANAGEMENT**

**1. Introduction**

This report covers the 16 month period from 1 April 2014 to 31 July 2015

Membership of the Committee during that period was as follows:

<b>Name</b>	<b>Attendance Record</b>
Bob Gill (Left 11 December 2014)	3 of 3 meetings
Nigel Scott	5 of 5 meetings
Colin Alexander	4 of 5 meetings
Lorna Dougall (Joined 4 June 2015)	0 of 1 meetings
Beth Hamilton	4 of 5 meetings
Ralph Burns (Joined 4 June 2015, left 27 August 2015)	1 of 1 meetings
Shona Struthers (Finance Chair. Left 28 September 2014)	2 of 2 meetings

The Committee met on the following dates:

1 May 2014  
17 June 2014  
27 November 2014  
19 March 2015  
4 June 2015

**2. Internal Audit**

Internal Audit is governed by the Code of Audit Practice, as published by the Scottish Funding Council (SFC). The code requires internal audit to adopt a risk-based approach to its programme, and to undertake follow-up work to ensure that all recommendations accepted by College management have been implemented.

**Audit Provider:** Baker Tilly. Their charge for the period was £33,000. (Fees are based upon the degree of responsibility and skill of staff, and the time involved in the work. Fees for additional services or assignments are agreed separately in advance).

As the financial period covers 16 months, this took into account portions of the 2013/14 and 2014/15 internal audit periods.

Owing to the change in financial year end, the appointment of Baker Tilly, which had previously been extended for a year to cover the March 2014 to March 2015 period was further extended at the 19 March 2015 Audit Committee meeting to cover the period to 31 July 2015.

At the 4 June 2015 meeting of the Audit Committee, following a comprehensive tendering exercise, the Audit Committee agreed to the appointment of Scott Moncrieff as the new College Internal Auditors from 1 August 2015. This approval was ratified by the Board of Management on 25 June 2015.

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**Annual Report on Audit Activities:** The internal auditor's report on audit activities carried out during the year 2013–2014 was considered by the Audit Committee at its June meeting. Internal Audit assignments for this period were carried out broadly in accordance with the Audit Plan agreed by the Audit Committee in November 2013.

The internal auditor's report on audit activities for the 2014-15 year were presented at the August 2015 Audit Committee meeting. Internal Audit assignments for this period were carried out broadly in accordance with the Audit Plan agreed by the Audit Committee in May 2014.

**Achievements:** The audit assignments were identified based upon a review of the College risk register, the identification of new systems being implemented within the College and those audits (i.e. SUMs) required on a rolling basis.

The specific audit reports produced for each assignment made recommendations for the improvement of internal procedures and controls, and each recommendation was given an agreed target date for implementation. The monitoring of internal audit recommendations is a standing agenda item on Audit Committee agendas.

**Effectiveness:** On the basis of the work undertaken during the year the auditors have expressed an opinion that the College has –

In 2013/14 – “The College appears to continue to operate appropriate risk management, control and governance processes.”

In 2014/15 – “Based on the work we have undertaken on the system of internal control we, in the main, do not consider that within these areas there are any issues that need to be flagged as significant internal control issues.”

**2015-16 Audit Plan:** In accordance with the requirements of the Code of Audit Practice, the needs assessment and risk analysis has been reviewed along with the corporate audit plan. To enable effective forward planning, the College produced a three year outline audit plan for the College which was considered by the Audit Committee in August 2015. A final version is intended to be presented to the Audit Committee on 1 December 2015 for approval.

### 3. External Audit

The Public Finance and Accountability Act (Scotland) 2000 transferred the responsibility for the appointment of external auditors for FE Colleges from Boards of Management to the Auditor General for Scotland. Audit Scotland, on behalf of the Auditor General, conducted a procurement exercise leading to the appointment of external auditors for the financial years 2011-2012 to 2016-2017.

**Audit Provider:** Henderson Loggie.

**Auditors Report:** The external auditor's report on the Financial Statements for the year 2014-2015 is included in the Audit Committee papers. The audit was carried out during October/November 2015.

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**Management Letter:** During the course of the audit the auditors performed overviews of the key financial systems of the College to assess their adequacy for the purposes of ensuring that accurate, timely and complete accounting records were being maintained. The recommendations resulting from this exercise are set out in the report of the external auditor.

#### 4. Other Matters

During the past 16 month period, in addition to receiving reports from the internal and external auditors, the Committee also considered the following:

- Risk Register and treatment of significant risks

#### 5. Adequacy and Effectiveness

The Committee accepts the views of the internal and external auditors that Forth Valley College's internal financial and management systems are adequate and that the Board of Management's responsibilities have been satisfactorily discharged.

Nigel Scott  
Chair  
1 December 2015

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1. Purpose

To present the draft Internal Audit Plan for the 2015-2018 period for approval by the Audit Committee.

2. Recommendation

That members approve the three year audit plan.

3. Creating The Draft Plan

Scott Moncrieff were appointed as College Internal Auditors from 1 August 2015 for a period of three years, with an option to extend this appointment by a further year.

Following their appointment, key staff from Scott Moncrieff met with Senior Management Team members to create the attached draft plan. The content of the plan was also informed by –

- Reviewing the College's Strategic and Operational plans and objectives
- Reviewing the College risk register, including a dedicated risk workshop with SMT on 17 August 2015
- Reviewing prior internal audit reports
- Reviewing the external audit plan for the College

The timings within the plan have also been reviewed to ensure audit activity occurs at an appropriate period in the College calendar.

Based on this work, the attached draft plan was created.

4. Financial Implications

**Please detail the financial implications of this item** – The activity outlined within the draft plan is based upon the established and budgeted for number of audit days for the College. As such, there are no anticipated additional costs.

5. Equalities

Assessment in Place? – Yes  No

If No, please explain why – Not applicable

Please summarise any positive/negative impacts (noting mitigating actions) – Not applicable

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## 6. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		X
Low	X	
Very Low		

**Please describe any risks associated with this paper and associated mitigating actions** – Failure to ensure regular, independent review of key College systems and new developments could create reputational, financial or other risks to the College.

The attached plan has been created in cooperation between the College and Scott Moncrieff to provide a reasonable level of assurance on College systems and activities.

**Risk Owner** – Alison Stewart

**Action Owner** – Alison Stephen

## 7. Other Implications –

Please indicate whether there are implications for the areas below.

**Communications** – Yes  No

**Health and Safety** – Yes  No

**Please provide a summary of these implications** – Not Applicable

**Paper Author** – Stephen Jarvie

**SMT Owner** – Alison Stewart



# Forth Valley College

## Internal Audit Plan 2015-18

August 2015



Scott-Moncrieff  
business advisers and accountants

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# Forth Valley College

## Internal Audit Plan 2015-18

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# Introduction

Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve the operations of Forth Valley College. It helps the College accomplish its objectives by evaluating the systems and processes in place, providing assurance that key risks are being managed effectively and value for money is being achieved and improving the effectiveness of risk management, control and governance processes.

The objective of internal audit planning is to focus audit resources on the systems and processes that manage the College's key risk areas.

## Audit Committee action

The three-year internal audit strategy, covering the period 2015 to 2018, is presented to the College's Audit Committee for review and approval.

The Audit Committee may at any time decide to alter the direction of the plan to address any concerns which arise during the financial year. We would be fully flexible in accommodating any such revision.



# Our internal audit approach

## Assurance on organisation-wide risks

The internal audit plan is principally designed to provide assurance on the effective management of the College's key risks. This means that the plan covers the full range of systems within the College, not just the financial systems.

This will provide Forth Valley College, through the Audit Committee, with the assurance it needs to prepare an annual Governance Statement that complies with best practice in corporate governance and directions from the Scottish Funding Council.

## Risk based internal auditing

Our internal audit methodology links internal audit activity to the organisation's overall risk management framework. The main benefit to Forth Valley College is a strategic, targeted internal audit function that focuses on the key risk areas and provides maximum value for money.

By focussing on the key risk areas, internal audit should be able to conclude that:

- Management has identified, assessed and responded to Forth Valley College's key risks
- The responses to risks are effective but not excessive
- Where residual risk is unacceptably high, further action is being taken
- Risk management processes, including the effectiveness of responses, are being monitored by management to ensure they continue to operate effectively
- Risks, responses and actions are being properly classified and reported

# Audit needs assessment

## Background and objective

Internal audit plans are based on an assessment of audit need. "Audit need" represents the assurance required by the Audit Committee from internal audit that the key control systems established to manage and mitigate the College's key risks are adequate and operating effectively.

## Approach

Our audit needs assessment takes both a top-down and bottom-up approach followed by a reasonableness check. The top-down approach starts with the areas of highest inherent risk recorded in the risk register and then identifies the control systems in place to manage those risks. The bottom-up approach involves considering the College's audit universe (potential auditable areas) and linking this to the key inherent risks to establish which auditable areas represent the key control systems. The reasonableness check involves us using our experience of similar organisations together with discussions with other college internal auditors to ensure that all key risk areas and systems have been considered and the resulting internal audit plan seems appropriate.

Our audit needs assessment involved the following activities:

- Reviewing the College's risk register
- Reviewing the College's strategic and operational plans and objectives
- Reviewing the results of internal audit work in prior years
- Reviewing external audit reports and plans
- Reviewing the College's website and policies and procedures
- Meeting with management
- Utilising our experience at similar organisations and our understanding of the FE sector

We seek to complement the areas being covered by the College's external auditor, Henderson Loggie. Following discussion of this plan at the Audit Committee, we will consult with the external auditor and incorporate the feedback received into the final version submitted for approval to the next Audit Committee meeting. This helps us to target our work in the most effective manner, avoiding duplication of effort and maximising the use of the total audit resource.

The audit needs assessment will be revised on an ongoing basis (at least annually) to take account of any changes in the College's risk profile. All changes to the internal audit plan will be approved by the Audit Committee.

# Delivering our audit plans

## Audit timetable 2015/16

We will schedule our work to deliver reports to each Audit Committee meeting during the year. We will agree the timing of each review with management to ensure we avoid particularly busy periods.

Appendix 3 provides the basis for agreeing a detailed timetable for the 2015/16 programme.

## Assignment planning

Prior to each review commencing, we will finalise the assignment plan with relevant management. The assignment plan sets out the scope and objectives of the audit, along with an assessment of the key business risks relating to the area under review. This consultative approach ensures that the focus of each review is sensitive to the specific risks and context within which Forth Valley College operates. This maximises the value of each review and reflects the risk-based assurance we offer.

## Reporting our findings

During the course of each audit, we will discuss any audit findings with relevant management as they arise. This will ensure that our reports contain no surprises and our recommendations are accurate, practical and relevant.

The audit timetable in Appendix 3 will be based on delivering draft reports to management within three weeks of completion of fieldwork. The reports will include an overall opinion on the strength of controls within the area under review, together with an action plan detailing prioritised recommendations, responsible officers and implementation dates.

We will require management responses to our draft reports within two weeks. Subject to there being no major issues of contention or disagreement, we will produce final reports within one week of receiving management responses. These timings are reflected in the timetable in Appendix 3.

On completion of each year's audit programme, we will issue an annual report summarising our main findings for the year and giving an overall opinion on the Forth Valley College internal control framework.

## Internal Audit Team – indicative staff mix

Grade	2015/16 Input (days)	Grade mix (%)
Partner	5	10%
Manager / Senior manager	12	25%
Specialist staff	3	7%
Auditors	28	58%
<b>Total</b>	<b>48</b>	<b>100%</b>

## Confirmation of independence

PSIAS require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that the staff members identified to complete the reviews in the annual plan for 2015/16 are independent and their objectivity has not been compromised.

## Internal Audit Team Contacts

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### Gary Devlin



Chief Audit Executive

**email:** [gary.devlin@scott-moncrieff.com](mailto:gary.devlin@scott-moncrieff.com)

**telephone:** 0131 473 3500

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### Michael Smith



Internal Audit Manager

**email:** [michael.smith@scott-moncrieff.com](mailto:michael.smith@scott-moncrieff.com)

**telephone:** 0141 567 4500

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# Proposed Internal Audit Plan

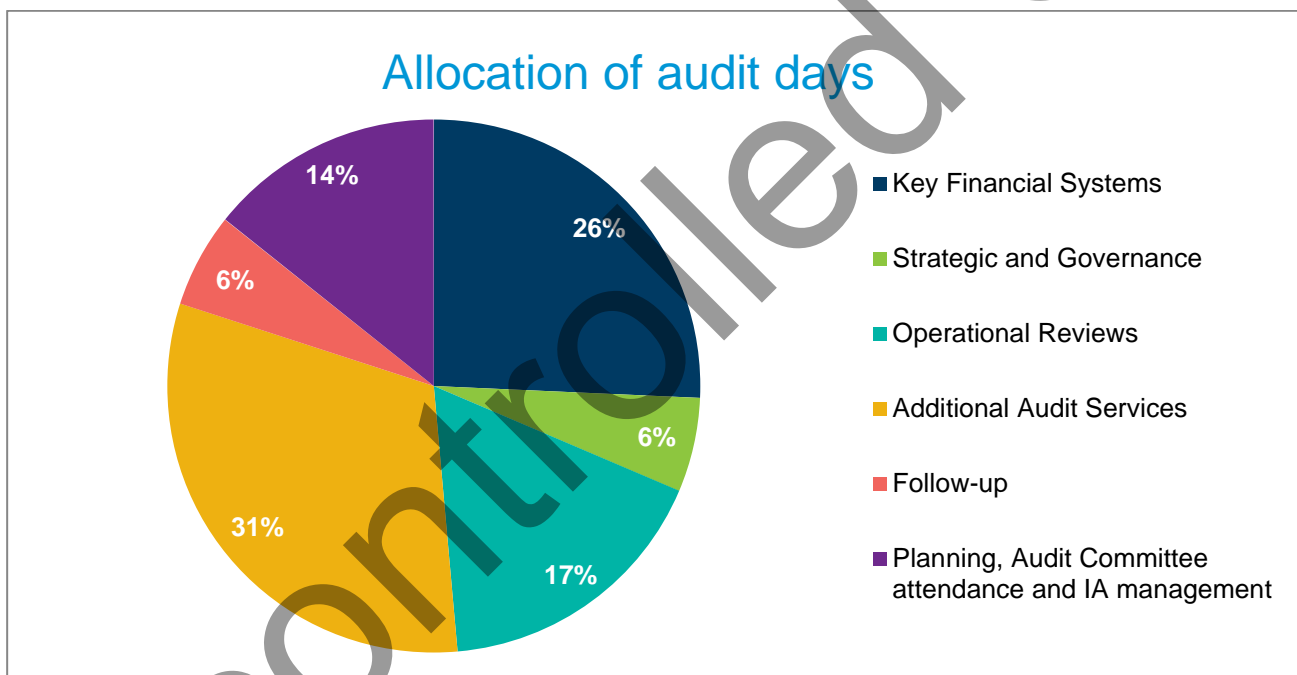
The Internal Audit Plan will be updated annually for changes to the College's strategic risk register, corporate plans and through discussions with senior management and the Audit Committee.

Internal audit is only one source of assurance for the Audit Committee. Assurance on the management of risk is provided from a number of other sources, including the senior management team, external audit and the risk management framework itself.

Appendix 1 presents the areas proposed for review during 2015/16, in the context of a three year strategy.

As our internal audit approach is based on risk, the proposed plan is also cross-referenced to the College's Strategic Risk Register. This is included in Appendix 2 for information.

The table below demonstrates how the 35 internal audit days agreed for 2015/16 are allocated across each area of the audit universe:



# Appendix 1 – Strategic Internal Audit Plan 2015-18

Audit area	2015/16 Plan days	2016/17 Plan days	2017/18 Plan days	Risk Reg Ref	Notes
<b>A. Key Financial Systems reviews</b>					
A.1 Treasury and cash management	3			12, 14	Review of processes in place for treasury and cash management, including receipt and recording of income and monitoring of bank accounts.
A2. Budget setting and monitoring		3		12, 14, 16, 7, 17, 10, 18, 3	Review of overall budgeting framework, i.e. how the budgets are initially generated, authorised and rolled out, how performance against budget is monitored and reported, how budget variances are dealt with, including clarity of budget holder responsibilities.
A3. Income and debtors	3			7, 12	Review of processes in place for identifying income, raising invoices and receiving/recording income and the approach to debtor management, including ensuring funds due are received and accounted for appropriately.
A4. Non-pay expenditure and creditors		3		12, 14	To ensure all payments are for valid and approved creditor accounts for goods and services actually received. Ensure payments are correct and accurately accounted for. Ensure VAT regulations complied with.
A5. Payroll and expenses			4	16, 17, 3	To evaluate and test the controls in place over payroll, including standing changes to payroll data. Will also include testing of expense claims.
A6. Financial ledger			3		A high level review of controls over financial systems.

Audit area	2015/16 Plan days	2016/17 Plan days	2017/18 Plan days	Risk Reg Ref	Notes
A7. Financial return	3	2	2	12, 18	A review to provide assurance over the annual financial return to SFC
<b>TOTAL A – Key Financial Systems</b>	<b>9</b>	<b>8</b>	<b>9</b>		

### B. Strategic and Governance reviews

B1. Risk management		5		<i>All risks</i>	Review of procedures for risk identification, assessment, mitigation and reporting across the College (strategic and operational).
B2. Corporate governance			6	11	To review the extent to which the College's governance arrangements follow recommended best practice.
B3. Risk workshop	2				To facilitate a workshop with SMT and Heads of Service to discuss risk, review and score existing risks, and identify any new risks.
<b>TOTAL B – Strategic / Governance</b>	<b>2</b>	<b>5</b>	<b>6</b>		

### C. Operational reviews

C.1 International strategy and operations		5		1, 9	To review the College's international strategy and operations, including UKVI compliance.
C.2 Project management for new campus		5		1	We will review the arrangements in place for project management with a focus on the campus development.
C.3 Health and safety	6			<i>Compliance risks</i>	We will review arrangements in place for complying with Health and Safety regulations and College Policies on Health and Safety.
C.4 Student experience			8	1	To review internal controls and governance over

Audit area	2015/16 Plan days	2016/17 Plan days	2017/18 Plan days	Risk Reg Ref	Notes
					an aspect of the student experience, e.g. student feedback processes. We will apply Lean techniques in our review.
<b>TOTAL C – Operational</b>	<b>6</b>	<b>10</b>	<b>8</b>		
<b>D. Additional Audit Services</b>					
D1. wSUMS audit	5	5	5		Standard review in line with issued guidance.
D2. IT healthcheck	6			15, 8	To perform a healthcheck review of key controls over key IT systems, including business continuity planning.
<b>TOTAL D – Additional Audit Services</b>	<b>11</b>	<b>5</b>	<b>5</b>		
<b>E. Internal audit management</b>					
E1. Follow-up of prior recommendations	2	2	2		To assess progress in implementing previous internal audit recommendations.
E2. Audit management, Audit Committees, external audit liaison, annual planning, annual audit report	3	3	3		Includes initial planning meetings, documentation review and audit needs assessment in 2015/16.
E3. Management support / contingency days	2	2	2		To respond to additional management request as required and contingency to enable plan flexibility.
<b>TOTAL E – Internal audit management</b>	<b>7</b>	<b>7</b>	<b>7</b>		
<b>TOTAL ANNUAL DAYS IN IA PLAN</b>	<b>35</b>	<b>35</b>	<b>35</b>		



## Other options for the Audit Committee to consider

The draft audit plan represents our assessment of the most appropriate programme of internal audit work relevant to your risks and our review of audit work undertaken over the previous three years.

The Audit Committee will have its own perspective of risk and it is appropriate to recognise the range of options to consider covering:

1. Risks not directly covered by the draft strategic audit plan – see Appendix 4
2. The timing of proposed audits and the scope to advance some audits dependent on priority
3. The scope and coverage of work proposed in each audit area.

We are content with the appropriateness of our proposed plan but would welcome a discussion with the Audit Committee on the balance struck between the College's risk environment, our assurance response, and available audit resource.

In relation to point 3 above, we will develop scope and objectives documents for each proposed assignment and agree these with management and the Audit Committee following agreement of the draft audit plan.

## Appendix 2 – Strategic Risk Register

The table below shows how each risk in the risk register (dated May 2015) is covered over the course of the three year internal audit plan.

Risk ref	Risk ref	Brief Description	Inherent Risk Score		Residual Risk Score		Latest position (at May 2015)	Internal audit reviews
			I x L	Score	I x L	Score		
12	Finance	Government accounting rules restrict Colleges ability to use available resource at the Board's discretion.	VH x H	20	VH x H	20	£1.1M donated to FVC Foundation in March 15. SFC/SG & College group set up to review long term implications. Indication is that for 2015/16 surplus cash should be used to fund shortfall in Student Support.	A1. Treasury & cash mgmt A2. Budget setting & monitoring A3. Income & debtors A4. Non-pay expenditure A7. Finance return
14	Governance	That the College will be in breach of the covenants relating to the £4.5m term loan facility with Barclay's bank.	H x VH	20	H x VH	20	Meeting set up with Barclays to discuss further. College is likely to breach covenant again at 31 July 2015 due to donation to FVC Foundation.	A1. Treasury & cash mgmt A2. Budget setting & monitoring A4. Non-pay expenditure
1	Estates	There will be inadequate facilities for learners due to lack of capital investment.	VH x VH	25	VH x M	15	Technical Advisor appointed April 2015.	C1. International strategy C2. Project management C4. Student experience
16	Finance	National bargaining will impact on the salary structure and terms and conditions of both support and teaching staff.	H x VH	20	M x VH	15	Discussions continue with National Bargaining Committee and Scottish Government no further information has been received	A2. Budget setting & monitoring A5. Payroll & expenses

7	Governance	Changes to sources of funding and funding methodology create financial uncertainty.	H x H	16	H x M	12	Draft budget for 2015/16 currently being prepared and will reflect the changes. Budget will be presented to June Finance Committee and Board of Management.	A2. Budget setting & monitoring A3. Income & debtors
17	Finance	Changes to legislation regarding overtime as part of holiday payments may lead to retrospective costs for the College.	H x H	16	M x H	12	No further information received regarding this	A2. Budget setting & monitoring A5. Payroll & expenses
10	Finance	The Government has announced that it is ending the contracting out regime from the 2nd state pension scheme from 1 April 2016.	M x VH	15	L x VH	10	Draft budget for 2015/16 currently being prepared and will reflect the changes. Budget will be presented to June Finance Committee and Board of Management.	A2. Budget setting & monitoring
11	Governance	The Forth Valley College Foundation does not operate as originally envisaged.	VH x M	15	VH x L	10	Grant Application submitted and awaiting confirmation of meeting date with Foundation to review application.	B3. Corporate governance
18	Finance	Reporting deficits to balance resource budgets may be misinterpreted by external parties.	M x H	12	M x M	9	Letter received from SFC	A2. Budget setting & monitoring A7. Finance return
15	Business Continuity	As the College becomes ever more reliant on IT and systems to deliver to our learners, and to support learners and staff, that disruption to this provision has a more significant impact.	VH x L	10	H x L	8	An additional internet connection to provide resilience should there be any disruption to our main connection has been purchased and will be configured and tested this month.	D2. IT healthcheck
3	HR	Financial restrictions limit the ability to fund pay increases.	H x H	16	M x L	6	National Bargaining process remains ongoing which could result in local pay negotiation taking place. Financial details require to be worked through.	A2. Budget setting & monitoring A5. Payroll & expenses
8	Governance	In the event of a serious incident, the lack of an up to date and tested Business Continuity Plan could lead to increased risk, delay and costs.	VH x L	10	M x L	6	No further update	D2. IT healthcheck

9	Strategic	Failure to deliver upon targets within Outcome Agreement impact upon the College.	VH x L	10	M x L	6	Outcome Agreement for 2015/17 agreed with SFC.	C1. International strategy
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## Appendix 3 – Audit timetable

Ref and name of report	Audit sponsor	Start audit	Complete fieldwork	Draft report	Mgmt response	Final report	Audit C'ttee
A1. Treasury and cash management	Associate Principal & Executive Director, Finance	Jan 2016	Jan 2016	Feb 2016	Feb 2016	Feb 2016	Mar 2016
A3. Income and debtors	Associate Principal & Executive Director, Finance	Jan 2016	Jan 2016	Feb 2016	Feb 2016	Feb 2016	Mar 2016
A7. Financial return	Associate Principal & Executive Director, Finance	Jul 2016	Jul 2016	Jul 2016	Aug 2016	Aug 2016	Aug 2016
C1. Health and Safety	Associate Principal & Executive Director, Estates Development	Jan 2016	Jan 2016	Feb 2016	Feb 2016	Feb 2016	Mar 2016
D1. wSUMS	Associate Principal & Executive Director, Information Systems & Communication	Sept 2015	Sept 2015	Oct 2015	Oct 2015	Oct 2015	Nov 2015
D2. IT healthcheck	Associate Principal & Executive Director, Estates Development	Mar 2016	Mar 2016	Apr 2016	Apr 2016	May 2016	Jun 2016
E1. Follow Up	Associate Principal & Executive Director, Finance	July 2016	July 2016	July 2016	July 2016	Aug 2016	Aug 2016

# Appendix 4 – Audit Universe

Audit area	2015/16	2016/17	2017/18	Risk Rating	Frequency
<b>A. Key financial systems</b>					
Financial reporting	✓	✓	✓	L	Annual review of annual financial return
Accounting policies			✓	L	Reviewed annually by external audit
Financial ledger			✓	L	Reviewed annually by external audit
Budget management		✓		H	Cyclical review - every 3 - 5 years
Fixed assets				L	Cyclical review - every 3 - 5 years
Treasury and cash management	✓			M	Cyclical review - every 3 - 5 years
Income	✓			M	Cyclical review - every 3 - 5 years
Debtors	✓			M	Cyclical review - every 3 - 5 years
Payroll			✓	L	Cyclical review - every 3 - 5 years
Travel and subsistence			✓	L	Cyclical review - every 3 - 5 years
Expenditure and payables		✓		M	Cyclical review - every 3 - 5 years
Procurement / tendering				M	Cyclical review - every 3 - 5 years
<b>B. Risk management and governance</b>					
Risk management	✓	✓		H	Cyclical review every 3 - 5 years
Corporate governance		✓		M	Cyclical review every 3 - 5 years
Strategic / operational planning				H	Cyclical review every 3 - 5 years
Fraud prevention arrangements				M	Cyclical review every 3 - 5 years
Lean Reviews				L	At Audit Committee's request
<b>C. Operational</b>					
Partnership working			✓	M	Cyclical review every 3 - 5 years
Student experience			✓	H	Key risk across the sector
Value for money	✓			M	
Workforce management				M	Cyclical review every 3 - 5 years
Education Contracts				L	Cyclical review every 3 - 5 years
Commercial Courses				M	Cyclical review every 3 - 5 years
Succession planning				M	Cyclical review every 3 - 5 years

Audit area	2015/16	2016/17	2017/18	Risk Rating	Frequency
Recruitment and retention				<i>H</i>	Cyclical review every 3 - 5 years
Sickness absence				<i>L</i>	Cyclical review every 3 - 5 years
Performance management				<i>H</i>	Cyclical review every 3 - 5 years
Internal communications				<i>M</i>	Cyclical review every 3 - 5 years
External communications				<i>M</i>	Cyclical review every 3 - 5 years
Change management				<i>M</i>	Cyclical review every 3 - 5 years
Capital project management		✓		<i>H</i>	Cyclical review every 3 - 5 years
Timetabling and Curriculum planning				<i>M</i>	Cyclical review every 3 - 5 years
Student Records				<i>M</i>	Cyclical review every 3 - 5 years
Health and safety	✓			<i>M</i>	Cyclical review every 3 - 5 years
Incident management				<i>M</i>	Covered by business continuity planning
Business continuity planning	✓			<i>H</i>	Cyclical review every 3 - 5 years
Information governance				<i>M</i>	Cyclical review every 3 - 5 years
IT strategy	✓			<i>M</i>	Cyclical review every 3 - 5 years
IT security	✓			<i>M</i>	Cyclical review every 3 - 5 years
<b>D. Additional Audit Services</b>					
FE bursary fund					External Audit
FE discretionary fund					External Audit
FE childcare fund					External Audit
HE Discretionary Fund (SAAS)					External Audit
Educational Maintenance Allowance					External Audit

# Appendix 5 - Internal Audit Charter

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the College.

It helps the College accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## Aim

The aim of this Charter is to set out the management by all parties of the internal audit process. The Charter sets out the context of the internal audit function, including the place of the Audit Committee, the key personnel, timescales and processes to be followed for each internal audit review.

## Role

The internal audit activity is established by the Audit Committee on behalf of the Board of Governors. The internal audit activity's responsibilities are defined by the Audit Committee as part of its oversight role.

## Professionalism

The internal audit activity will adhere to mandatory guidance of The Chartered Institute of Internal Auditors (CIIA) including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

The CIIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the College's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

Internal audit activity will also reflect relevant Scottish Funding Council directions, as appropriate to the College.

## Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the College's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee.

## Accountability

The Chief Audit Executive will be accountable to the Audit Committee and will report administratively to the Director of Finance and Student Funding.

The Audit Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive.



The Chief Audit Executive will communicate and interact directly with the Audit Committee, including between Audit Committee meetings as appropriate.

## Independence and objectivity

The internal audit activity will remain free from interference by any element in the College, including matters of audit selection, scope, procedures, frequency, timing, or report content. This is essential in maintaining the internal auditors' independence and objectivity.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal audit's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

## Scope and responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programmes with established objectives and goals
- Effectiveness and efficiency of operations and use of resources
- Compliance with significant policies, plans, procedures, laws, and regulations
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
- Safeguarding of assets

Internal Audit is responsible for evaluating all processes ('audit universe') of the College, including governance processes and risk management processes. In doing so, internal audit maintains a proper degree of coordination with external audit.

Internal audit may perform consulting and advisory services related to governance, risk management and control. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the College.

## Annual internal audit plan

The audit year runs from 1 August to 31 July.

At least annually, the Chief Audit Executive will submit to the Audit Committee an internal audit plan for review and approval. The internal audit plan will detail, for each subject review area:

- The outline scope for the review
- The number of days budgeted
- The timing, including which Audit Committee the final report will go to
- The review sponsor

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management. Prior to submission to the Audit Committee for approval, the plan will be discussed with senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

## Assignment Planning and Conduct

An assignment plan will be drafted prior to the start of every assignment setting out the scope, objectives, timescales and key contacts for the assignment.

Specifically, the assignment plan will detail the timescales for carrying out the work, issuing the draft report, receiving management responses and issuing the final report. The assignment plan will also include the name of the staff member who will be responsible for the audit (review sponsor) and the name of any key staff members to be contacted during the review (key audit contact).

The assignment plan will be agreed with the review sponsor and the key audit contact (for timings) before the review starts.

## Reporting and Monitoring

The internal auditor will discuss key issues arising from the audit as soon as reasonably practicable with the key contact and/or review sponsor, as appropriate.

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement and will be distributed to the review sponsor and key contacts identified in the assignment plan for management responses and comments.

Draft reports will be issued by email within 15 working days of fieldwork concluding. The covering email will specify the deadline for management responses, which will normally be within a further 15 days. The management comments and response to any report will be overseen by the review sponsor. Internal Audit will make time after issuing the draft report to discuss the report and, if necessary, meet with the review sponsor and/or key contact to ensure the report is factually accurate and the agreed actions are clear, practical, achievable and valuable.

The internal auditors will issue the final report to the review sponsor and the Director of Finance and Student Funding. The final report will be issued within 10 working days of the management responses being received.

Finalised internal audit reports will be presented to the Audit Committee. Finalised internal audit outputs must be in the hands of the committee secretary at least 10 working days before the date of each meeting

The working days set out above are maximum timescales and tighter timescales may be set out in the assignment plan.

The internal audit activity will follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

## Audit Committee

The Audit Committee meets four times a year, normally in September, November, March and June. Dates for Audit Committee meetings will be provided to internal audit as soon as they are agreed. The Chief Audit Executive and/ or Internal Audit Manager will attend all meetings of the Audit Committee.

Internal audit will schedule its work so as to spread internal audit reports reasonably evenly over the Audit Committee meetings. The annual internal audit plan will detail the internal audit reports to be presented to each Audit Committee meeting.

The internal auditor will generally present specific reports to the Committee as follows:

Output	Meeting
Audit needs assessment	June
Annual Internal Audit Plan	June
Follow-up reports	August
Annual report	August
Status report	All meetings

The Audit Committee will meet privately with the internal auditors at least once a year.

## Periodic Assessment

The Chief Audit Executive is responsible for providing a periodic self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Chief Audit Executive will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years in accordance with Public Sector Internal Audit Standards.

## Review of Charter

This Charter will be reviewed by both parties each year and amended if appropriate.

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Scott-Moncrieff Chartered Accountants is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.

1. Purpose

To present members with a high level assurance map detailing the internal and external assurance mechanisms within the College.

2. Recommendation

That members note and comment on the content of the report.

3. Background

At the meeting of 27 August 2015, members had requested an overview of the variety of assurance mechanisms in place within the College. This was intended to aid members in assessing the appropriateness of the draft internal audit plan as an assurance mechanism.

4. Key Points

As an organisation, the College is required to meet the expectations of a wide variety of key external stakeholders. To support this activity, a number of internal assurance mechanisms have been implemented over the years to ensure operational activity is monitored.

Given the breadth of activity, it was decided to demonstrate how each of these mechanisms tie into the overall strategic areas or 'bubbles' within the College's approved Strategic Plan. As members would expect, a large proportion of external assurance relates to the requirements of the various examining bodies for the courses on offer within the College.

The attachment was developed to present this information in a user friendly manner. The information has been reviewed and approved by the Senior Management Team and Committee members are asked to comment on the information provided.

5. Financial Implications

Please detail the financial implications of this item – None. All activity is budgeted for under College running costs.

6. Equalities

Assessment in Place? – Yes  No

If No, please explain why – Not applicable

Please summarise any positive/negative impacts (noting mitigating actions) – Not Applicable

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7. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low		X
Very Low	X	

**Please describe any risks associated with this paper and associated mitigating actions** – While there is risk associated with the College failing any one of the external assurance mechanisms, there are no indications at this time that this is a likely outcome. Mitigation is provided by the various staff members and teams who have direct responsibility for ensuring the College meets the variety of external criteria.

**Risk Owner** – Ken Thomson

**Action Owner** – SMT Members

8. Other Implications –

Please indicate whether there are implications for the areas below.

**Communications** – Yes  No

**Health and Safety** – Yes  No

**Please provide a summary of these implications** – Not Applicable

**Paper Author** – Stephen Jarvie

**SMT Owner** – Alison Stewart

# College Assurance Map

## Strategic Area

## Governance Assurance

## External Assurance

## Internal Assurance

Creating a superb environment for learning

Falkirk Campus Project Board

FES Statutory Compliance e.g. Fire equipment

Health and Safety Team Schedule of Reviews

Health and Safety Committee

Insurance Reviews

Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly

Strategic Development Committee

Reviews by External Awarding Bodies e.g. SQA, ECITB, City & Guilds, NEBOSH/IOSH

Internal & External Verifiers

HR (Inc. Nomination) Committee

Education Scotland Aspect & Quadrennial Review

Annual report to SFC on quality

Creative Learning Leadership Group

Instilling an energy and passion for our people, celebrating success and innovation

HR (Inc. Nomination) Committee

Equal Pay Audits

Liaison with College Lawyers

Remuneration Committee

PVG system for Staff

Ongoing Job Profile Reviews

Staff Cultural Surveys

Employee Relations

Leading as a champion for governance, an organisational pathfinder, balanced risk taker, proactive and responsive

Board of Management

APUC for procurement

Board Register of Interests

Audit Committee

Internal and External Audit

Quarterly Reports to Scottish Information Commissioner on FOI

Finance Committee

Annual Governance Report In College Accounts

Enhancing our position as the business and community partner of choice

Strategic Development Committee

Reviews by External Awarding Bodies e.g. SDS, ECITB, PAAVQ-SET, EAL, City & Guilds, NEBOSH/IOSH, JTL, EDEXCEL, COMPEX

Business Development Process

SDS Audit of MA Provision

Delivering a whole system approach. Simply effective, efficient and consistent

Strategic Development Committee

Reviews by External Awarding Bodies e.g. SQA, ECITB, City & Guilds, NEBOSH/IOSH

Review of Disaster Recovery/Backups and Testing

Annual Internal Audit of Sums

Statutory Compliance Testing

Penetration Testing of Systems

## 1. Purpose

To highlight 2015/16 SDS audits and compliance in relation to our delivery of Modern Apprenticeship (MA) and Employability Fund (EF) programmes.

## 2. Recommendation

That members note the activity and the exceptional level of compliance for both MA and EF delivery detailed in the paper.

## 3. Background

SDS internally categorises Forth Valley College as a high risk provider due to the volume and value of our current contract. The high risk status means that SDS carryout bi-annual audits of both our MA & EF activity. The Business Development Department maintains all paperwork and compliance records for the SDS contracts and manages the on-going relationship with SDS through a SDS Skills Investment Advisor.

For both programmes the contract value comprises of the start payments and any mile stones or outcome payments that will be made to the new cohort plus the contingent liability value of the remaining contracts, given that some MAs run for longer than a year this is a significant portion of the MA contract.

Table 1

2015/16	Starts awarded	Contract value
MA	254	£ 859,469
EF	66	£157,640

In addition to SDS compliance audits an integral part of Business Development Assessor/Verifiers role in delivering Scottish Vocational Qualifications/Modern Apprenticeships is maintaining and developing robust quality assurance practices and procedures with the assistance of the Curriculum, Quality and Learning Services Department, Academic staff and Awarding Bodies External Verification teams and as a result this activity is audited on an annual basis as well.

## 4. Key Considerations

### 4.1 SDS Audit Requirements

Forth Valley College are contractually required to only make valid claims for MA & EF Programme service delivery that meet contractual requirements. The SDS Compliance Service assesses the extent to which the Provider's governance and control arrangements provide reasonable assurance that claims for payment are valid. Our latest Audit Report from SDS demonstrated that we are performing exceptionally well in our compliance with the Programme Rules and Polices. The sample values and periods audited on the 23<sup>rd</sup> – 25<sup>th</sup> June are detailed below in table 2.



Table 2

2015/16	Value of review sample	Period under review
MA	£32,194	07/10/14 – 16/06/15
EF	£21,387	21/01/15 – 16/06/15

#### 4.2 SDS Findings and Recommendations 15-16

##### EF programme

Outcome claims for the delivery of the CSCS Card had been made for a number of candidates. SDS noted that this was no longer an approved qualification and that we would need to follow up on these candidates to ascertain their current status to see if an alternative claim could be made, if not then £600 of claw back from the contract value would be incurred. FVC noted that that withdrawal of the CSCS card from the approved qualification list had not been communicated from SDS to training providers.

The Auditor noted that work has been undertaken to introduce stronger controls for the EF programme. These are now on an internal system and include a tracking system App which links into the Business Partner for follow up. Additional checks are also undertaken & recorded by Admin prior to processing. Additional supervisory checks/audits have been introduced and evidence of these had been noted in the compliance report.

##### MA programme

There were no recommendations made for the MA activity, this shows the high standard of compliance the team adhere to and is an exceptional performance considering the value and volume of the contract.

The full SDS compliance reports for both EF and MA are shown in Appendix 1.

#### 4.3 EV Findings and Recommendations 15-16

Each of the Awarding Bodies Forth Valley College engages with carry out external verification audits at least once a year and in the case of Engineering the audits are twice yearly. The Awarding Bodies are SQA, City and Guilds, EAL, ECITB and PAAVQ-SET and OPITO. During the audits the External Verifier will meet with the assessors and verifiers, will sample portfolios, will carry out workplace observations and will meet with candidates. They will check for evidence of CPD and that there are robust policies and procedures for both assessment and verification are in place and that the qualification standards are adhered to.

Each Awarding Body will make recommendations if necessary and will highlight areas of good practice. Following the last ECITB audit the External Verifier reported that there was evidence of a number of good assessment practices and high levels of performance in internal quality assurance as well as excellent candidate support. The other Awarding Bodies made similar comments regarding good practice. Business and Administration and Learning and Development both had minor recommendations regarding weaknesses in portfolio evidence for a couple of units only.

All External Verification Reports are stored on SharePoint within the Curriculum, Quality and Learning Services section/department. Appendix 2 details an over view of the External Verification Outcomes for Business Development in 2015/16.

5. Equalities

Assessment in Place? – Yes  No

If No, please explain why – Equality impact assessment of the MA programme has been completed

Please summarise any positive/negative impacts (noting mitigating actions) - Not applicable

6. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		X
Medium		
Low	X	
Very Low		

Please describe any risks associated with this paper and associated mitigating actions:

The impact of risks associated with the MA and EF provision are significant as poor performance against compliance in one aspect of the programme has the potential to impact across the contract, however due to the levels of compliance checking and the robust systems and processes we have in place when delivering these programmes the likelihood is low.

Risk Owner – Colette Filippi

Action Owner – Jennifer Tempany

7. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes  No

Health and Safety – Yes  No

There are no new implications.

Paper Author – Caroline Hogg

SMT Owner – Colette Filippi

**Appendix 1**

See SDS - FVC Compliance visits report EF MA – JUNE 2015

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Appendix 2

External Verification Audits/Outcomes

Modern Apprenticeship	Date of Audit	Risk Level
Business and Administration	21/05/15	Green (Low) SQA
Hairdressing	01/05/15	Green (Low) City & Guilds
Social Services in Healthcare	29/05/15	Green (Low) SQA
Hospitality	11/05/15	Green (Low) SQA
Learning and Development	20/05/15	Green (Low) SQA
Management	08/05/15	Green (Low) SQA
Introduction to Trainer Skills	30/10/15	Green (Low) SQA
Engineering	03/03/15	Green (Low) EAL
Engineering	09/09/15	Green (Low) EAL
Engineering	19/02/15	Sanction Free (Low) ECITB
Engineering	19/08/15	Sanction Free (Low) ECITB
Engineering	28/01/15	Sanction Free (Low) PAAVQ-SET
Engineering	20/07/15	Sanction Free (Low) PAAVQ-SET

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1. Purpose

To present members with the audit reports for the internal audit activity which has occurred since the last meeting of the Committee.

2. Recommendation

That members note the contents of the attached internal audit reports and the management responses from the College.

3. Background

The College has an agreed programme of internal audit each year, which covers statutory reviews along with areas which are covered on a recurring basis or are new audit areas which are identified by SMT following changes to systems or practices.

4. Key Points

There is 1 internal audit report included with this cover paper – Review of 2014/15 SUMs Return.

5. Financial Implications

Please detail the financial implications of this item – None. All audit activity is budgeted for under College running costs and there are no recommendations with significant financial implications.

6. Equalities

Assessment in Place? – Yes  No

If No, please explain why – Not applicable

Please summarise any positive/negative impacts (noting mitigating actions) – Not Applicable

---

7. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	X	X

Please describe any risks associated with this paper and associated mitigating actions – Risk is very low as attested by the latest in a number of annual independent reviews of this area. Where minor recommendations are made, these are implemented as soon as possible.

Risk Owner – David Allison

Action Owner – Pamela Duncan

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes  No

Health and Safety – Yes  No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – David Allison



**Forth Valley College**  
**Internal Audit Report 2015/16**  
**Review of 2014/15 SUMs Return**

October 2015



**Scott-Moncrieff**  
business advisers and accountants

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# Forth Valley College

## Internal Audit Report 2015/16

### Review of 2014/15 SUMs Return

Introduction	1
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# Introduction

An audit of the funding statistics for Forth Valley College was undertaken during September 2015. The audit examined the procedures and controls over the preparation of the 2014/15 SUMs return, together with audit testing to ensure the accurate calculation of the return.

## Scope

Our audit was carried out in accordance with the Guidance Notes issued by the Scottish Funding Council (SFC).

## Approach

The audit comprised of 4 days of fieldwork by our audit team with extensive experience of SUMs reviews. Quality assurance was provided by detailed review of work by the Audit Manager and overall review by the Audit Partner.

Our audit approach involved the following:

- Examination of the procedures and controls relevant to the collection and recording of student data;
- Evaluation of the adequacy of these controls in ensuring the accuracy of the data;
- Testing of the key controls to ensure they were operating satisfactorily;
- Examination, on a test basis, of evidence relevant to the figures recorded in the student data returns;
- Review of the risk areas as highlighted in the audit guidance for 2014/15<sup>1</sup>;
- Analytical review utilising current year and prior year SUMs data;
- Further detailed testing where necessary, including checking of the SUMs return; and
- Follow up of prior year recommendations.

## Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

---

<sup>1</sup> 2014-15 data return for funding purposes (FES return) and audit guidance for colleges

# Conclusion

In our opinion, controls over the collection of data and the preparation of the SUMs returns are adequate and effective. Assurance can be gained from the audit testing carried out and the internal checking performed by College management that the SUMs count for the College has not been materially misstated. A copy of the audit report is included in Annex A of this report.

Under the conditions of grant, the SFC may claw-back an element of grant if actual WSUMs provided are below target. Actual WSUMs claimed for 2014/15 were 121,781 against a target of 121,664.

The deadline for submitting the College Certificate and Auditors Certificate was 10 October 2015. The College Certificate was completed and signed on 6 October 2015 and returns were submitted to the Scottish Funding Council on 8 October 2015.

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# Detailed Findings

Our review centred on testing College data on a sample basis and, where appropriate, staff and senior management consultation. This was performed to provide assurance that all of the risks set out in Annex D of the audit guidance note referred to above had been satisfactorily addressed and that the fundamentals of compiling SUMs data were subject to appropriate controls.

Our initial sample was derived following consideration of materiality and application of Scott-Moncrieff's approved sampling methodology, where controls work and analytical procedures are being undertaken. Appropriate sample selection was conducted using professional judgement. The sample was subsequently extended where necessary, to ensure that we gained sufficient coverage of all programmes and student variables as specified within the audit guidance. Our sample testing has provided 4% coverage of all programmes offered, based on our assessment of the risk of material misstatement in the SUMs return.

During the audit, we did not identify any errors that impacted on the SUMs calculation; therefore there was no requirement for the testing to be further extended.

## 1.1 General Systems Review

The accuracy of the data on which the SUMs return is calculated depends on appropriate controls and systems over enrolment and attendance and the timely clearing of errors on the FES report.

We found no significant control or system weaknesses during our review; however, our audit did identify a small number of minor control weaknesses which are summarised.

## 1.2 Follow up

We obtained a copy of the prior year auditor's report and discussed the progress in implementing the agreed actions with management. The outcome of this analysis was used to inform our audit strategy.

The two prior year audit findings identified appeared to have been addressed by management during the course of the 2014/15 year and no associated significant issues were identified during the course of our own work.

2013/14 Audit Finding	2014/15 Follow up
<p><b>Attendance records</b></p> <p><b>Summarised Observation / Recommendation</b></p> <p>One instance was identified where the attendance records for a student were not up to date on the central attendance software 'Enquirer'. This was found to be as a result of the course being in a separate location where manual attendance records were kept but not transferred in a timely manner to central College administration for input onto Enquirer. It was recommended that all courses where attendance is monitored remotely are identified and a</p>	<p>Our testing in this area has confirmed that suitable work has been undertaken by management to address this issue. No matters were noted within our testing this year.</p>

<p>weekly or monthly check put in place to ensure that attendance records have been received and updated on Enquirer.</p> <p><b>Management Response</b></p> <p>Agree. Full manual timesheets are recorded for this group of students attending our Raploch Campus for funding purposes. This information will be recorded timeously on Enquirer from Session 2014-15.</p>	
<p><b>ELS students</b></p> <p><b>Summarised Observation / Recommendation</b></p> <p>One instance was identified where a student had been recognised as requiring ELS, but did not attend the required meetings, and later withdrew from utilising this support.</p> <p>The College should consider a procedure which removes the manual element of this process.</p> <p><b>Management Response</b></p> <p>Initial discussions suggest that a fully automated system would be complex to implement within this area, however the College will ensure that monthly checks are undertaken to ensure that students flagged at the start of the year as requiring ELS support, take up this support, and that there is suitable documentation in place to confirm this.</p>	<p>We note that the College has implemented an electronic system to address the issue of ELS students remaining flagged on the system after withdrawal. No issues were identified during our testing of this area.</p>

### 1.3 Annex D – Risk Area 1 – Inclusion of non-refundable activity

Testing confirmed that procedures are in place for identifying elements of non-fundable activity, non-fundable programmes and programmes which span more than one academic session. We confirmed that cost recoverable courses are excluded from the SUMs count.

We obtained listings for all courses spanning into and out of the 2014/15 academic session and confirmed that SUMs were not claimed in respect of these courses.

No issues were identified.

## 1.4 Annex D – Risk Area 2 – Fundable/Non Fundable students

Testing adequately demonstrated that controls are effective in determining the fundable status of students. Eligibility for SUMs on the basis of whether a student was fundable or non-fundable was checked throughout for all students tested. No significant issues were identified and sufficient controls are in place to record the fundable status of students.

No issues were identified.

## 1.5 Annex D – Risk Area 3 - Classification HE/FE and FT or other than FT

HE and FE programmes for full time and part time courses were analysed and no errors were noted with regard to classification. Testing confirmed that full time students were correctly allocated 15 or 20 SUMs respectively while part time courses SUMs were assigned in accordance with SFC guidance.

No issues were identified.

## 1.6 Annex D – Risk Area 4 – Infill Students

We reviewed the programme data for evidence of infill students and no such cases were identified. Therefore, no further testing was required.

No issues were identified.

## 1.7 Annex D – Risk Area 5 – ECDL

We performed sample testing on ECDL data. This confirmed that where 7 ECDL modules were not completed, only a proportion of the maximum 4 SUMs were claimed correctly in line with guidance.

No issues were identified.

## 1.8 Annex D – Risk Area 6 – Dominant Programme Group Number

A sample of programmes was selected and reviewed to ensure the correct assignation of dominant programme group numbers to student course activity.

No issues were identified.

## 1.9 Annex D – Risk Area 7 – Enrolments / Attendance

We conducted an analytical review of the number of students enrolled on courses in comparison to the prior academic year and the reflection on the number of SUMs claimed; no significant variances were identified.

We reviewed a sample of enrolments to confirm that enrolment procedures had been followed and that students had been enrolled on their chosen programme of study. This included a review of the student's

attendance registers. We noted that, for a number of students (7 out of 27), enrolment dates on the forms were dated after the student's start date. From discussion with staff, we understand that this was because the default course start date on the system was not updated to reflect the students' actual start date following enrolment. In these cases, we reviewed the enrolment date to the date of first registered attendance and no issues were noted.

Further, it was observed that there were different versions of each type of enrolment form (full-time, part-time, flexible learning) in use throughout the year. This included a version from 2012, which had been manually amended to read 2014/15.

These observations represent minor control issues that should be addressed; however, no impact on the SUMs count was identified.

[See recommendation 1](#)

We reviewed a sample of 27 students to ensure that they attended class at least once after the 'required SUMs date'. In all instances, the students had been treated correctly in the return.

Withdrawal procedures were also tested through the review of a sample of 15 withdrawn students whose last date of attendance was within two weeks of their required (25%) date; per SFC guidance. For each student, we reviewed the withdrawal forms against the end date recorded in the electronic return and individual attendance registers. We noted that for one student the date recorded in the FES was the end date of the course, not the date of withdrawal, and so did not match the attendance records. There was no impact on the SUMs count, as the 25% date had already been reached; however, this does represent a minor control issue.

[See recommendation 2](#)

We are satisfied that the specifics of the prior year audit point regarding attendance records have been actioned by management. Our 2014/15 audit work did not identify any similar issues. See section 2 above.

## 1.10 Annex D – Risk Area 8 – Programme SUMs Claimed

Our programmes testing showed that SUMs had been correctly calculated for each programme.

In addition, our testing also showed that SUMs had been assigned correctly to those students undertaking courses categorised as DPG 18 and ELS.

No issues were identified.

## 1.11 Annex D – Risk Area 9 – Max claim of one FT course per student, per year

Programmes were investigated to ensure that appropriate SUMs had been claimed for those courses identified as 'related activity'. Discussion with staff confirmed appropriate treatment of students with multiple enrolments, specifically those attending full-time courses.

No issues were identified.



## 1.12 Annex D – Risk Area 10 – DPG 18 / ELS

All students enrolled on DPG 18 programmes, or for whom the College is claiming Extended Learning Support (ELS) SUMs, must have a Personal Learning Support Plan (PLSP) in place.

We reviewed a sample of DPG18/ELS students to confirm that PLSPs were in place for each student. Testing confirmed that PLSPs were in place for all students sampled and evidence was available to support SUMs claimed in line with SFC guidance.

We are satisfied that the specifics of the prior year audit point regarding attendance records have been actioned by management. Our 2014/15 audit work did not identify any similar issues. See section 2 above.

No issues were identified.

## 1.13 Annex D – Risk Area 11 – Fee Waiver Claim Form

SFC guidance notes that it is the responsibility of colleges to verify that students have produced appropriate evidence in respect of Fee Waiver claims. Each college should be able to provide summary details of the nature of the evidence presented if requested. However, colleges do not need to retain copies of the evidence.

For all Fee Waiver students tested, the evidence provided by the College was sufficient to ensure that required evidence had been provided by the student to substantiate their claim.

No issues were identified.

## 1.14 Annex D – Risk Area 12 – Open/ Distance Learning

We tested a sample of students undertaking open/distance learning programmes to review and test procedures for the monitoring of student progress.

Our testing found that all students were appropriately enrolled, were active in their chosen course of study and that progress was regularly monitored.

No issues were identified.

## 1.15 Annex D – Risk Area 13 – Collaborative Provision

The College delivers a number of courses in partnership with other organisations. We reviewed each of these courses and confirmed that they had been treated in line with SFC guidance on collaborative provisions.

No issues were identified.

# Recommendations

All actions have been given a risk rating as follows:

Risk rating	Definition
5	Very high risk exposure - Major concerns requiring immediate Board attention.
4	High risk exposure - Absence / failure of significant key controls.
3	Moderate risk exposure - Not all key control procedures are working effectively.
2	Limited risk exposure - Minor control procedures are not in place / not working effectively.
1	Efficiency / housekeeping point.

## 1. Enrolments

We reviewed a sample of enrolments to confirm that enrolment procedures had been followed and that students had been enrolled on their chosen programme of study. We noted that, for a number of students (7 out of 27), enrolment dates on the forms were dated after the student's start date. From discussion with staff, we understand that this was because the default course start date on the system was not updated to reflect the students' actual start date following enrolment. In these cases, we reviewed the enrolment date to the date of first registered attendance and no issues were noted.

Further, it was observed that there were different versions of each type of enrolment form (full-time, part-time, flexible learning) in use throughout the year. This included a version from 2012, which had been manually amended to read 2014/15.

These observations represent minor control issues that should be addressed; however, no impact on the SUMs count was identified.

We recommend that:

- Staff should be reminded that default data on the system should be retrospectively updated when actual data becomes available. An audit trail of any manual amendments should be maintained.
- The College should ensure that staff are made aware of which version of the enrolment forms are to be used and out of date forms should not be accepted.

**Risk rating: 2**

### Detailed Findings Ref: 1.9

**Management response:** Staff will be reminded of the need to accurately update enrolment start dates for individual students. Staff will be reminded to use the enrolment form for the correct session, and not to store old versions of enrolment forms.

**To be action by:** Student Records Manager

**No later than:** 22/12/2015

## 2. Course start/end dates

We reviewed the course start and end dates for each of the 27 students from the FES and compared this to the electronic attendance register. We noted that for five students the date recorded in the attendance system did not match the start date in the FES data and for one student, it did not match the end date in the FES data. This is due to course default start/end dates not being updated by staff to reflect the students' individual circumstances. Although irregularities were noted, there was no impact on the SUMs count, as the 25% date had already been reached; however, this does represent a minor control issue.

We recommend that:

- Staff are reminded of the need to ensure that attendance data is accurately recorded at the point of enrolment or withdrawal.

**Risk rating:** 2

### Detailed Findings Ref: 1.9

**Management response:** Staff will be reminded of the need to accurately update enrolment start and end dates for individual students.

**To be actioned by:** Student Records Manager

**No later than:** 22/12/2015

# Adjustments

No errors were noted through testing. There are no adjustments to raise for the year to 31 July 2015.

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# Annex A

## Audit Report

### Auditor's report to the members of the Board of Management of Forth Valley College

We have audited the FES return which has been prepared by Forth Valley College under the 'SUMS' Guidance issued by the Scottish Funding Council on 20 June 2014 and which has been confirmed as being free from material misstatement by the College's Principal in his Certificate dated 21 October 2015. We conducted our audit in accordance with guidance contained in the 2014-15 audit guidance for colleges. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of the data. The audit also included examination, on a test basis, of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material misstatement.

#### In our opinion:

- 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
- On the basis of our testing we can provide reasonable assurance that the FES return contains no material misstatement.

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**1. Purpose**

To update members on progress with the implementation of recommendations contained within internal and external audit reports.

**2. Recommendation**

That members note the content of the report and associated appendix.

**3. Background**

The College monitors progress against internal and external audit recommendations and reports on progress to each meeting of the Audit Committee.

**4. Summary of Changes**

The current audit recommendations are detailed in full in Appendix 1. The table below represents a summary of the current position of these recommendations as at 19 November 2015.

The dates used to determine whether a recommendation has passed its implementation date comes from the "Revised Completion Date" column in Appendix 1 attached to these papers.

The recommendations from the Marketing and Communications and Follow Up audits presented at the 27 August 2015 Audit Committee meeting were added to the appended recommendation tracker to make a total of 11 recommendations.

Since the last meeting of the Audit Committee, 2 of the 11 recommendations have reached a stage where the College considers them to be complete. These are highlighted in grey in the appendix.

The Follow Up and Marketing and Communications audit reports did not contain scheduled completion dates. These have been added where appropriate and the text is in red for easy reference.

There is one recommendation where an extension is being requested – 42 Business Development Monitoring of Actuals. The reason for this is included in the appendix.

	High	Medium	Low	N/a	Total
Live within date	0	5	3	0	8
Live recommendation passed implementation date	0	1	0	0	1
Completed since last report to Committee	0	0	2	0	2



5. Financial Implications

Please detail the financial implications of this item – There are no unexpected financial implications expected. All recommendations made to the College have either no cost (i.e. changes to existing procedures) or have been incorporated into College budget setting processes.

6. Equalities

Assessment in Place? – Yes  No

If No, please explain why – Monitoring of audit recommendations does not require equalities assessment. Where a recommendation does have an equalities impact through the amendment to policy, each individual policy will be assessed in line with College procedure.

Please summarise any positive/negative impacts (noting mitigating actions) – Not applicable

7. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – Any risk to the College would arise from the failure to implement agreed audit recommendations. Regular monitoring, along with accountability for each recommendation being assigned an SMT and action owner; ensures this does not occur.

Risk Owner – Alison Stewart

Action Owner – Stephen Jarvie

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes  No

Health and Safety – Yes  No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

ID	Audit Name	Date of Audit	SMT Owner	Action Owner	Recommendation	Management Response	Priority	Evaluation	Scheduled Completion Date	Revised Completion Date	Evidence	Completed
34	Student Finance	31/01/2014	Alison Stewart	Louise Burnett	Continuous Improvement - We would recommend that consideration be given to introducing KPIs to allow the success of the online application process to be monitored. Success measures may include: - Number of applications processed first time - Number of complaints received - %age of students receiving back dated funding. We would recommend that trends are monitored and consideration given to any further action/system improvements which may be required which will only be identified after a number of application rounds have been completed.	This is something that can be implemented in AY 2015/16	(3)Low	Nov 15 - We have introduced some KPI's, these are currently used by Finance Manager and fed to SMT through Director of Finance Aug 2015 - we will be able to do % of complaints now and back dated - due to processing we have not established if we can report on no of applicants processed first time - however we are able to process on stages of applications and compare with last session, we are also recording the no of documents processed in a week and other trends - once we are further into the application process we will produce comparison reports on data we hold Feb 2015 - currently planning for 15-16 Sept 14 - No further update May 2014 - No further update April 2014 - To be reviewed for implementation in AY 2015/16	29/08/2014	31/12/2015 (Agreed by Audit Committee 20 November)	KPI Spread sheet provided	Yes
42	Business Development Processes – Phase I	20/03/2014	Colette Filippi		Monitoring of Actuals - We would recommend that consideration is given to conducting actual versus modelled reviews – in particular for some of the college's most significant contracts. To support this consideration should be given to trialling time recording on the most significant contracts in order to gauge the accuracy of currently modelled positions and the validity of current pricing.	The ability to record time against contracts is complicated by contracts infilling with each other and into core delivery. To support a review of actual staffing costs v budgeted it is proposed that a review of planned hours & £ budget is compared with actual hours recorded in Celcat and £ actual cost at departmental level. This will be completed at the end of each academic session.	(2)Medium	Nov 2015 - Finance still finalising year end accounts and this will be utilised to run a comparison Aug 2015 - Will be undertaken pre the end of Oct 2015 May 2014 - This will be undertaken by finance at the end of the academic year. February 2015 - No further update. This activity is scheduled for completion in June/July 2015 September 2014 - Same as in May as year end still to be reached. May 2014 - This will be undertaken by finance at the end of the academic year.	31/10/2015	31/01/2016		No
63	Payroll	24/10/2014	Alison Stewart	Louise Burnett	Receipt of Changes to Employee Information - Any changes to be made to employee records come largely through email either directly to the Payroll Coordinator or to HR, who then pass on information to Payroll. Changes are not currently reported in a standard template or form. We recommend that standard forms are utilised for employees to report change of details to ensure information provided in consistent and of sufficient detail. Consideration should also be given as to whether there is scope for making this form available for employees to submit on SharePoint. This could then be sent to both HR and Payroll to ensure both departments receive the same information.	Agreed Action: An infopath form available through SharePoint would be the best way to capture any changes to employee details, due to staff availability this will be reviewed towards the end of year	(3)Low	Nov 15 - the new staff portal is live and we are processing the expenses and additional hours through it, the change of bank details form is now in development, staff will open a link enter details and these will be emailed to Payroll and it is hoped to launch in early December July 15 - This process is being incorporated into the new Staff Portal that IS Development and HR have developed. The portal is going to be a one stop shop were staff will be able to change their name, address and bank details, view their absence and PRD info as well as process claims for expenses and additional hours/overtime. It is hoped that the portal will be launched mid august and we will need to document processes between HR and Payroll	01/12/2015			No
68	Follow Up	06/08/2015	Alison Stewart	Stephen Jarvie	Business continuity: Disaster Recovery plan - Perform a test of the disaster recovery plan as soon as practicable, record the results and review them in order to feedback any revisions or improvements into the plan.		(2)Medium	Nov 15. Test scenarios developed and session with SMT and key managers scheduled to perform test in Jan 16.	01/02/2016			
69	Follow Up	06/08/2015	Alison Stewart	Diane Creed	Stock control: EPOS system -The EPOS system should continue to be implemented as soon as possible, with due consideration given to the difficulties encountered in its implementation.		(2)Medium	Nov 15 - This is still ongoing as a College project but significant progress has been made. Almost all contracts with suppliers are in place now and all suppliers are on the TUCO framework. This will make stock control using the BLEEP system much simpler in the long run.	01/04/2016			
70	Follow Up	06/08/2015	Andrew Lawson		Community Planning Partnerships - Continue to upload items to SharePoint and update the directory		(3)Low	Nov 2015 - This process is now in place and working effectively. A annual meeting at the point of the development of SOA is in place to capture key areas for the college .			<a href="http://infoadmin/govern/cpp/default.aspx">http://infoadmin/govern/cpp/default.aspx</a>	Yes
72	Communications and Marketing	01/08/2015	David Allison	Lyndsay Condie	College Branding (Departments) The teaching material produced at a departmental level did not fit the current style and branding associated with the College.	Departmental cover sheets will be rolled out across the department and act as a standard template for corporate style and branding. Marketing and Communications Officers will hold regular meetings with Department and Curriculum Heads to ensure the College brand is adhered to. The print unit staff will also identify any departmental materials of a poor quality and feed this back to the Marketing and Communications Officers to discuss at their meetings with departments. The current print environment set up only allows print volume to be reported for each user, but there are plans to retender the print environment and as part of this we will investigate including enhanced reporting mechanisms.	(2)Medium	Nov 15 - In progress. Staff are working with individual teaching departments to promote the usage of these cover sheets. Templates currently introduced to the department of HSS and being rolled out.	01/03/2016			
73	Communications and Marketing	01/08/2015	David Allison	Lyndsay Condie	Data Storage It was found that one of the Graphic Designers held information on a local drive which was not backed up to the secure server.	The College will ensure that all work is backed up safely and securely on the remote server to prevent loss or theft of marketing activities.	(2)Medium	Nov 15 - No update at this time.	01/04/2016			

74	Communications and Marketing	01/08/2015	David Allison	Lyndsay Condie	Copyright Policy There was no approved Copyright Policy in place to provide guidance to staff on key regulatory requirements when publishing teaching notes and conducting advertising campaigns.	The College will finalise the Copyright Policy and roll out formal training, which will be delivered through the performance management framework.	(2)Medium	Nov 15 - A draft of the policy is available and a further meeting in due to take place in early December.	01/06/2016			
75	Communications and Marketing	01/08/2015	David Allison	Lyndsay Condie	Workboard Sign Off & Reporting There was a lack of documented sign off for both 1st draft and final versions of published material on Workboard. Weekly reports could be better utilised to identify such instances and to ensure Workboard is an accurate reflection of the department's activity.	Staff will be reminded of the importance of capturing both 1st draft dates and final sign off on Workboard. This will ensure that there is a trail for KPI purposes in relation to meeting internal deadlines for projects and evidencing authorisation. The College will investigate further electronic sign off which can be evidenced in Workboard and in the meantime ensure there are clear links captured on Workboard to the sign off mechanism and where this is held. With regards the final paragraph in the Findings section, Management feel that there is sufficient reporting in place. It is also felt that sufficient review of this reporting is completed to ensure department activity is overseen and challenged effectively. Therefore no further action on this finding is proposed.	(3)Low	Nov 15 - Electronic document sign off licence as been purchase and the department is currently looking into the roll out procedures.	01/01/2016			
76	Communications and Marketing	01/08/2015	David Allison	Lyndsay Condie	Role Profiles Some of the role profiles for staff within the Department were still to be reviewed and updated as part of the on-going review cycle.	The Marketing and Communications roles will be regularly reviewed as per the normal College practice and also to reflect advances in digital technologies.	(3)Low	Nov 15 - No update at this time.	01/06/2016			

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1. Purpose

To present members with the Strategic Risk Register for the College.

2. Recommendation

That members note the content of the register attached to this paper, the actions taken to date and changes to risks as outlined below.

3. Background

The College continues to monitor Strategic Risks to the College. These risks are discussed at SMT meetings and are also brought to each meeting of the Audit Committee.

The College has also, in association with AECOM, developed an Estates Risk register which is overseen by the Falkirk Campus Project Board. A copy of this register is also attached for information.

4. Changes to the Risk Register

Risk ID 16 – National Bargaining. The score for this risk has risen to take into consideration the potential for national strike action by both recognised Trade Unions.

Risk ID 18 – Commercial Income. This is a new risk tied into reduction in some areas of College commercial activity.

5. Financial Implications

**Please detail the financial implications of this item** – Financial implications for relevant risks are outlined in the attached Strategic Risk Register.

6. Equalities

Assessment in Place? – Yes  No

**If No, please explain why** – The Strategic Risk Register document does not require equalities impact assessment. Individual risks may result in Equalities assessments being completed for new/revised College policies and procedures.

**Please summarise any positive/negative impacts (noting mitigating actions)** – Not Applicable

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**7. Risk**

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – Risk continues to be comprehensively managed and reviewed across the College on an ongoing basis.

Risk Owner – Ken Thomson

Action Owner – Alison Stewart

**8. Other Implications –**

Please indicate whether there are implications for the areas below.

Communications – Yes  No

Health and Safety – Yes  No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

Forth Valley College Strategic Risk Register

Risk Management and Mitigation						Owners			Initial Risk Score			Score After Mitigation			Change to score since last meeting	Date Added and Date Score Updated
ID	Area	There is a real or perceived risk that...	Potential Consequences	Mitigating Actions	Actions/Progress to Date	Board Committee	SMT Risk Owner	Action Owner	Likelihood	Impact	Risk Score	Likelihood	Impact	Risk Score		
12	Finance	Government accounting rules restrict Colleges ability to use available resource at the Board's discretion.	<ul style="list-style-type: none"> <li>Inability to utilise surplus cash</li> <li>Additional complexity of managing projects over a number of financial years</li> <li>Unable to spend our capital without appropriate budget cover</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of revised budgeting and forecast processes to support decision making</li> <li>Transfer of surplus funds to Arm's Length Foundation</li> </ul>	<p>November 2015 No further update at this time</p> <p>August 2015 No further update at this time.</p> <p>May 2015 £1.1M donated to FVC Foundation in March 15. SFC/SG &amp; College group set up to review long term implications. indication is that for 2015/16 surplus cash should be used to fund shortfall in Student Support.</p> <p>March 2015 Further paper going to Finance Committee in March. Ongoing discussions with SFC and Scottish Government on how we can utilise surplus cash</p> <p>November 2014 • Paper going to Finance Committee on implications of resource budgets - 25/11/14</p> <p>May 2014 • Processes in place for drawing down funding from SFC based on cash flow projections</p>	F	APEDF	APEDF	H	VH	20	H	VH	20	↔	March 2015 - Score increased from 12 to 20 01/05/2014
14	Governance	That the College will be in breach of the covenants relating to the £4.5m term loan facility with Barclay's bank.	Could require immediate repayment or seek to renegotiate facility on less favourable terms	<ul style="list-style-type: none"> <li>Barclays have been kept informed through the year on the implications of ONS and the possibility of a breach of covenants.</li> </ul>	<p>November 2015 No further update at this time</p> <p>August 15 Meeting held with Barclays in July 15. Chris Hearn, Head of Education in Barclays is progressing the removal of covenants.</p> <p>May 2015 Meeting set up with Barclays to discuss further. College is likely to breach covenant again at 31 July 2015 due to donation to FVC Foundation.</p> <p>March 2015 The accounts have now been submitted to Barclays. AS met Barclays in February and they are still reviewing their position</p> <p>November 2014 • No further update as unable to submit 2013/14 Accounts to Barclays until they have been laid before Parliament.</p> <p>May 2014 • AS met with Chris Hearn, Head of FE/HE Sector at Barclays to discuss the implications of the ONS reclassification on Scottish FE colleges and why this differs from the rest of the UK, in preparation for paper they will need to submit to Barclay's credit department.</p>	F	APEDF	APEDF	VH	H	20	VH	H	20	↔	March 2015 - Score increased from 15 to 20 01/06/2014
16	Finance	National bargaining will impact on the salary structure and terms and conditions of both support and teaching staff	<ul style="list-style-type: none"> <li>Inability to fund pay increases agreed at a national level without impacting on College operations/existing staffing establishment</li> <li>Inability to effectively manage industrial relations with recognised College unions as a result of decisions/proposals made at a national level</li> </ul>	<ul style="list-style-type: none"> <li>Continue effective local employee relation communication with Unison and EIS/FELA</li> <li>Participate in and contribute to the National Bargaining process</li> <li>Identify efficiencies to ensure affordability</li> </ul>	<p>November 2015 National Recognised Procedure Agreement signed by all colleges and a pay offer has been communicated to both unions which has subsequently been rejected and both unions are considering industrial action.</p> <p>July 2015. National Bargaining Process is in the process of being signed by all colleges. This will enable the pay negotiations to move forward and take place at a National Level. The outcome of negotiations will determine the next stage. FVC has budget in place to meet the suggested level of increase for staff</p> <p>May 2015 Discussions continue with National Bargaining Committee and Scottish Government no further information as been received</p> <p>March 2015 - First draft of Recognised Procedural Agreement (RPA) discussed</p> <p>November 2014 - No significant changes</p> <p>May 2014 • College continues to monitor developments at a national level and share information with recognised trade unions.</p>	HR	P	APEDHROE	VH	H	20	VH	H	20	↑	Jun-14
18	Finance	The current economic environment, particularly in relation to the Oil & Gas sector, and international unrest will impact on the College's ability to generate commercial income	Loss of commercial income impacting on the College's ability to cover its overheads and generate surpluses	Identification of new income streams/ expansion of unaffected existing streams and other funding streams	Meeting held with all Heads of Teaching department to identify new streams of income	F	CF	CF	VH	H	20	VH	H	20		Nov-15

Forth Valley College Strategic Risk Register

1	Estates	there will be inadequate facilities for learners due to lack of capital investment	<ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Inability to deliver quality learning facilities to the same standard as Alloa and Stirling Campuses</li> <li>• Prohibitive on-going maintenance costs for Falkirk</li> <li>• Restriction on ability to grow commercial income</li> <li>• Expiry of temporary occupation certificates for Carron &amp; Grange buildings</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of Falkirk Outline Business case (OBC)</li> <li>• Development of Funding Strategy which will require SFC approval</li> <li>• Maximising receipts from existing assets</li> <li>• Negotiate extension to temporary occupation certificate with Falkirk Council</li> </ul>	<p>November 2015 - Architect appointed June 2015, Legal Advisor appointed November 2015, Conditional Legal Missives concluded for additional Middlefield strip October 2015.</p> <p>August 2015. Financial Advisors appointed and preferred legal advisors identified. Architects consultation meetings with staff underway. Work ongoing to develop FBC.</p> <p>May 2015 Technical Advisor appointed April 2015.</p> <p>March 2015 - Middlefield demolition complete. Technical Advisor tenders returned 6 March 2015. OJEU for architect issued.</p> <p>November 2014</p> <ul style="list-style-type: none"> <li>• NPD funding strategy announced in Scottish Government October 2014 budget for Forth Valley College</li> <li>• Agreement reached with SFC to fund demolition of Middlefield campus; demolition programmed to start in November 2014.</li> <li>• Falkirk OBC completed and to be submitted to SFC for approval in December 2014</li> <li>• Ongoing discussions with SFT and SFC re overall procurement route, FBC and next steps</li> </ul> <p>May 2014</p> <ul style="list-style-type: none"> <li>• Fundraising proposal for Middlefield demolition submitted to SFC</li> <li>• Paper on demolition proposal on Board of Management agenda for 26 June 2014.</li> </ul> <p>8 April 2014</p> <ul style="list-style-type: none"> <li>• SFC advised on 7/2/14 they are happy for FVC to proceed to developing Falkirk Business Case, with proviso that capital funding is constrained.</li> <li>• Falkirk OBC tender commenced</li> </ul> <p>13 January 2014</p> <ul style="list-style-type: none"> <li>• New concept plan for Falkirk developed and presented to Board of Management on 12 December 2013.</li> <li>• New concept plan for Falkirk issued to SFC on 7 January 2014, seeking support to progress to OBC.</li> <li>• Funding Strategy Group agreed, first meeting to be arranged.</li> </ul>	B	APEDED	APEDED	VH	VH	25	M	VH	15	↔	Nov-14 score reduced from 20 to 15 Added - 01/08/2013
17	Finance	changes to legislation regarding overtime as part of holiday payments may lead to retrospective costs for the College.	<ul style="list-style-type: none"> <li>• Financial cost to the College that has not been budgeted for</li> <li>• Staff/Union relationships whilst this matter is being resolved</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring situation as it proceeds through a variety of legal steps</li> <li>• Commence contingency planning to identify potential staff affected by this ruling and costs to the College</li> </ul>	<p>November 2015 No further developments at this time</p> <p>July 2015 No further update at this time</p> <p>May 2015 No further information received regarding this</p> <p>March 2015 - No update at this time</p>	HR	APEDHROE	APEDHROE	H	H	16	H	M	12	↔	Nov-14
10	Finance	The Government has announced that it is ending the contracting out regime from the 2nd state pension scheme from 1 April 2016 .	<ul style="list-style-type: none"> <li>• Unavoidable increased employers NI contributions (loss of 3.4% rebate for all employees in pension scheme)</li> </ul>	<ul style="list-style-type: none"> <li>• Provision to be included into 15/16 budget</li> <li>• Clear communication with staff on the requirements placed upon the College and impact on budgets</li> </ul>	<p>November 2015 No further update at this time</p> <p>August 2015 Affordability of increase has significant impact on 16/17 budget which is currently in deficit.</p> <p>May 2015 Draft budget for 2015/16 currently being prepared and will reflect the changes. Budget will be presented to June Finance Committee and Board of Management. March 2015</p> <p>Will be incorporated into 2015/16 budget</p> <p>November 2014</p> <ul style="list-style-type: none"> <li>• Additional cost factored into 2015/16 reforecast.</li> </ul> <p>May 2014</p> <ul style="list-style-type: none"> <li>• No further update at this time</li> </ul> <p>8 April 2014</p> <ul style="list-style-type: none"> <li>• No further update at this time</li> </ul> <p>17 January 2014</p> <ul style="list-style-type: none"> <li>• Initial estimate of cost is £350k</li> </ul>	F	APEDF	APEDF	VH	M	15	VH	L	10	↔	Nov 14 Score reduced from 15 to 10 Added - 01/01/2014
11	Governance	the Forth Valley College Foundation does not operate as originally envisaged.	<ul style="list-style-type: none"> <li>• Loss of control over surplus cash by Forth Valley College</li> </ul>	<ul style="list-style-type: none"> <li>• Memorandum of Understanding agreed between parties</li> </ul>	<p>November 2015 No further update at this time</p> <p>August 2015 Foundation approved grant application.</p> <p>May 2015 Grant Application submitted and awaiting confirmation of meeting date with Foundation to review application. March 2015</p> <p>The Foundation were supportive of the new Falkirk campus developments and the grant application will be submitted for the FBC costs</p> <p>November 2014</p> <ul style="list-style-type: none"> <li>• Meeting scheduled with Foundation 3 December 2014</li> </ul>	B	APEDF	APEDF	M	VH	15	L	VH	10	↔	May-14
15	Business Continuity	As the College becomes ever more reliant on IT and systems to deliver to our learners, and to support learners and staff, that disruption to this provision has a more significant impact.	<p>The College could experience loss of access to any of its core systems, which could result in loss of service to staff and/or learners, or could impact our ability to deliver learning.</p>	<ul style="list-style-type: none"> <li>• The IT Disaster Recovery plan is maintained, and shows the impact of the loss of each of our core systems, and how we would recover each of these core systems</li> <li>• The College's Business Continuity is updated and informs when to access the College's IT Disaster Recovery Plan</li> <li>• The College's Business Continuity Plan is tested</li> </ul>	<p>November 2015 No further update</p> <p>August 2015 An additional high-speed internet connection was installed in May to provide resilience</p> <p>May 2015</p> <ul style="list-style-type: none"> <li>• An additional internet connection to provide resilience should there be any disruption to our main connection has been purchased and will be configured and tested this month.</li> </ul> <p>March 2015</p> <ul style="list-style-type: none"> <li>• We are planning to install an additional internet connection to provide resilience should there be any disruption to our main connection.</li> </ul> <p>November 2014</p> <ul style="list-style-type: none"> <li>• No Further Update</li> </ul> <p>May 2014</p> <ul style="list-style-type: none"> <li>• IT services participating as pilot department for Business Continuity planning processes</li> </ul>	F	APEDIS	APEDIS	L	VH	10	L	H	8	↔	Jun-14

Forth Valley College Strategic Risk Register

3	HR	Financial restrictions limit the ability to fund pay increases	<ul style="list-style-type: none"> <li>Low staff morale</li> <li>Inability to attract and/or retain key staff</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of alternative benefits (i.e. additional holidays, salary sacrifice schemes, season ticket loan for travel, Edenred Staff Benefits system)</li> <li>Clear communication with staff and engagement with Unions on funding restrictions</li> </ul>	<p>November 2015 National Recognised Procedure Agreement signed by all colleges and a budgeted pay offer has been communicated to both unions which has subsequently been rejected and both unions are considering industrial action.</p> <p>July 2015. National Bargaining Process is in the process of being signed by all colleges. This will enable the pay negotiations to move forward and take place at a National Level . The outcome of negotiations will determine the next stage . FVC has budget in place to meet the suggested level of increase for staff</p> <p>May 2015 National Bargaining process remains ongoing which could result in local pay negotiation taking place. Financial details require to be worked through.</p> <p>March 2015 - No longer a risk pay settlement accepted by both unions. However, new risk for 15/16 is the implications of national bargaining. College agreed not to negotiate until RPA is signed.</p> <p>November 2014 - UNISON accepted pay offer</p> <p>28 May 2014  <ul style="list-style-type: none"> <li>EIS/FELA have accepted the pay award for 14/15 and this has now been processed. A revised pay offer to Unison has now been made.</li> </ul> </p> <p>8 April 2014  <ul style="list-style-type: none"> <li>Pay offer made to EIS and Unison to be taken to members - awaiting outcome</li> </ul> </p> <p>17 January 2014  <ul style="list-style-type: none"> <li>Pay offer now accepted by both unions and implemented December 13. Implementation plan for Staff Survey underway and will be communication to staff early February</li> </ul> </p>	HR	APEDHROE	APEDHROE	H	H	16	L	M	6		Nov-14 Score reduced from 12 to 6 (April 2014 score increased from 9 to 12) (January 2014 Score reduced) (21 November 2013 increased) August 2013
8	Governance	In the event of a serious incident, the lack of an up to date and tested Business Continuity Plan could lead to increased risk, delay and costs	<ul style="list-style-type: none"> <li>Full review of business continuity conducted by Baker Tilly resulting in a number of recommendations</li> <li>Initial investigation of engaging external specialist to conduct review of BCP and implementation of audit recommendations</li> <li>Creation of BCP policy which will govern frequency of update and testing of new plan</li> </ul>	<ul style="list-style-type: none"> <li>Full review of business continuity conducted by Baker Tilly resulting in a number of recommendations</li> <li>Initial investigation of engaging external specialist to conduct review of BCP and implementation of audit recommendations</li> <li>Creation of BCP policy which will govern frequency of update and testing of new plan</li> </ul>	<p>November 2015 Test scenario developed. Test will occur Jan 2016 to accommodate scheduling issues.</p> <p>August 2015 Business continuity plan in place. Testing to occur during early 2015/16 to close of this risk.</p> <p>May 2015 No further update</p> <p>March 2015 Business Continuity Plan developed and approved by SMT</p> <p>10 November 2014  <ul style="list-style-type: none"> <li>Business Continuity Plan being developed</li> </ul> </p> <p>May 2014  <ul style="list-style-type: none"> <li>Business Continuity Policy approved</li> </ul> </p> <p>8 April 2014  <ul style="list-style-type: none"> <li>Discussions undertaken with colleagues at Strathclyde University and Stirling University. Draft Business Continuity Policy prepared and will be presented to Audit Committee on 1 May 2014.</li> </ul> </p> <p>17 January 2014  <ul style="list-style-type: none"> <li>Scope for services required to meet recommendations within Audit Report developed</li> <li>Potential candidate list for consultancy services created</li> <li>Discussions on next steps on-going</li> </ul> </p> <p>21 November 2013  <ul style="list-style-type: none"> <li>No actions to date - paper will be taken to SMT to get approval to appoint consultant to support development of new BCP</li> </ul> </p>	A	P	APEDF	L	VH	10	L	M	6		Nov-13
9	Strategic	Failure to deliver upon targets within Outcome Agreement impact upon the College	<ul style="list-style-type: none"> <li>Impact on future financial settlements</li> <li>Reputational damage</li> <li>Potential removal of Board members</li> </ul>	<ul style="list-style-type: none"> <li>KPI reporting to relevant committees to ensure appropriate monitoring occurs</li> <li>Robust internal monitoring processes to ensure KPI achievement</li> <li>Regular engagement with SFC on progress and expectations</li> </ul>	<p>November 2015  <ul style="list-style-type: none"> <li>Early Draft Outcome Agreement for 2016/17 going to Strategic Development Committee on November 19th.</li> <li>2014/15 Outcome Agreement Self Evaluation submitted to SFC on 31st October, with key targets met.</li> </ul> </p> <p>August 2015 No further update</p> <p>May 2015 Outcome Agreement for 2015/17 agreed with SFC</p> <p>March 2015 - The College continues to monitor progress against all targets</p> <p>November 2014  <ul style="list-style-type: none"> <li>Draft Outcome Agreement for 2015/17 going to Strategic Development Committee on November 20th.</li> <li>2013/14 Outcome Agreement Self Evaluation submitted to SFC on 31st October, with all key targets met.</li> </ul> </p> <p>8 April 2014 KPI's for 2012/13 reported to SDC ??</p> <p>16 January 2014  <ul style="list-style-type: none"> <li>Draft Outcome Agreement shared with Strategic Development Committee and Board of Management</li> <li>Draft Outcome Agreement shared with SFC, with changes made following suggested enhancements</li> </ul> </p> <p>21 November 2013  <ul style="list-style-type: none"> <li>2012/13 Outcome Agreement self evaluation completed and returned to SFC identifying that key targets within the Outcome Agreement have been met.</li> <li>Regular meetings between College and SFC Regional Outcome Agreement manager</li> <li>Software to produce KPI reports tested</li> </ul> </p>	SDC	APEDIS	APEDIS	L	VH	10	L	M	6		Aug-13



# Forth Valley College : New Falkirk Campus

## Project Risk Register

Risk Identification						Current Risk Assessment (Pre Mitigation)			Forecast Risk Assessment (Post Mitigation)			Management Actions Planned/ Mitigations	Progress to Date	Risk Owner	Action Owner	Review by Date	Comments
Project Risk Reference	Category	Project Stage	Allocation,	Risk Description- Causes	Consequence	Likelihood	Impact	Rating	Likelihood	Impact	Rating						
1	FINANCIAL	Pre Financial Close	Public Sector	The college has insufficient funding to cover the non-NPD costs (FF&E, land, design fees, VAT etc - currently £9.6m), due to :  1) Failure to sell the land at Alloa to support the non NPD costs:  2) Public Sector Funding pressures leading to reduced budgets for maintaining existing infrastructure until the new build is complete.	Resulting in:  1) Interior standard of building poor, building cannot be occupied; prevents project going ahead; having to utilise older equipment from existing Falkirk Campus.  2) £3m funding gap delays the programme.  3) Potential negative impact on H&S and on staff and student environment.	5	5	25	5	5	25	Discussion on potential sale of assets to occur; Grant applications to foundation; SFC approval to top-slice capital grant; seeking external funding support.	Meeting held with SFC. Grant application submitted to Foundation on Wednesday 24th June. £2m sale allowance.  CBRE appointed and advising College on sale of the Alloa land.  CBRE and the College (Tom Gorman) meeting to discuss a value of the Falkirk campus as it exists. Land at Alloa responsibility of CBRE for sale.	Tom Gorman	Tom Gorman	Monthly	
2	FINANCIAL	Pre Financial Close	Public Sector	Location of Mobile Phone Mast (contracted in place to Feb 2023 and no get out clause) on the roof of the existing college building.	Unforeseen cost to relocate the mast and potential delay to programme.	5	5	25	4	5	20	Review the contract with mobile mast company to understand the financial implications of relocation and/or removal.	CMS (legal adviser) has reviewed the contract and concluded there is no way out of the contract terms.  Options are to negotiate to move to the new College or get the new owner of the existing site to take on board (one any sale is finalised).	Tom Gorman	Legal Advisor	Monthly	
3	FINANCIAL	Pre Financial Close	Public Sector	There is insufficient budget from SFT to cover estimated NPD costs at OBC stage and FBC stage.	1) Interior standard of building poor, building cannot be occupied; prevents project going ahead 2) College exposed to paying upfront costs to complete a FBC without getting approval from SFC/SFT to proceed with project.	5	5	25	3	3	9	Discussion with SFT/Scottish Government over using existing assets to support the funding of the project.  FBC will fit the final budget allocated.		Tom Gorman	Tom Gorman	Monthly	
4	STAKEHOLDERS and PARTNERS	Operational	Public Sector	Inability to deliver commercial contracts during transfer phase between old and new campuses resulting in possible financial penalty payments.	Reputational damage with key partners; inability to deliver in the same manner during the transition period. Equipment which requires substantial timelines to remove and install in new build specifically the INEOS rig and Distillation Plant	5	5	25	3	3	9	Clear exit strategy from existing to new campus for all re-usable engineering/specialist equipment.		Tom Gorman	Tom Gorman	Monthly	
5	EXTERNAL	Pre Financial Close	Public Sector	ONS rule that SPV's on NPD projects are publically controlled (ESA2010).	Project cancelled or postponed until alternative funding model identified.	4	5	20	4	5	20	Outwith control of the College / TA team. This is an accepted risk.  SFT advised that it cannot consider the FBC until ESA2010 issue is resolved which could result in programme delays post FBC.	Agreed that the team will complete the FBC and then liaise with SFT over the next steps.	Tom Gorman	Tom Gorman	Monthly	
6	PROJECT MANAGEMENT	Pre Financial Close	Public Sector	Insufficient College resources to support the project.	Consequence is no knowledge within the team of how to deliver an NPD project resulting in programme / quality issues.	4	5	20	3	5	15	Fully staffed project with backfilling in place where required. SFT on project board; appropriate Board membership with skills and knowledge; SMT presence on Board as appropriate. Employment of Technical Advisors.	Co-option of member with NPD experience; clear remit for the Project Board approved by FVC Board of Management; training in place. AECOM as TA have been appointed.  A member of the Board can advise on NPD. having had experience of it previously. Claire and Jacqueline are advising on internal matters. Alison Stewart now attending progress meetings to increase knowledge.	Tom Gorman	Tom Gorman	Monthly	
7	ESTATE	Pre Financial Close	Public Sector	The College may be unable to secure the additional land within the Gateway site (belonging to Calendar Estates).	Delay the project and require re-design; re-appraisal of site options	4	5	20	2	5	10	Signed conditional missives, final signed land transaction.	Agreed heads of terms; draft missives prepared.  Legal Adviser confirmed likely to concluded end of October 2015.	Tom Gorman	Tom Gorman	Monthly	



# Forth Valley College : New Falkirk Campus

## Project Risk Register



Risk Identification						Current Risk Assessment (Pre Mitigation)			Forecast Risk Assessment (Post Mitigation)								
Project Risk Reference	Category	Project Stage	Allocation,	Risk Description- Causes	Consequence	Likelihood	Impact	Rating	Likelihood	Impact	Rating	Management Actions Planned/ Mitigations	Progress to Date	Risk Owner	Action Owner	Review by Date	Comments
8	STAKEHOLDERS and PARTNERS	Pre Financial Close	Shared	Arts Centre / Auditorium – programme and commercial issues due to the introduction of this significant element and 3 <sup>rd</sup> party arrangement with Falkirk Council.	Programme delays, commercial issues, financial issues, relationship issues.	4	4	16	4	4	16	Falkirk Council yet to approve the Arts Centre proposal within the New Falkirk Campus (decision to be made 16th December 2015). Arts Centre PM has been appointed to liaise between parties. Key is understanding requirements.	Arts Centre PM appointed. Theatre consultant to be appointed post FBC.	Tom Gorman	Tom Gorman	Monthly	
9	PROJECT MANAGEMENT	Pre Financial Close	Public Sector	Delay in submission and/or approval of the full business case at FVC Board/SFC/SFT and Scottish Government level.	Impact on the original timescales of the project delivery per the OBC. FBC not approved and knock on programme implications.	4	4	16	4	4	16	Appoint Technical Advisor. Progress FBC as early as possible.	AECOM appointed as Technical Advisor. Regular FBC meetings taking place and clear responsibilities understood. Draft FBC to be issued to College in November 2015.  FBC now delayed until December 2015 due to ESA2010 issues.	Tom Gorman	AECOM TA	Monthly	
10	PROJECT MANAGEMENT	Pre Financial Close	Shared	Inadequate capacity in the surrounding utility networks to the site.	College may be asked to pay contributions to for potential upgrades to the network. These costs have not been allowed for in the budget.	4	4	16	2	4	8	Check on the current capacity with the utility providers.	AECOM M&E are already receiving quotations from utility providers for connecting into their networks and so far that have not been any comments to suggest inadequate capacity.	Tom Gorman	AECOM TA	Monthly	

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	Mar 16	Jun 16
Apologies for Absence	✓	✓
Declarations of Interest	✓	✓
<b>For Approval</b>		
Minutes of Previous Meeting	✓	✓
Draft Report and Financial Statement 2014/15 - Joint item with Finance Committee		
Draft External Audit Annual Report to the Board of Management		
Chairs Annual Report to the Board of Management		
SDS Audit Report		✓
<b>For Discussion</b>		
Matters Arising	✓	✓
Progress Report on Audit Recs	✓	✓
<b>Internal Audit Reports</b>		
• wSUMs		
• Treasury and Cash Management	✓	
• Income and Debtors	✓	
• Health and Safety	✓	
• IT Healthcheck	✓	
Risk Management	✓	✓
AOCB	✓	✓

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