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**Boardroom, Falkirk Campus (commencing at 4.30pm)**

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

In Attendance: Mrs Alison Stewart, Associate Principal and Executive Director of Finance  
Mr Stephen Jarvie, Corporate Governance and Planning Officer  
Mr Stuart Inglis, Henderson Loggie  
Mr Michael Smith, Scott Moncrieff  
Mr Zahid Hanif, Scott Moncrieff  
Mrs Zak Stark, Development Manager, (for item A/15/031)

**A/15/026 Apologies for Absence**

Ms Angela Winchester

**A/15/027 Declarations of Interest**

None

**A/15/028 Minute of Audit Committee of 1 December 2015 and 10 March 2016**

The Chair noted that, as the last meeting had not been quorate, it was necessary to approve the previous two sets of minutes.

The Minutes of 1 December 2015 and 10 March 2016 were approved as accurate.

**A/15/029 Matters Arising**

**a) A/15/021 Internal Audit Programme Progress Report**

The Chair requested an update on progress with the Board Risk workshop.

The Associate Principal and Executive Director of Finance confirmed that she had a meeting with the Chair of the Board of Management the following week where this would be discussed. She indicated that the risk workshop would likely take place at the same time as the September strategic session for the full Board of Management.

**A/15/030 External Audit Planning Memorandum**

Mr Stuart Inglis, Henderson Loggie, presented the proposed audit schedule for the College. He noted that this had been based upon relevant guidance and discussions with senior College staff.

- a) Members approved the External Audit Planning Memorandum
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**A/15/031 JTL Audit Report**

The Development Manager attended the meeting to present on a recent compliance audit from the awarding body for CompEx courses.

He outlined CompEx activity and highlighted that there had been no recommendations made.

He also confirmed that the CompEx 14 trainer at the College was the only one in Scotland.

Members queried the College's succession planning for the individual and the Development Manager outlined the intended route to train additional staff.

- a) Members noted the content of the report

**A/15/032 Presentation of Internal Audit Reports**

Zahid Hanif, Scott Moncrieff, presented members with the internal audit report for IT Health Check.

He noted that there were no high level recommendations and 2 medium and 4 minor recommendations made.

He also highlighted areas of positive action such as the College Wi-Fi system and security practices.

- a) Members noted the content of the report

**A/15/033 Internal Audit Programme Progress Report**

Michael Smith, Scott Moncrieff, updated members on progress to date against the agreed internal audit plan.

He highlighted that, as covered earlier, the risk workshop may need to be moved into next year's plan but that all other activity was on course.

- a) Members noted the content of the update

**A/15/034 Progress Report on Audit Recommendations**

The Corporate Governance and Planning Officer presented the update on progress against audit recommendations.

He highlighted that one recommendation (ID42) was not possible to complete and gave the reasons for this. He requested permission for the removal of this recommendation from the tracking document.

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Following discussion, members agreed to the removal of recommendation 42.

The Corporate Governance and Planning Officer noted there were two recommendations seeking extensions to their completion dates and outlined the reasons for these.

Members expressed concern that the Business Continuity Test had not yet occurred and instructed that this should be completed before the next meeting of the Committee.

- a) Members noted the content of the update

**A/15/035 Risk Management**

The Corporate Governance and Planning Officer presented the College Strategic Risk register.

[REDACTED]

[REDACTED] (Redacted for publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

He also highlighted the recent reductions in capital funding confirmed by the Scottish Funding Council.

Members expressed concern that the fabric of the existing Falkirk campus may fall into disrepair before the new campus is ready. The Associate Principal and Executive Director of Finance confirmed that, while funding levels had reduced, essential maintenance would be maintained.

- a) Members noted the content of the report.

**A/15/036 Review of Risk**

While no new risks were identified, members requested that the information from the IT Health Check audit regarding server room security, the new European Data Protection rules and the implications from the Public Records (Scotland) Act be added to the existing Information Governance risk.

**A/15/037 Any Other Competent Business**

None

Room 109, Falkirk Campus  
4.30pm

**AGENDA**

1. Apologies for Absence
2. Declarations of interest

**FOR APPROVAL**

3. Minute of Audit Committee of 1 December 2015 and 10 March 2016
4. Matters Arising
  - a) A/15/021 Internal Audit Programme Progress Report
5. External Audit Planning Memorandum Henderson Loggie

**FOR DISCUSSION**

6. JTL Audit Report Zak Stark
  7. Presentation of Internal Audit Reports Scott Moncrieff
    - a) IT Health Check
  8. Internal Audit Programme Progress Report Scott Moncrieff
  9. Progress Report on Audit Recommendations Stephen Jarvie
  10. Risk Management Stephen Jarvie
  11. Review of Risk
  12. Any other competent business
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**Boardroom, Falkirk Campus (commencing at 5.00pm)**

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

In Attendance: Mrs Alison Stewart, Associate Principal and Executive Director of Finance  
Mr Stephen Jarvie, Corporate Governance and Planning Officer  
Ms Cathie Wyllie, Henderson Loggie  
Mr Michael Smith, Scott Moncrieff  
Mrs Caroline Hogg (for item A/15/010)

**A/15/001 Apologies for Absence**

None

**A/15/002 Declarations of Interest**

None

**A/15/003 Annual Report and Financial Statements 2014/15 (Joint item with Audit Committee)**

The Associate Principal and Executive Director of Finance presented the Annual Report and Financial Statements for 2014/15 to the Audit and Finance Committees noting that, as previously indicated to the Finance Committee, the accounts were reporting a deficit of £2.9 million as a result of a number of significant non-cash adjustments that were deducted from the operating surplus of £1.6 million. These adjustments were discussed and explained individually and concerned: pension provision, loss on revaluation of assets and depreciation. In addition there was a donation to the FVC Foundation of £1.1 million agreed by the Board at a previous meeting. She highlighted that arriving at a deficit position was likely to be common across the College sector this year due to similar adjustments being made at other Colleges.

She discussed the challenges posed in comparing this accounting period of 16 months with the previous period which covered 8 months owing to changes arising from Colleges reclassification as public bodies by the Office for National Statistics (ONS).

Members queried the change in the gearing ratio number. The Associate Principal and Executive Director of Finance noted that this was due to increases in pension liability levels. While this is not an immediate cost, it does need to be reflected in the accounts and has therefore impacted on the gearing ratio.

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Finance Committee members noted that the deficit position had been indicated at previous Committee meetings and asked if it was anticipated that this would impact on the College's lending or the funding for the new Falkirk Campus.

The Associate Principal and Executive Director of Finance confirmed that the College was in breach of the existing banking covenants with Barclays Bank, as it had been at the end of the last accounting period. She provided an overview of discussions with Barclays to remove the covenants as these were not normally applied to public bodies which the College is following reclassification.

In relation to funding for estates, she confirmed that the SFC statement in the accounts confirms that this is a technical issue and does not reflect on the overall financial health and sustainability of the College.

Members of Audit and Finance Committees noted their thanks to the Finance team for a significant piece of work.

- a) Members approved the Annual Report and Financial Statements 2014/15

**A/15/004 Draft External Audit Annual Report to the Board of Management (Joint item with Audit Committee)**

Cathie Wyllie, Henderson Loggie, presented the draft external auditors annual report.

She reported that Henderson Loggie were anticipating issuing an unqualified opinion on all aspects of the accounts once their final checks were completed.

She noted the adjustments as contained within the report but confirmed none of these individually or collectively breached the materiality limit.

She also noted that Audit Scotland were completing their review of College severance packages over the last few years and that a report would be issued in due course. Members queried the severance package provided to the previous Principal in light of recent press attention to this area. It was confirmed that the severance package provided was in line with what was provided to previous staff and in line with SFC guidance.

Members also queried the section covering compliance, noting that the wording used could give rise to misconceptions. It was agreed that this would be changed to clarify the matter.

- a) Members approved the Draft External Audit to the Board of Management subject to the discussed amendments and thanked Ms Wyllie for her firm's conduct of the audit.
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**A/15/005 Minute of Audit Committee of 27 August 2015**

Members approved the minute subject to a minor amendment.

**A/15/006 Matters Arising**

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

The Chair noted that the Internal Audit plan had been considered at the last Committee and members had asked for an assurance map to be provided to enable comment. This had been provided and the relevant information would be covered under items A/15/008 and A/15/009

**b) A/14/040 Risk Management**

The Chair asked for an update on arrangements for a Board risk management workshop.

The Associate Principal and Executive Director of Finance noted that discussions with Scott Moncrieff had occurred on the structure of risk workshops and a proposed agenda would be passed to the Board Chair for his approval. It was intended to have a joint Board/SMT session in the New Year.

**A/15/007 Chair's Annual Report to the Board of Management**

The Chair presented the annual report, noting that this incorporated the extensions which had been provided to the tenure of the previous internal audit firm in response to changes in the financial year end and that it also covered the appointment of Scott Moncrieff after a comprehensive tender exercise.

- a) Members approved the report for submission to the Board of Management

**A/15/008 Internal Audit Plan 2015-2018**

Michael Scott, Scott Moncrieff, presented the Internal Audit plan for 2015-2018. He noted that this was similar to the version presented at the last committee with some updated audit dates contained within Appendix 3.

He noted that while the plan was a three year plan, it was intended to bring this annually to the Committee to enable them to comment on progress and add in any new areas of audit activity that may have arisen.

He also informed members of his intention to provide a progress report against the plan to each meeting of the Committee.

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The Chair informed members that, after the comments on the timings for the Health and Safety audit at the last meeting, he had taken the opportunity to discuss this with the Health and Safety Manager who favoured a single, in depth review.

- a) Members approved the internal audit plan for 2015- 2018

**A/15/009 College Assurance Map**

The Associate Principal and Executive Director of Finance presented the assurance map that the Committee had requested at the last meeting. She noted that this listed the major assurance mechanisms in place, tied to the relevant strategic area.

Members queried whether there was some assurance arising from student feedback. The Corporate Governance and Planning Officer noted that there was the comprehensive 'Listening to Learners' process and confirmed that this would be added to the assurance map.

- a) Members noted the content of the report

**A/15/010 SDS Audit Report**

Caroline Hogg, Depute Development Manager, presented the outcome of the most recent SDS audit of Modern Apprenticeship and Employability activity. She noted that the College had one of the largest contracts in Scotland for this activity and noted the excellent results of the comprehensive audit.

- a) Members noted the content of the report and asked that their thanks be passed to the team for their work

**A/15/011 Presentation of Internal Audit Reports**

Michael Smith, Scott Moncrieff, presented the report covering the College SUMS activity.

He noted that the College had delivered against the SFC target and that there was no risk of a funding claw back. He highlighted that previous recommendations had been implemented and that the audit had only highlighted two minor issues.

- a) Members noted the content of the report and recorded their thanks to the team for a well-managed process.
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**A/15/012 Progress Report on Audit Recommendations**

The Corporate Governance and Planning Officer presented the update on progress against audit recommendations.

He noted that recommendation 42 - Monitoring of Actuals for Business Development Contracts is past its scheduled implementation date and outlined the reasons for this delay.

- a) Member noted the content of the report

**A/15/013 Risk Management**

The Associate Principal and Executive Director of Finance presented the College Strategic and Estates Risk registers.

She highlighted the changes, including an increase in the risk of strike action resulting from the national bargaining process and a new risk linked to the reduction in commercial income.

Members queried when risks became issue owing to being live at the time of reporting. The Corporate Governance and Planning Officer noted that the risks were held on the register as risks to enable the Committee to track progress against College mitigating actions.

- a) Members noted the content of the report

**A/15/014 Review of Risk**

No new risks were identified

**A/15/015 Any Other Competent Business**

None

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**Project Meeting Room, Falkirk Campus (commencing at 4.30pm)**

Present: Mrs Lorna Dougall (Chair)  
Mrs Beth Hamilton

In Attendance: Dr Ken Thomson, Principal  
Mr Stephen Jarvie, Corporate Governance and Planning Officer  
Mr Michael Smith, Scott Moncrieff  
Mr Gary Devlin, Scott Moncrieff

**A/15/016 Apologies for Absence**

Mr Colin Alexander  
Ms Angela Winchester

**A/15/017 Declarations of Interest**

None

**A/15/018 Minute of Audit Committee of 1 December 2015**

Due to the meeting not being quorate, the minutes were noted but not approved. Approval will be sought at the next meeting of the Committee.

**A/15/019 Matters Arising**

**a) A/14/013 Risk Management**

Members noted at the last meeting the potential for strike action as a result of an upcoming ballot with EIS. It was confirmed that an update would be provided under the Risk Management paper on the agenda.

**A/15/020 Presentation of Internal Audit Reports**

Mr Gary Devlin provided an overview of the recent audits, noting that these had been positive visits with very positive results. He also highlighted the high level of detail provided by College Management in response to the recommendations within the reports.

Mr Michael Smith presented each report in more detail.

He noted that the Financial Systems audit had not raised any significant issues and reported that the Health and Safety audit had found a robust framework for dealing with Health and Safety across the College.

a) Members noted the content of the two reports

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**A/15/021 Internal Audit Programme Progress Report**

Mr Michael Smith presented the report on progress against the agreed audit plan. He highlighted that this was the first such report and invited members to provide feedback on the content if they wished.

The Principal noted that this was a good monitoring mechanism for the College Internal Audit service and that he planned to share this wider with managers.

He also noted that discussions were ongoing regarding the arrangements for a Board risk workshop.

Members requested that a date be finalised and communicated for the risk workshop as soon as possible.

- a) Members noted the content of the report

**A/15/022 Progress Report on Audit Recommendations**

The Corporate Governance and Planning Officer presented an update on progress with agreed audit recommendations.

He highlighted four extensions to recommended completion dates and outlined the reasons for these.

Members queried whether the College had been too ambitious in setting the original completion dates. The Principal confirmed that, while the College had become better at setting these dates, further work could be done to ensure adequate time for completion is included.

- a) Members noted the content of the report

**A/15/023 Risk Management**

The Corporate Governance and Planning Officer presented members with the current Strategic Risk Register. He noted that there had been two new risks added to the register.

The Principal informed members that the risk relating to allocation levels stemmed from information available in the sector at the moment on potential changes to indicative allocation levels. He outlined the steps the College is taking to manage this risk.

The Principal also informed members of the strike action announced by EIS following the recent ballot of members. He highlighted that this was at a national level and

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outlined the work being carried out to prepare for the strike and the communications taking place both internally and externally.

Members queried what effect this strike would have on learning, teaching and commercial activity.

The Principal confirmed that the first strike day of 17 March would allow the College to gauge the impact on mainstream, evening and certain commercial/apprenticeship courses. He also noted that elements of commercial activity which are delivered by Business Development staff would not be affected.

- a) Members noted the content of the report

**A/15/024 Review of Risk**

No new risks were identified

**A/15/025 Any Other Competent Business**

None

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**1. Purpose**

To present the draft Strategic Planning Memorandum – 2015/16 Annual Audit Plan for approval by the Audit Committee.

**2. Recommendation**

That the Audit Committee approves the draft Strategic Planning Memorandum – 2015/16 Annual Audit Plan.

**3. Background**

Henderson Loggie are the external auditors for the College, appointed by Audit Scotland.

They have prepared the Audit Planning Memorandum in accordance with Audit Scotland's Code of Audit Practice. The Plan reports on the assessment of the operational and financial risks considered relevant to the responsibilities of Henderson Loggie as auditors to the Board of Management of Forth Valley College. The Plan also sets out the framework and timetable within which the external audit for 2015/16 will be carried out.

**4. Key Considerations**

Henderson Loggie have worked with senior College staff to create the plan along with the 2015/16 guidance from Audit Scotland.

**5. Financial Implications**

Fees are outlined in the attached document.

**6. Equalities**

Assessment in Place? – Yes  No

If No, please explain why – 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 – The process in place is very robust and preparations for the annual audit are already underway

Risk Owner – Alison Stewart

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 Planning Memorandum  
2015/16 Annual Audit Plan**

**External Audit Report No: 2016/01**

**Draft Issued: 19 May 2016  
2<sup>nd</sup> Draft Issued: 26 May 2016  
Final Issued:**



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## Contents

	Page
<b>1 Executive Summary</b>	<b>1 - 2</b>
<b>2 Audit Framework</b>	<b>3 - 5</b>
<b>3 Audit Approach</b>	<b>6 - 9</b>
<b>4 Current Issues</b>	<b>10 - 13</b>
<b>5 Audit Timetable and Output</b>	<b>14</b>
<b>6 Fees</b>	<b>15 - 16</b>
<b>7 Audit Team</b>	<b>17</b>
<b>Appendices</b>	
<b>I Components of the Audit</b>	<b>18 - 20</b>
<b>II Significant Risk Areas</b>	<b>21</b>
<b>III Financial Position</b>	<b>22</b>

### Restriction on Use

This report has been prepared in accordance with our responsibilities under International Standards on Auditing (UK and Ireland) and Audit Scotland's Code of Audit Practice for the audit of Forth Valley College.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Forth Valley College and may be shared with Audit Scotland;
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes; and
- 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 at the College. Except to the extent necessary for the purposes of the plan, this information has not been independently verified.



## 1. Executive Summary

### Introduction and Background

1. We have been appointed by the Auditor General for Scotland as Forth Valley College external auditors for the five year period from 1 August 2011 to 31 July 2016. Our audit is governed by our letter of appointment, the Public Finance and Accountability (Scotland) Act 2000, auditing standards and Audit Scotland's Code of Audit Practice.
2. This document outlines:
  - our audit framework;
  - our audit approach;
  - our understanding of the College's current issues;
  - our audit timetable and the planned audit outputs;
  - our proposed fees; and
  - our audit team.
3. Background and planning information has been gathered through discussion with the Director of Finance and Head of Finance, and a review of the key strategic and operational documents and internal audit plans. In gathering this information we have considered planning guidance issued to us by Audit Scotland for 2015/16.

### Acknowledgements

4. We would like to take this opportunity to thank all the officers within the College who assisted us in gathering information for this plan.

### Summary of Planned Audit Work

**Table 1: Planned Audit Outputs**

<b>Planning</b>	Strategic Planning Memorandum and 2015/16 Annual Audit Plan
<b>Governance</b>	Annual Report
<b>Performance</b>	Annual Report
<b>Finance</b>	Annual Report Audit opinion on financial statements Audit Scotland's Information Dataset
<b>Overall Conclusion</b>	Annual Report to Board Members and the Auditor General for Scotland (Annual Report)

## Summary of Planned Audit Work (Continued)

5. Additional outputs may be required where there are significant issues arising from audit work currently expected to be included in the reports above.

## Proposed fee

6. Audit Scotland has set the 2015/16 fee range for the College at £17,670 to £26,510 (2014/15: £17,690 to £26,530). Based on the work we assess is required to discharge our audit responsibilities, including additional testing as a result of the requirement to restate comparative figures, the total proposed fee for the 2015/16 audit is £26,510 (2014/15 £26,270)

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## 2. Audit Framework

### Introduction

7. Our audit framework is set by our letter of appointment, Part 2 of the Public Finance and Accountability (Scotland) Act 2000, auditing standards, Audit Scotland's Code of Audit Practice, and ad hoc guidance issued by Audit Scotland.
8. This framework provides further education colleges with an audit model that is wider than simply providing assurance on the financial statements and the internal control environment. This wider model covers finance, governance and performance.

### Code of Audit Practice

9. The plan takes account of the Code of Audit Practice (the Code) published by Audit Scotland in May 2011.
10. The Code recognises that full application of its requirements may be impractical or inappropriate due to the nature or size of a body. Due to the size of the College our main focus will be on the financial statements audit. Further details are outlined in paragraphs 18 to 41.

### Audited Bodies' and Auditors' Responsibilities

11. Audit Scotland has issued a statement on audited bodies' and auditors' responsibilities in relation to all aspects covered by the audit process. The Code incorporates this statement into each section for easy reference. Attention is drawn to these relative responsibilities. The Code can be accessed at [http://www.audit-scotland.gov.uk/docs/corp/2011/110520\\_codeofauditpractice\\_bw.pdf](http://www.audit-scotland.gov.uk/docs/corp/2011/110520_codeofauditpractice_bw.pdf) or alternatively we can provide a copy of the Code if you prefer.

### Auditors' Responsibilities

12. Our audit objectives in the Code are summarised in Table 2.

**Table 2: Auditors' objectives**

Key Area	Auditors' objective	Section in the 2015/16 plan
<b>Financial statements</b>	To provide an opinion on audited bodies' financial statements and, where required by the relevant authorities, the regularity of transaction.	Pages 18
<b>Corporate governance arrangements</b>	Review and report on, as appropriate, other information published with the financial statements, including the annual governance statement, statement on internal control or statement on internal financial control, and remuneration report.	Pages 19 & 20

## Auditors' Responsibilities (Continued)

**Table 2: Auditors' objectives (continued)**

Key Area	Auditors' objective	Section in the 2015/16 plan
<b>Performance audit</b>	Review and report on (as required by relevant legislation the Code and any guidance issued by Audit Scotland) audited bodies' corporate governance arrangements as they relate to: their review of systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct; and prevention and detection of corruption.	Page 20
<b>Best Value</b>	Review and report on audited bodies' arrangements to achieve Best Value and other aspects of audited bodies' arrangements for preparing and publishing statutory performance information.	Page 20

Source: Audit Scotland Code of Audit Practice

## Performance Reviews

13. A proportion of our audit time may be spent on performance audit work. Performance audit work covers a variety of areas, both financial and non-financial and may include both Audit Scotland centrally directed studies and locally determined studies based on agreement between each organisation and their auditors. One specific piece of audit follow-up work has been identified by Audit Scotland for the College during 2015/16, to follow-up on the Audit Scotland report "Scotland's public sector workforce". Auditors will also be required to complete a dataset to inform Audit Scotland's sector-wide reporting.

## Planning Guidance

14. Audit Scotland's planning guidance for 2015/16 specifically directs us to undertake work on the following items. We have also been asked to undertake follow-up work on Audit Scotland's report on Scotland's public sector workforce.
- Provision of the Independent Auditors' Report placed on the financial statements by 31 December 2015;
  - An Annual Report on the audit addressed to the College's Board of Management and the Auditor General for Scotland by 31 December 2016. The information requirements for the annual report have been extended this year to include more information about risk, planning, scope and audit findings;
  - Identify significant matters arising from the audit, alert Audit Scotland accordingly and support the production of statutory reports as required;
  - Communicate audit plans to those charged with governance;
  - Provide reports to management, as appropriate, in respect of our corporate governance responsibilities in the Code; and
  - Provide minimum dataset information to the Performance Audit & Best Value Group.

## Government Body Classification

15. ONS reclassification of incorporated colleges as Government bodies from 1 April 2014 has been discussed at length in various forums within the College. One impact of this was that college year-ends changed to 31 March for 2013/14, reverting to 31 July for 2014/15 onwards. As a result the accounting period for Forth Valley College for 2014/15 was for the 16 months to 31 July 2015.
16. The main practical impact of this change is that colleges are required to undertake monthly cash forecasts and report these to the SFC to ensure that they only draw down sufficient funding to meet forecast expenditure. The format of financial statements changed from 2014/15 onwards, as Central Government bodies use the Government Financial Reporting Manual ('the FReM'). The Resource Return at 31 March will be used for Government accounting purposes, with an opportunity for amendments if required until September 2016.
17. Incorporated colleges and Regional Boards are also required to comply with the requirements of the Scottish Public Finance Manual (SPFM), except where directed by SFC's Accountable Officer.

## 3. Audit Approach

### Audit Approach

18. We plan our audit to meet the objectives discussed at paragraphs 12 to 14 under guidance from Audit Scotland and in accordance with the requirements of the Code and applicable auditing standards.
19. Our approach is risk-based and designed to be robust, efficient, challenging and fair. Key features of our approach are integration of work for the financial, governance and performance strands of our remit; a focus on key business, operational and financial risks; financial statement audit procedures that maximise assurance from existing internal control processes; and maximum reliance on internal audit work.

### Risk Assessment

20. We begin by gaining an understanding of the financial and business risks facing the College. We assess the likelihood of the risk occurring and the impact this could have on delivery of services and the financial position. We then assess the control arrangements that the College has in place to manage these risks, and whether the risk has been reduced to an acceptable level. We also consider the College's decision-making, governance and performance management frameworks. Audit Scotland's planning guidance contributes to the identification of issues to be considered in this stage of our work.
21. Information is gathered from discussion with senior officers and a review of key College documents. We also obtain information from the College's Internal Auditor, through discussion and review of relevant reports.
22. We focus our audit work on the areas most likely to give rise to a material misstatement in the financial statements. We will then review and test the design, implementation and the operation of your key financial controls to ensure that we are satisfied that the financial control environment within which those business processes operate is robust.
23. Our substantive audit work enables us to conclude on our audit objectives. This work is focussed on the high risk judgmental areas identified during our planning and control assessment work and will also cover presentational matters within the financial statements.

### Reliance on Internal Audit Work

24. The Code directs us to maintain effective co-ordination with internal audit and place the maximum possible reliance on their work. We make an initial review of the framework for the provision of internal audit services during our planning stage with a view to assessing the quality of the service provided to establish if we can place reliance on their work. We have reviewed the internal audit plan for 2015/16 and will maintain an ongoing contact with your Internal Auditor throughout our appointment.

## Reliance on Internal Audit Work (Continued)

25. We will review the scope and work performed by internal audit during the year to consider the impact of their findings and conclusions on our work, where appropriate.
26. From our consideration of the planned reviews for 2015/16 we expect to be able to place reliance on internal audit's work in all areas reviewed:
- Treasury and cash management;
  - Income and debtors;
  - Financial return;
  - Health and Safety;
  - FES (credit) audit;
  - IT health check; and
  - Internal audit Follow Up.
27. We will report the extent of our actual reliance in our Annual Report. Our audit approach and our audit fee are dependent on the early availability of the internal audit reports on which we plan to place reliance.
28. We will review the conclusions from all other internal audit outputs, including the annual audit assurance statement, to inform our overall knowledge of the College's systems and their compliance with good practice in corporate governance.

## Financial Control Evaluation

29. In previous years the financial control environment was considered and documented at an early stage of our work to identify controls that could be relied upon for the production of figures for the financial statements. This involved identification and assessment of the key controls for all main financial systems and included consideration of the implementation of any audit actions agreed in the previous year. From the testing carried out we did not identify any material control weaknesses although some areas were identified where controls could have been further improved to bring them more into line with good practice. As part of our audit visit for 2015/16 we will update our systems notes for any changes made during the year and follow-up on the issues raised last year.
30. Where controls that can be relied upon are identified we will seek to place reliance on internal audit work to ensure these controls are working effectively. For 2015/16 we will be particularly interested in the outcome of the internal audit review of income and debtors, which may reduce our own testing in this area. Where internal audit do not perform work to test key controls we will reassess our audit work and either test the operation of controls or carry out substantive testing. Our interim visit is planned for July 2016.

## Changes in Accounting Standards and Restatement of Prior Period Balances

31. Changes in UK Accounting Standards to incorporate International Accounting Standards through revised FRS (in particular the adoption of FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland') mean there will be a change in the accounts format this year, including a need to restate the comparative figures. Work is being planned to restate the comparative figures and the Director of Finance has requested that at our interim audit visit planned for July 2016 that we review work done by the College to restate opening balances as required in order to implement of FRS 102.

## Reliance on Work of Other Inspection Bodies

32. We are required by the Code 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 and may monitor progress with implementation of action plans resulting from these reviews.
33. Specifically, the report published by Education Scotland following its annual engagement visit will be reviewed and the findings considered.

## Communication and Reporting

34. We will communicate regularly with officers throughout the audit year to plan our audit, maintain an overview of the College's business risks, and discuss any new issues that emerge. This communication should be two-way, and we encourage officers to have early discussions with us on any issues that may give rise to audit comment at a later date.
35. Communication with Board Members during the course of the year will be through our reports and our attendance at the Audit Committee. Our formal reporting to all Board Members will be through our Annual Report produced at the conclusion of each audit year.
36. At the conclusion of our audit work we will discuss our findings and recommendations for action with management and confirm factual accuracy prior to issuing our audit report.

## Discharge of Our Audit Responsibilities under the Code

37. Detailed in Appendix I are those key areas where we will focus our work in discharging our responsibilities under each of the Code objectives. This covers the areas of: financial statements; regularity of transactions; systems of internal control and statement of corporate governance; fraud, irregularity and standards of conduct; financial position; and Best Value, use of resources and performance management. As we become aware of new issues during the course of the financial year we will bring these to the attention of management and the audit committee, where appropriate.



## Financial Statements Audit

### **Materiality for planning purposes**

38. The determination of the materiality for planning purposes at the financial level, is a judgement of the engagement partner, and takes into consideration quantitative and qualitative factors. The quantitative level of materiality is determined by reference to revenue / resources from continuing operations. Qualitative factors are based on our understanding of the College's business gained during the strategic analysis stage of the audit work.
39. Materiality for planning purposes represents a quantitative determination of the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the decisions of users of the financial statements would have been changed or influenced by the omission or misstatement. For 2015/16 our provisional materiality level for the financial statements as a whole has been set at £0.299 million, based on the 2015/16 January 2016 forecast results of the College. Performance materiality is defined in International Standard on Auditing (UK and Ireland) 320 as 'the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole'. Our Firm's policy sets this at between 40% and 80% of the materiality figure, taking all risk and related factors into account. For 2015/16 our performance materiality has been set at £0.209 million (70%) and the level at which any misstatements found would be considered as clearly trivial is £0.021 million. It may be necessary to revise the level of materiality during the audit if there is a significant change in business results after this provisional determination.

### **Classes of transactions, estimates, other account balances and disclosures**

40. In addition to our assessment of materiality, we use our understanding of the College to determine which transactions are significant to the financial statements.
41. Our audit approach requires that we identify significant classes of transactions, estimates, other account balances and disclosures. We will develop audit objectives relating to each of these items and test the controls over each item based on our assessment of the risk of significant misstatement.

## 4. Current Issues

### Risk Management

42. Effective risk management arrangements are an important element of sound stewardship. The College has an established risk management policy and framework in place that is actively monitored and reported on. The College has a Strategic Risk Register which identifies a range of strategic risks, which are split into the following 'Risk Areas': estates; business continuity; finance; HR; governance; and strategic. All risks have been assessed based on likelihood and impact to arrive at a risk score. The Board Committee, Senior Management Team 'risk owner' and the 'action owner' are noted on the Risk Register. There are also a risk registers for major Falkirk Campus estates project. We will consider the College's overall arrangements for risk management as part of our audit work.

### Performance Management

43. Performance management continues to be an important area in many public sector bodies. Identification and implementation of good practice, development, implementation and monitoring of relevant key performance indicators, benchmarking and linkage of performance to corporate objectives are important in ensuring effective performance management arrangements in a continuous improvement environment. We will consider the adequacy of the College's overall arrangements for performance management.

### Financial Management

44. Following reclassification as Central Government bodies the 2013/14 accounts covered an eight month period to 31 March 2014 and the 2014/15 accounts covered a 16 month period from 1 April 2014 to 31 July 2015. This year will return to an audit of a 12 month period of accounts, to 31 July 2016. Comparisons and trend information may be difficult to interpret as a result of the variation in length of accounting periods.
45. The College's funding allocation for academic year 2015/16 from the SFC for Grant-in-Aid is unchanged from 2014/15 at £19.767 million and the College's credit target is 86,214. ESF funding amounts to £0.526 million for 2015/16, with a credit target of 2,230. The College's capital / maintenance allocation for 2015/16 (to 31 March 2016) from the SFC amounts to £1.056 million (2014/15: Total £1.411 million).

## Financial Management (Continued)

46. The College's Strategic Risk Register identifies a number of key financial risks including: Government accounting rules restrict colleges ability to use available resource at the Board's discretion; that the College will be in breach of the covenants relating to the £4.5m term loan facility with Barclay's bank; 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; 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; changes to legislation regarding overtime as part of holiday payments may lead to retrospective costs for the College; the ending of the contracting out regime from the 2<sup>nd</sup> state pension scheme from 1 April 2016; the Forth Valley College Foundation does not operate as originally envisaged; Financial restrictions limit the ability to fund pay increases; Failure to deliver upon targets within Outcome Agreement impact upon the College. These make having sound financial management arrangements a key requirement for the College. As part of the audit we will review the College's budgetary control arrangements and scenario planning together with its ongoing response to the funding constraints.
47. The accounting treatment of any severance payments / provisions in the 2015/16 financial year will be reviewed. The calculation of any severance payments to senior staff, classified as those earning more than £50,000 per annum, will be checked in more detail to ensure that they meet the requirements set out in the SFC guidance.

## Estates

48. Significant progress has been made in recent years with the College's estates strategy. The College's new Alloa Campus opened in September 2011 and the new Stirling campus development was completed in March 2012.
49. A new £70 million Falkirk campus is planned to be built on the Middlefield site, adjacent to the current College Falkirk buildings. The new campus will provide the headquarters for the College and offer state-of-the-art learning environments further allowing a regional approach to curriculum provision with clear links to local employment opportunities. The campus will have a focus on science and engineering with advanced level courses in Computing, Construction, Sport, Hairdressing, Beauty Therapy, Healthcare and Early Years. Falkirk Council had been considering incorporating a theatre within the new campus, for which it would provide funding, however in May 2016 Falkirk Council decided against this and has now pulled out from the project.
50. The campus was originally to have been a Non-Profit Distributing funded project through the Scottish Futures Trust, but this was changed by the SFC to being capital funded in March 2016. The Scottish Futures Trust will however still retain some involvement with the project. A design team has been engaged and a full business case is being developed and it is hoped this will be approved by the College Board, SFC and the Scottish Government in late 2016. If this is approved it is hoped that tenders for construction would go out shortly after this. If the full business case is approved the implications of this decision on the existing valuation of the Main Campus Building at Falkirk, which is based on depreciated replacement cost, and the Middlefield site, which is based on market value, will need to be considered. These assets were last revalued at 31 July 2015.

## Estates (Continued)

51. The College's other land and buildings were also last revalued at 31 July 2015 and under the Financial Reporting Manual (FReM) these will require either a full valuation or an indexation of the 31 July 2015 valuation. We were advised that the Director of Finance is currently considering which option to take.
52. Our audit will look at the College's accounting for capital expenditure, valuation, disposals, provisions, grants and loans and its capital planning and risk management arrangements.

## Accounting and Disclosure Issues

53. In March 2014 a revised Statement of Recommended Practice (SORP) was published for further and higher education institutions in the UK. This primarily addresses changes required by FRS 100 (Application of Financial Reporting Requirements), FRS 101 (Reduced Disclosure Framework), and FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland). These are the main standards that replace the previous UK GAAP arrangements. The new SORP applies to accounting periods beginning on or after 1 January 2015. As discussed above the 2014/15 comparative figures and opening balances at 1 April 2014 will require restatement in the new format for the 2015/16 accounts, and we plan to review the College's work in this area at our interim audit in July 2016.
54. The 2015/16 financial statements will require to follow the format and content contained in the Government Financial Reporting Manual (FReM) 2015/16. The SFC has had discussion with College finance directors and will issue an Accounts Direction for 2015/16.
55. We will review the College's arrangements for compliance with the applicable SORP as part of our audit. We will also consider and discuss with the appropriate officers relevant issues following the issue of the 2015/16 SFC Accounts Direction and Audit Scotland guidance.

## Corporate Governance Arrangements

56. 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 anticipation of them coming into effect, the SFC invited the Regional Leads to convene a Steering Group to develop a draft 'Code of Good Governance for Scotland's Colleges'. Following a period of consultation a final version of the Code was published in December 2014. Colleges are expected to comply with the new Code as a condition of grant from the SFC or their Regional Strategic Body. A College Good Governance Task Group was set up by the Cabinet Secretary for Education and Lifelong Learning in October 2015 as part of the Government's response to governance failures at Scottish colleges. The Task Group published two reports on 18 March 2016. We will review how the College has addressed the new Code and recommendations made in the Task Group reports as part of our audit work for 2015/16.

## Sector Structural Changes

57. A new Financial Memorandum with colleges was issued by the SFC in December 2014 following a period of consultation. This sets 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.
58. We will keep abreast of further sector developments during the year and consider any implications for our audit of Forth Valley College.

## Arms-Length Foundation

59. An arms-length foundation was set up during 2013/14 into which the College has transferred cash-backed income and expenditure reserves and may transfer future surpluses. A transfer of £1.100 million was made to the Forth Valley College Foundation in 2014/15. To ensure that the Foundation is not consolidated into the College's financial results, thereby most likely losing the ability to spend the money, it requires to be independent of the College. During our 2014/15 audit we had discussions with College management in relation to the Foundation, including with regard to the composition of the Board, the accounting treatment of donations from the College to the Foundation and the amount that could be transferred and at 31 July 2015 we determined that the Foundation was at arms-length from the College and did not require to be consolidated. We will review the ongoing operation of the Foundation to consider if it remains at arms-length or is under the control of the College in terms of the requirements of Financial Reporting Standard 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

## 5. Audit Timetable and Output

### Audit Timetable

60. We have agreed with College management the following timetable based on a submission deadline of 31 December 2016 for the 2015/16 financial statements.
- Interim Audit Visit – as agreed with management, where these have not already been covered by internal audit review, we will review and test the key financial controls for the main financial systems used in the production of the College's financial statements at our interim visit in July 2016. We will discuss our findings at the conclusion of this visit and will only issue a report if significant weaknesses or errors are found that would impact on our year-end audit. As part of this visit we will also review work done by the College on restatement of prior period balances as a result of the implementation of FRS102.
  - Financial Statements Year-End Audit Visit – we have agreed with management that we will be on site for up to two weeks commencing in October 2016.
  - Draft Annual Report and Financial Statements to Audit Committee for approval on 24 November 2016 and then to the Board on 8 December 2016.

### Audit Outputs

61. The audit fee is based on our audit outputs during the year. We are currently planning to issue reports in the following areas:
- Annual Report - summarises the results of our work throughout the year and sets out the key audit issues and performance improvement observations. The Annual Report will cover the communication of findings from the audit required by International Standards on Auditing (UK and Ireland) 260: Communication of Audit Matters with Those Charged with Governance.
  - Audit Opinion - we will issue our audit opinion on the College's financial statements for lodging with the SFC by 31 December 2016 at the latest.
  - Audit Scotland's Information Dataset – the pro-forma issued by Audit Scotland will be completed at the end of the audit and submitted to it by 31 December 2016.
62. The Code requires us to communicate to College management findings arising as a result of the audit work completed. Should an additional management report be required throughout the course of the year, draft reports will be discussed and agreed with management and action plans developed to include the recommendations, target dates for implementation and the officer responsible for implementation.

## 6. Fees

### Determining the Annual Audit Fee

63. The audit of the College will be completed under the 'fee for the audit' concept. The agreed fee for the audit of the College requires to be set within the indicative fee range notified by Audit Scotland.
64. The indicative fee range for the College in 2015/16 is £17,670 to £26,510 (2014/15: £17,690 to £26,530). This includes Audit Scotland's overhead recovery charge.
65. The fee each year is based on our assessment of the audit work required to meet our audit responsibilities and the skill mix that we have assessed is required to complete the identified programme of work and deliver the outputs noted in Table 4 Appendix I. It also takes account of the College's overall governance framework and the relevant business and operational issues and risks it faces and assumes that internal audit reports and other working papers will be available timeously and be of sufficient quality. Our audit activity and ultimately the level of fee may require to be reassessed where this is not the case.
66. Notwithstanding that our previous audit findings have shown good financial control within the college the audit work required in this period will involve the following which is additional to an audit of an organisation where there is good control and stable regulatory, operating and governance environments:
- Changes in Accounting Standards and a new SORP resulting in a new format of accounts;
  - Restatement of comparative figures and an additional report on this;
  - First year of credit system replacing weighted SUMs; and
  - Follow-up work on Audit Scotland's report "Scotland's public sector workforce".
67. As a result of the range of work required for 2015/16 we propose that the fee should be £26,510 (2013/14: £26,270). This will be discussed by the Audit Committee at its meeting in June 2016.

### Arrangements for Additional Audit Work

68. Where we are required to undertake work that was not provided for within the initial audit plan, the agreed fee may be revised, within the indicative range, in conjunction with the College.
69. Within the statement of responsibilities of auditors and audited bodies it is made clear that the indicative fees for the audit do not specifically provide for us to undertake work in relation to grant claims and other returns. We have been requested by the College to carry out the audits of the 2015/16 Student Support Fund and Education Maintenance Allowance returns. These will attract additional fees which will be agreed with the College.

## Financial Statements Production

70. We rely on College management to produce an adequate set of draft financial statements and to devote appropriate resources to the financial statements closure process. For 2015/16 the SFC will require receipt of audited financial statements by 31 December 2016.
71. We will agree a detailed timetable with the finance department to allow us to meet this deadline.

## 'Accounts File' Request

72. In order to operate a cost effective audit service, we ask management to prepare schedules to support the figures included in the financial statements. We do this to clarify for the finance department the information that we require from them to enable us to carry out our audit as effectively and efficiently as possible and to ensure there is clear understanding of our different responsibilities in the preparation of the financial statements and audit process.
73. Our estimate of the fee for the financial statements audit is based upon receipt of all of the information requested in this document before the financial statements audit starts otherwise our work will be unable to progress in a timely and cost effective manner.



## 7. Audit Team

74. The audit team have experience of the public sector, and the further education sector in particular, and have developed an understanding of the issues faced by the College. Table 3 provides contact details and responsibility of each of the key team members.

**Table 3: Key Team Members**

Team member	Role and responsibilities	Contact details
<b>Cathie Wyllie</b> Engagement Partner	The audit team is headed by Cathie Wyllie as engagement partner. Cathie is responsible for the overall delivery of our services to the College and liaison with the Audit Committee.	Tel: 01382 594784 <a href="mailto:cathie.wyllie@hlca.co.uk">cathie.wyllie@hlca.co.uk</a>
<b>Stuart Inglis</b> Director	Stuart is responsible for overall management of the financial statements, corporate governance and performance work.	Tel: 01382 594790 <a href="mailto:stuart.inglis@hlca.co.uk">stuart.inglis@hlca.co.uk</a>
<b>Ken Brooker</b> Audit Assistant Manager	Ken is responsible for managing the delivery of the financial statements audit work.	Tel: 0131 226 0200 <a href="mailto:kenneth.brooker@hlca.co.uk">kenneth.brooker@hlca.co.uk</a>

### Confirmation of Independence

75. Ethical Standard 1, Integrity, Objectivity and Independence, issued by the Auditing Practices Board (APB), requires that external auditors should ensure that those charged with governance are appropriately informed on a timely basis of all significant facts and matters that bear upon the auditors' objectivity and independence.
76. We confirm that Henderson Loggie has procedures in place to ensure compliance with APB Ethical Standards. We confirm that in our professional judgement we are independent of Forth Valley College and our objectivity and independence have not been compromised in any way. There are no relationships between Henderson Loggie and the College, its Board members and senior officers that may reasonably be thought to bear on our objectivity and independence. Henderson Loggie has not provided any consultancy or non-audit services to the College during the period.

## Appendix I Components of the Audit

The table below records those key areas where we will focus our work in discharging our responsibilities under each of the Code objectives. As we become aware of new issues during the course of the financial year we will bring these to the attention of management and the Audit Committee, where appropriate.

**Table 4: Components of the Audit**

Code component	Auditors' responsibilities	Audit approach and timing	Audit output
Financial statements	<p>To audit the financial statements in accordance with the timescale set by Audit Scotland and give an opinion on whether they present a true and fair view of the financial position of the College and its income and expenditure and whether they have been properly prepared in accordance with relevant legislation, applicable accounting frameworks and other reporting requirements.</p> <p>To provide reasonable assurance, subject to the concept of materiality, that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; comply with statutory and other requirements that apply; and comply with relevant requirements for accounting presentation and disclosure.</p>	<p>A key requirement of the Code is to understand and report on the College's financial position. Appendix III summarises our understanding of the financial position to date.</p> <p>We will carry out an overview of the existence and operation of the financial reporting process throughout the year. Our audit visit in October 2016 will focus on the College's 2015/16 financial outturn and the 2016/17 financial plan.</p> <p>We will identify significant classes of transactions, estimates, other account balances and disclosures and develop audit objectives and tests relating to each of these items.</p> <p>The accounting treatment of any severance payments / provisions in the 2015/16 financial period will be reviewed.</p> <p>Our audit will look at the College's accounting for capital expenditure, valuation, disposals, provisions, grants and loans and its capital planning and risk management arrangements.</p> <p>We will test compliance with the education SORP; the SFC Accounts Direction; and Audit Scotland year-end guidance.</p> <p>We will keep abreast of further sector developments during the year and consider any implications for our audit of Forth Valley College.</p>	<p>Annual audit opinion</p> <p>Audit report including ISA 260 requirements</p>

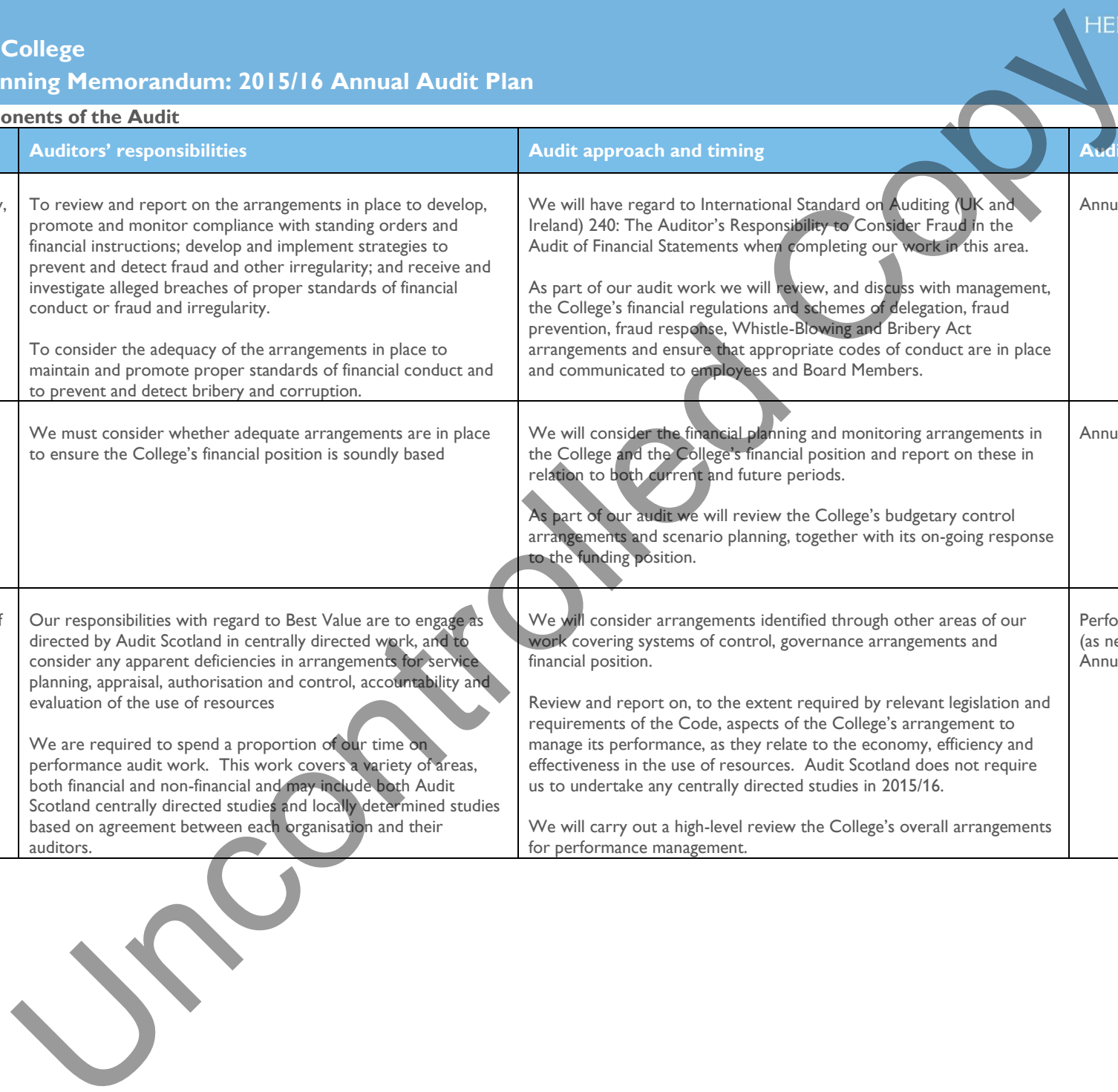
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**Table 4: Components of the Audit**

Code component	Auditors' responsibilities	Audit approach and timing	Audit output
<p>Regularity of financial transactions</p>	<p>We are required to consider the regularity of the College's expenditure and income and whether these were incurred or applied in accordance with any applicable enactments and guidance issued by Scottish Ministers, and consider the impact on the audit opinion from any areas of identified non-compliance with laws and regulations.</p>	<p>We will consider the regularity of transactions primarily as part of our audit of the systems of control and financial statements, having regard to new legislation and guidance, directions from Audit Scotland, and consideration of significant unusual transactions.</p> <p>We will consider the College's arrangements for implementing new legislation or guidance.</p> <p>We will also rely on written representations from the College Principal regarding any non-compliance with laws and regulations.</p> <p>We will consider whether there are appropriate processes in place to identify related party transactions and disclose these in the financial statements.</p>	<p>Annual audit opinion</p> <p>Annual report including ISA 260 requirements</p>
<p>Corporate governance arrangements - systems of internal control and Statement of Corporate Governance</p>	<p>In addition to reviewing systems of financial internal control, primarily to inform our work on the financial statements, we are required in the wider context to consider systems which may not impact directly on the financial statements.</p> <p>To review and report on the Corporate Governance Statement included with the financial statements.</p>	<p>Our audit work will include testing the existence and operation of key financial controls. Where these have already been tested by internal audit we will seek to place reliance on their work, subject to a satisfactory assessment of the quality of the service provided. For 2015/16 we will be particularly interested in the outcome of the internal audit review of income and debtors.</p> <p>During our financial statements audit we will review the College's statement on internal controls to assess whether the description of the process adopted in reviewing the effectiveness of the system of internal control appropriately reflects the process.</p> <p>We will carry out a high-level review of the College's corporate governance and risk management arrangements and consider compliance with the Code of Good Governance for Scotland's Colleges and the College Good Governance Task Group reports.</p>	<p>Annual audit report including ISA 260 requirements</p>

**Table 4: Components of the Audit**

Code component	Auditors' responsibilities	Audit approach and timing	Audit output
Fraud, irregularity, standards of conduct, and prevention and detection of bribery and corruption	<p>To review and report on the arrangements in place to develop, promote and monitor compliance with standing orders and financial instructions; develop and implement strategies to prevent and detect fraud and other irregularity; and receive and investigate alleged breaches of proper standards of financial conduct or fraud and irregularity.</p> <p>To consider the adequacy of the arrangements in place to maintain and promote proper standards of financial conduct and to prevent and detect bribery and corruption.</p>	<p>We will have regard to International Standard on Auditing (UK and Ireland) 240: The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements when completing our work in this area.</p> <p>As part of our audit work we will review, and discuss with management, the College's financial regulations and schemes of delegation, fraud prevention, fraud response, Whistle-Blowing and Bribery Act arrangements and ensure that appropriate codes of conduct are in place and communicated to employees and Board Members.</p>	Annual audit report
Financial Position	We must consider whether adequate arrangements are in place to ensure the College's financial position is soundly based	<p>We will consider the financial planning and monitoring arrangements in the College and the College's financial position and report on these in relation to both current and future periods.</p> <p>As part of our audit we will review the College's budgetary control arrangements and scenario planning, together with its on-going response to the funding position.</p>	Annual audit report
Best Value, use of resources and performance	<p>Our responsibilities with regard to Best Value are to engage as directed by Audit Scotland in centrally directed work, and to consider any apparent deficiencies in arrangements for service planning, appraisal, authorisation and control, accountability and evaluation of the use of resources</p> <p>We are required to spend a proportion of our time on performance audit work. This work covers a variety of areas, both financial and non-financial and may include both Audit Scotland centrally directed studies and locally determined studies based on agreement between each organisation and their auditors.</p>	<p>We will consider arrangements identified through other areas of our work covering systems of control, governance arrangements and financial position.</p> <p>Review and report on, to the extent required by relevant legislation and requirements of the Code, aspects of the College's arrangement to manage its performance, as they relate to the economy, efficiency and effectiveness in the use of resources. Audit Scotland does not require us to undertake any centrally directed studies in 2015/16.</p> <p>We will carry out a high-level review the College's overall arrangements for performance management.</p>	Performance audit report (as necessary) otherwise Annual Report



## Appendix II Significant Risk Areas

During our planning process we have identified a number of general risks facing the College. The significant risks may impact the College's financial statements, or the regularity of its transactions and in turn our audit opinion. Table 5 highlights these risks and the potential impact on the College's financial statements and audit opinion in the event that the risks materialise during 2015/16.

**Table 5: Significant Risk Areas**

Risk / impact	Statement of Comprehensive Income	Balance Sheet	Regularity of transactions	Audit opinion
Completeness of income	✓	✓		✓
Potential for management over-ride	✓	✓	✓	✓
The College may not comply with legislation and financial regulations	✓	✓	✓	✓
The College may not properly account for its capital projects expenditure and related funding.	✓	✓	-	✓
The College may fail to recognise funding provided for specific purposes appropriately	✓	✓	-	✓
The College may not achieve its planned budget resulting in a deterioration of the financial position, non-compliance with financial covenants and going concern issues.	✓	✓	-	✓

## Appendix III Financial Position

### Introduction and Background

The Code identifies that 'it is the responsibility of the audited body to conduct its affairs and to put in place proper arrangements to ensure that its financial position is soundly based'. It is our responsibility as auditor to review and examine evidence that is relevant to these arrangements.

### 2014/15 Financial Position

The income and expenditure account for the 16 month period ended 31 July 2015 showed income of £43.420 million and expenditure of £45.678 million, which includes a transfer to the Forth Valley College Foundation of £1.100 million, giving rise to an overall deficit of £2.258 million prior to exceptional items. In addition, there was an exceptional loss on revaluation of land at Branshill of £0.615 million giving an overall deficit of £2.873 million.

After adjusting for the effect of depreciation on the revalued fixed assets and realisation gains on disposals the historical cost deficit was £2.121 million.

At 31 July 2015 the College had an accumulated deficit on its income and expenditure account (excluding pension reserve) of £4.787 million (2014 - £3.477 million deficit).

### 2015/16 Projected Outturn

The Budget to 31 July 2016 showed the College forecasting an operating surplus of £0.063 million for the year.

The financial outturn, as reforecast at 31 January 2016, forecasts an operating deficit of £0.573 million. The main reason for this adverse variance is expenditure of £0.953 relating to the design team and legal fees for the new Falkirk campus project, for which nothing had been included in the original budget. When this is factored into account the actual movement between the full year budget and the 2015/16 reforecast outturn (done January 2016) is a positive variance of £0.305 million.

The main reasons for the £0.305 million positive variance are:

- Extra ESF funding (£0.112 million), Developing Scotland's Young Workforce funding (£0.075 million) and increased SFC maintenance grant (£0.156 million);
- Reduced commercial income (£0.247 million) due to reduced Compex and other training;
- Increase in a range of sundry income areas (£0.257 million) due to a range of factors, including foundation apprenticeship strategic funding;
- Increased salary costs (£0.122 million) due to backdated pay award to April 2015 under national bargaining;
- Reduced learning and teaching costs (£0.113 million), due to reduced project, teaching and Compex registration costs; and
- Increased property and facilities management costs (£0.118 million), which is offset by higher SFC maintenance grant (see above).

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 report 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 one internal audit reports attached for presentation –

- IT Health Check

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

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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		
Very Low	X	X

Please describe any risks associated with this paper and associated mitigating actions – There is an agreed internal audit plan in place. Compliance with this plan will mitigate against key aspects of College processes and procedures not being independently reviewed.

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

## Internal Audit Report

### ICT Healthcheck

April 2016



Scott-Moncrieff  
business advisers and accountants

Uncontrolled Copy

# Forth Valley College

## Internal Audit Report

### ICT Healthcheck

Introduction	2
Summary of findings	3
Conclusion	4
Management Action Plan	5

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# Introduction

In April 2016, we performed a high level review of the ICT arrangements in place at Forth Valley College (the College). Our review was performed in accordance with the 2015/16 Internal Audit Plan.

## Background

The College is Scotland's first regional College, delivering more than 750 courses from its three main campuses in Alloa, Falkirk, and Stirling. The College has eight teaching departments, annually enrolls over 13,500 students, and academic services are supported and delivered by over 500 staff.

Like any other major FE institute, the College is heavily reliant on its technological infrastructure to support the delivery of services and achieve business objectives. It is crucial that the infrastructure is maintained at a level capable of supporting the organisation's business plans and strategy and to ensure the confidentiality, integrity, and availability of the organisation's systems and data.

## Scope

We performed a high level review of ICT within the College by considering how the College's network infrastructure is monitored and managed. Our work also took into account the security and resilience of the network environment.

This included security arrangements in place for managing logical access to the network as well as the physical and environmental security controls in place for server hosting facilities. We also reviewed the adequacy of data backup arrangements in place to protect the integrity and availability of College data.

The control objectives for this audit, along with our assessment of the controls in place to meet each objective, are set out in the Summary of Findings.

## Acknowledgements

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

# Summary of findings

The table below summarises our assessment of the adequacy and effectiveness of the controls in place to meet each of the objectives agreed for this audit. Further details, along with any improvement actions, are set out in the Management Action Plan.

No	Control Objective	Control objective assessment	Action rating				
			5	4	3	2	1
1	ICT policies and acceptable usage guidance is in place to support the network;	YELLOW				1	
2	Network access by users is controlled	YELLOW			1		
3	There is adequate security control over the network and network devices	YELLOW			1	2	
4	Resilience and recovery is designed into the network	YELLOW				1	

Assessment	Definition
<b>BLACK</b>	Fundamental absence or failure of key control procedures - immediate action required.
<b>RED</b>	The control procedures in place are not effective - inadequate management of key risks.
<b>YELLOW</b>	No major weaknesses in control but scope for improvement.
<b>GREEN</b>	Adequate and effective controls which are operating satisfactorily.

# Conclusion

There is a dedicated IT function which is responsible for the management and administration of the College's IT infrastructure. Technical IT staff are primarily based in the Falkirk campus, however both the Stirling and Alloa campus' have a Senior Support Analyst in post.

Our audit identified several examples of good practice across the College. Some of these include:

- Robust authorisation processes have been implemented for the provision of staff access to the IT infrastructure to ensure that invalid requests for access are not granted;
- There is logical separation of the guest, corporate and student wireless networks. This has been enabled through each wireless connection being provisioned through separate vLANs. Also, corporate and student networks are subject to appropriate levels of encryption;
- There are robust backup and backup testing processes in place. A backup checklist has been developed and this is used by support analysts to confirm backups are running correctly; and
- The IT infrastructure is actively monitored through a network monitoring tool (Nagios). This has been configured to provide automated email alerts in the event that performance issues with key infrastructure and network devices (e.g. servers, UPS, etc.) are identified.

We have also made a number of observations and identified areas of improvement. The main findings noted during our review are outlined below and further detail is included in the Management Action Plan section of the report.

## Main Findings

- There is a need to improve controls in relation to the management and removal of leaver system accounts. Whilst HR provide monthly reports which identify new starters and leavers, reconciliations of staff records to Active Directory (network system accounts) identified a number of accounts that should have been removed due to staff departing the College or accounts no longer being required; and
- At present, the Falkirk server room is not locked during the working day. We were advised that this is partly due to workspace constraints across the campus which has resulted in the server room being used as a storage area by the IT team.

Further details of the points noted above, as well as a number of less significant issues are included in the Management Action Plan.

# Management Action Plan

In order to provide information regarding the priority/seriousness of our report findings, a ranking of the findings has been provided. The rankings are 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. Control objective: ICT policies and acceptable usage guidance is in place to support the network

Observation and Risk	Recommendation	Management Response
<p><b>1.1 IT Security Policy</b></p> <p>Our audit found that the current IT Security Policy in place for the College has not been reviewed since 2008. The next review cycle for this document was scheduled for August 2010.</p> <p>Whilst a revised draft IT Security Policy has been produced and is pending Board of Management approval, it is not known when the policy will be submitted for approval and circulation to College stakeholders.</p> <p>The IT Security Policy is a key governance control and sets out IT security expectations and requirements. There is a risk that without a current document, there is no valid reference point against which IT security practices can be policed or enforced within the College.</p>	<p>We recommend that the College finalise the IT Security Policy and circulate this to stakeholders once approved by the Board of Management.</p>	<p>An updated IT Security Policy is currently in draft, and will be brought for approval through Senior Management Team and Board of Management.</p> <p><b>To be actioned by:</b> Graeme Robertson</p> <p><b>No later than:</b> September 2016</p> <hr/> <p><b>Priority</b>   <b>2</b></p>



## 2. Key control objective: Resilience and recovery is designed into the network

Observation and Risk	Recommendation	Management Response
<p><b>2.1 Redundant Account Management</b></p> <p>Our audit identified a number of redundant user accounts that are still active on both the corporate and student domains.</p> <p>Whilst processes to manage staff leavers have been implemented, our analysis of user accounts found that 7 leaver accounts were still active on the network (these have now been deleted) and identified 6 other accounts that could not be accounted for. The Active Directory listing also contains a large number (&gt;25) of test/generic accounts.</p> <p>We noted that reconciliation between staff records and current staff user accounts was performed by IT in August 2015. This led to the identification and removal of approximately 130 redundant accounts and highlighted that the current processes in place to manage leavers is not effective.</p> <p>(Continued over)</p>	<p>We recommend that management should review the current staff leaver process. Specific focus should be given towards ensuring IT is informed of leavers on a timely basis by both individual line managers and HR.</p> <p>In relation to student accounts, management should ensure that a script is created to delete network accounts for students that are not listed on central student records. The script should be tested thoroughly to ensure that only surplus accounts are deleted.</p> <p>For both staff and student accounts, annual reconciliations should be conducted against independent sources of information (i.e. HR and student registry data) in order to identify and remove any redundant accounts that may have been missed through routine controls.</p>	<p>Revised processes were put in place after a purge of redundant accounts in August 2015. The low number of unmatched records between Active Directory and our HR system showed that the revised processes were in the main functioning effectively. The bulk of the six unmatched records related to older staff records, which had been missed in the August 2015 purge, while two related to temporary staff that had left within days of starting their appointment. Processes will be reviewed to ensure that temporary staff who fall within this category are caught within our processes.</p> <p>Student records are created on offer of a place, and not all students take up their offer, hence their being student accounts created that are not used. An annual reconciliation will be diarised to identify and remove any accounts that may have been missed through routine controls.</p> <p><b>To be actioned by:</b> Graeme Robertson</p> <p><b>No later than:</b> October 2016</p>
		<p><b>Priority</b>   <b>3</b></p>

## Observation and Risk

## Recommendation

## Management Response

### 2.1 Redundant Account Management Cont.

For students, Active Directory user accounts are automatically generated by reference to central student records using a script. For student accounts, it was found that there were 9,502 user accounts however there were only 8,438 student records. This was acknowledged by the IT team who advised that, at present, student accounts are created upon enrolment. However not all students attend the college once enrolled, leading to surplus accounts.

Going forward, management advised that the script will be updated to enable it to delete student accounts not listed on central records. In addition, on an annual basis, the College conducts an clear-out of student user accounts, which results in redundant accounts being removed.

There is a risk that by not removing redundant accounts on a timely basis, unauthorised users may gain access to the Colleges network. There is also a risk that these accounts may be hijacked in order to gain unauthorised access to the network

### 3. Key control objective: Resilience and recovery is designed into the network

Observation and Risk	Recommendation	Management Response
<p><b>3.1 Falkirk Server Room (Physical Security)</b></p> <p>As part of our audit, we reviewed the security surrounding data hosting facilities. The Falkirk server room hosts the College's critical business systems, including the HR and Finance systems.</p> <p>We found that the Falkirk server room was not locked during working hours and that the server room is also used as a store room for the IT team. We did note that the IT working area which leads to the server room is secured by keypad locks on both entrances.</p> <p>It was advised that once the new Falkirk campus is complete, the IT team will have two separate server rooms. Access to both will be restricted on an as-required basis. In addition, server hosting facilities will benefit from better environmental controls, such as fire suppression systems.</p> <p>By not having robust physical security controls in place for the server room, there is a risk that unauthorised access could result in data loss or servers being used to host data may be damaged resulting in unplanned downtime.</p>	<p>We recommend that management consider improving physical security controls in place for the Falkirk server room by ensuring that the server room is kept locked at all times and a separate store room is identified for IT. The key for the server room should be held securely and only made available to relevant IT staff.</p> <p>We recognise that management may wish to accept the risk in this area given the intended future move to a new campus and data hosting facility. However, as this move is at least two years away, we believe there is value in implementing interim control measures.</p> <p>For the new Falkirk campus data hosting facilities we would recommend that measures are introduced which ensure that all access for individuals is subject to:</p> <ul style="list-style-type: none"> <li>• Authentication: The access process should confirm user credentials prior to allowing access to server rooms;</li> <li>• Authorisation: All access to server rooms must be authorised by IT management; and</li> <li>• Accountable: All instances of access to server rooms must be logged and uniquely identifiable.</li> </ul>	<p>The overall IT room/area, which contains the server room, is kept locked at all times when IT staff are not present, and no staff outwith IT are allowed to access the server room. The current server room in Falkirk was introduced long after the building was built, and with space restrictions it's also used as a store and build room, and therefore requires regular access by IT staff.</p> <p>Increasing physical security for the server room would lead to frustration and a lack of productivity for the IT Team, and a small cost to the College, however a risk analysis will be undertaken to assess viability.</p> <p>The recommendations for the new Falkirk Campus have already been considered and are included within current drawings.</p> <p><b>To be actioned by:</b> Graeme Robertson</p> <p><b>No later than:</b> July 2016</p> <hr/> <p><b>Priority</b> <span style="float: right;"><b>3</b></span></p>

Observation and Risk	Recommendation	Management Response
<p><b>3.2 Group Password Policy</b></p> <p>Our audit found that the current group password policy was not in line with best practice password recommendations.</p> <p>The password configuration currently in place is as follows:</p> <ul style="list-style-type: none"> <li>• Minimum of 5 characters in length;</li> <li>• Password complexity not enabled;</li> <li>• Users unable to use 5 of their previous passwords; and</li> <li>• Maximum password age of 90 days.</li> </ul> <p>Both the minimum character length and complexity requirements are weaker than recommended best practice which requires a minimum of 8 characters in length and for password complexity to be enabled.</p> <p>Weak passwords run the risk of unauthorised users gaining access to the network. User login credentials are a primary (and often the only) end-point security control preventing unauthorised users from accessing the network.</p>	<p>We recommend that management ensure that the new IT Security Policy is updated with detailed guidance on best practices for setting and managing passwords. The Policy should detail a minimum password standard that should be applied across the College network and systems.</p> <p>One possible source of best practice guidance can be found through the following link:</p> <p><a href="http://windows.microsoft.com/en-gb/windows-vista/tips-for-creating-a-strong-password">http://windows.microsoft.com/en-gb/windows-vista/tips-for-creating-a-strong-password</a></p> <p>This requires that password complexity be enabled (i.e. alphanumeric) and passwords have a minimum password length of at least 8 characters. By doing this the risk that passwords will be guessed or compromised through brute-force attack will be reduced.</p>	<p>Agreed, and this is planned to be included within the revised IT Security policy.</p> <p><b>To be actioned by:</b> Graeme Robertson</p> <p><b>No later than:</b> September 2016</p> <hr/> <p><b>Priority</b>   <b>2</b></p>

Observation and Risk	Recommendation	Management Response		
<p><b>3.3 Device Encryption</b></p> <p>Our audit found that mobile devices have not had their hard disks encrypted. We noted that this is in contravention of the current IT Security Policy (2008) requirements which state, under 'Security of Portable IT Equipment', that "Hard disk encryption will be implemented on all College laptops and tablets ensuring that in the case of theft any information stored on the hard disk will be protected, and that no unauthorised user may use the device to enter the College network".</p> <p>Management advised that there are only two mobile devices assigned to staff where there is the potential risk of storing College data. Only one of which there is a potential risk of storing confidential information. As indicated in the IT Security Policy, there is a risk that the confidentiality of data may be compromised in the event that a mobile device that is being used to store College data is lost or stolen. The risk rating in relation to this issue reflects the low number of devices currently in use.</p>	<p>We recommend that, in line with the requirements of the current IT Security Policy, all mobile devices that are being used to store confidential College data have their hard disks encrypted to ensure that data confidentiality is preserved following a security incident.</p>	<p>The IT Management Team are confident that no confidential data is stored on College laptops, however accepts that there are two members of staff with assigned laptops where there is a potential risk of confidential data being temporarily stored, given that nature of the roles of these members of staff. These laptops are protected by passwords; however we will investigate options and implement a solution to eliminate this risk.</p> <p><b>To be actioned by: Graeme Robertson</b></p> <p><b>No later than: August 2016</b></p> <hr/> <table border="1"> <tr> <td data-bbox="1429 1082 1756 1230"><b>Priority</b></td> <td data-bbox="1756 1082 2083 1230"><b>2</b></td> </tr> </table>	<b>Priority</b>	<b>2</b>
<b>Priority</b>	<b>2</b>			

## 4. Key control objective: Resilience and recovery is designed into the network

Observation and Risk	Recommendation	Management Response
<p><b>4.1 Disaster Recovery (DR) Documentation</b></p> <p>As part of our review, we sought to obtain assurance that the College has robust IT Disaster Recovery (DR) arrangements in place. Whilst we were pleased to note that DR documentation is in place and is being reviewed, we could not obtain evidence to confirm that plans had been tested to confirm they would work in practice upon invocation.</p> <p>There is also a need to update the control sheet within the physical DR plan each time the document is reviewed so that changes/updates can be tracked.</p> <p>By not testing DR plans on a regular basis, there is a risk that the DR plans will not be effective when invoked following an IT disaster. As a result, the College may not be able to efficiently recover all of its infrastructure and systems.</p>	<p>We recommend that plans and supporting procedures are periodically tested to gain assurance over their effectiveness should they need to be invoked. Evidence of review and testing, along with a lessons learned log, should be retained by College IT.</p>	<p>Ensuring synergy with the College's overall Disaster Recovery testing schedule, we will devise and implement an IT specific Disaster Recovery testing schedule.</p> <p><b>To be actioned by: Graeme Robertson</b></p> <p><b>No later than: October 2016</b></p> <hr/> <p><b>Priority</b>   <b>2</b></p>

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1. Purpose

To present members with the report from Scott Moncrieff detailing progress against the agreed internal audit programme.

2. Recommendation

That members note the contents of the attached report.

3. Overview

Following the approval of the Internal Audit programme by the Committee, Scott Moncrieff have undertaken to produce a report to each committee updating members on progress against the programme.

4. Financial Implications

Please detail the financial implications of this item – None. This report is produced by Scott Moncrieff as part of the budgeted Internal Audit provision to the College.

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		
Very Low	X	X

Please describe any risks associated with this paper and associated mitigating actions – Regular independent reporting on progress will provide assurance to members on College progress against the agreed internal audit programme.

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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**Forth Valley College**  
**2015/16 Internal Audit Plan**  
**Progress Report**

June 2016



**Scott-Moncrieff**  
business advisers and accountants

# Forth Valley College

## Internal Audit 2015/16

### Progress Report – June 2016

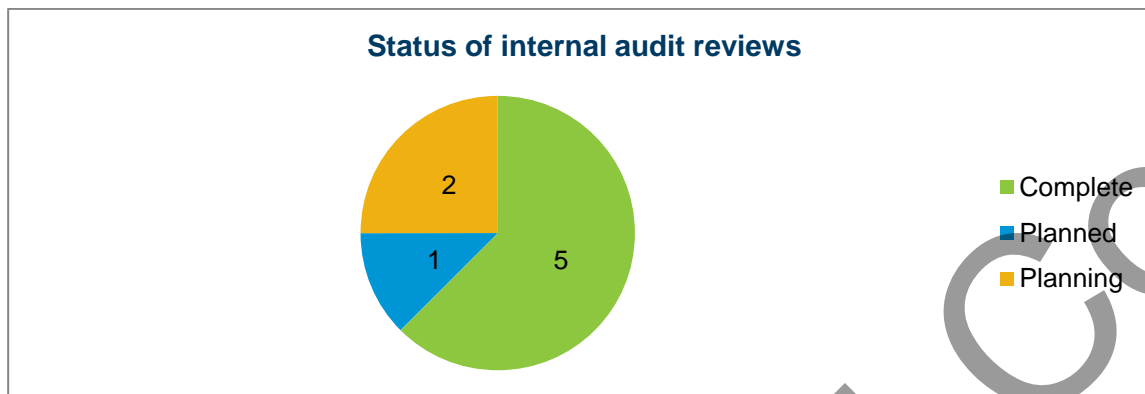
Summary of Progress	1
Audits Completed	3
Appendix 1 – Progress against 2015/16 Internal Audit Plan	5

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# Summary of Progress

This paper provides a summary of internal audit activity during the year to date and confirms the reviews planned for the coming quarter, identifying any changes to the original annual plan.

## Progress against annual audit plan



As at June 2016, five audits have been completed so far in 2015/16; wSUMs, treasury and cash management, income and receivables, health and safety, and IT healthcheck.

We were due to conduct a Board Risk Workshop at the end of March. However, the date was deferred due to other priorities. We are still discussing a revised date with management. Therefore, the output report is not being presented to this meeting as planned and will instead be presented to the August Audit Committee.

All reviews scheduled for the next Audit Committee meeting in August 2016 are planned or at the planning stage, and we remain on track to deliver the full programme of audit days on time.

Appendix 1 sets out the status of the 2015/16 internal audit programme.

## Plan for next quarter

We will present the following reports to the August 2016 Audit Committee:

- Financial return
- Risk workshop
- Follow up
- Annual Internal Audit Report 2015/16
- Internal Audit Plan 2016/17

## Action for Audit Committee

The Audit Committee is asked to note the contents of this report and to approve the plan for the next quarter. We also invite any comments on the format or content of this report. Contact details are as follows:




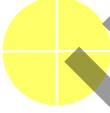
Gary Devlin, Audit Partner                      [gary.devlin@scott-moncrieff.com](mailto:gary.devlin@scott-moncrieff.com)                      0131 473 3500

Michael Smith, Audit Manager                      [michael.smith@scott-moncrieff.com](mailto:michael.smith@scott-moncrieff.com)                      0141 567 4500

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# Audits Completed

The table below sets out the reports completed during 2015/16. There were no Grade 4 or 5 recommendations (very high risk exposure) and there are no control objectives assessed as red or black. Full definitions for the colour coding and the grading structure are set out below.

Review	Control objective assessment	No. of issues per grading				
		5	4	3	2	1
wSUMs	N/A*				2	
Treasury and cash management				2	1	
Income and receivables				1	2	2
Health and safety					1	1
IT healthcheck				2	4	

\*The report format followed a different style and therefore there were no colour-coded control objectives.

## Definitions

We use the following definitions to describe the effectiveness of controls in the area under review.

Assessment	Definition
<b>BLACK</b>	Fundamental absence or failure of key control procedures - immediate action required.
<b>RED</b>	The control procedures in place are not effective - inadequate management of key risks.
<b>YELLOW</b>	No major weaknesses in control but scope for improvement.
<b>GREEN</b>	Adequate and effective controls which are operating satisfactorily.

Recommendations are graded as follows:

Grade	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.

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# Appendix 1 – Progress against 2015/16 Internal Audit Plan

Shaded areas denote completion.

Name of report	Status	Audit start	Draft report issued	Management responses	Final report issued	Planned Audit C'ttee meeting	Actual Audit C'ttee meeting
Treasury and cash management	Complete	Jan 2016	Feb 2016	Feb 2016	Feb 2016	Mar 2016	Mar 2016
Income and receivables	Complete	Jan 2016	Feb 2016	Feb 2016	Feb 2016	Mar 2016	Mar 2016
Financial return	Planning	Jul 2016	Jul 2016	Aug 2016	Aug 2016	Aug 2016	
Health and safety	Complete	Feb 2016	Feb 2016	Mar 2016	Mar 2016	Mar 2016	Mar 2016
wSUMs	Complete	Oct 2015	Nov 2015	Nov 2015	Nov 2015	Nov 2015	Nov 2015
IT healthcheck	Complete	Mar 2016	Apr 2016	Apr 2016	May 2016	Jun 2016	Jun 2016
Risk workshop	Planning	TBC	TBC	TBC	TBC	Jun 2016*	
Follow up	Planned	Jun 2016	Jul 2016	Jul 2016	Jul 2016	Aug 2016	
Annual report	-	-	Jul 2016	Jul 2016	Aug 2016	Aug 2016	
Annual Internal Audit Plan 2016/17	-	-	-	-	-	Aug 2016	

\*The output report from our risk workshop will be dependent on when the workshop is undertaken. We are currently discussing potential dates with management.



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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 20 May 2016.

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 Financial Systems and Health and Safety audits presented to the Audit Committee in March 2016 have been added to the tracker, bringing the total number of recommendations to 12.

Since the last meeting of the Audit Committee, 5 of the 12 recommendations have reached a stage where the College considers them to be complete. Furthermore, in relation to recommendation ID 42 Monitoring of Actuals, further exploratory work from the College has indicated that this recommendation is not feasible (further detail in appendix 1). It is recommended that the Audit Committee approve the removal of this recommendation

These completed recommendations and ID 42 are highlighted in grey in the appendix.

There are two recommendations (ID 68 and 78) where an extension is being sought and the reasons for these extensions are contained in the appendix.

	High	Medium	Low	N/a	Total
Live within date	0	3	1	0	4
Live recommendation passed implementation date	0	1	1	0	2
Completed since last report to Committee	0	2	3	0	5
Recommended for removal	0	1	0	0	1

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
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	May 16 - Further review of this recommendation shows that we do not hold information in a format which would enable us to look into this. At the time of the recommendation it was through that the College could do a reasonable test however both income and expenditure is received/incurred across various departments and would be excessive in terms of the time taken to extract the data. Feb 2016 - This is proving to be a challenging review as the accounts year end has changed twice recently with accounts being prepared for 16 months and then 8 months. Finance are currently reviewing this to see if this exercise will be possible. 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.	May-16		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	Feb 16 - Form completed and tested. Will be rolled out with a suite of other improvements in March 2016. 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	Apr-16	Screenshots	Yes	
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	May 16 - Testing exercise with SMT scheduled but delayed owing to other business. Likely to take place in June 2016 Feb 16 - Dedicated testing exercise to be conducted with all SMT. Nov 15. Test scenarios developed and session with SMT and key managers scheduled to perform test in Jan 16.	Apr-16	Jun-16		No
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	Apr 16 - Upgrade of hardware and software completed, till software customised to College need, Bleep Web back office system installed and new menu cycles implemented. Following further training in the new system, the first electronic stock checks are scheduled for early June. Feb 16 - All major supplier contracts are now in place in compliance with APUC/TUCO and College procurement guidelines. In addition we have just about finalised all product lists, menus and recipes, which means we can now start populate the new Web Back Office for the Bleep system. The upgrade for the new hardware and software is scheduled to take place in April 2016. 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.	Apr-16	<a href="http://info/li/hosp/Stock%20Order%20Library/Stock%20Order%20Form%20Area.aspx?PageView=Shared">http://info/li/hosp/Stock%20Order%20Library/Stock%20Order%20Form%20Area.aspx?PageView=Shared</a> <a href="http://infoadmin/projects/brp/General%20Library/Forms/AllItems.aspx">http://infoadmin/projects/brp/General%20Library/Forms/AllItems.aspx</a>	Yes	
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	May 16 - In progress for June completion Feb 16 - Initial meeting took place in early Feb and in progress to meet June deadline. Nov 15 - A draft of the policy is available and a further meeting in due to take place in early December.	Jun-16			
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	May 16 - Workboard fully embedded. Pilot of docu-sign currently in place to ensure process is fit for purpose. Feb 16 - The new system has been reviewed and new procedures are under development. These will be implemented by April 2016. Nov 15 - Electronic document sign off licence as been purchase and the department is currently looking into the roll out procedures.	Apr-16			Yes

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	May 16 - 2 role profiles still to be reviewed for graphic designers. In light of increased video requirement for the department the further detailed scoping is required to ensure that the role profiles accurately reflect the changing needs of the College. Feb 16 - 80% of team role profiles have been updated and on course to be completed by June deadline. Nov 15 - No update at this time.	Jun-16			
77	Financial Systems	Feb-16	Alison Stewart	Colette Filippi	The College should develop a formal Income Generation Strategy. The Strategy should identify the areas in which the College believes it can maximise non-SFC income. Appropriate targets should be developed and monitored to measure progress against the Strategy, and progress should be regularly reported to the Board. The College should also develop formal policies and procedures which set out the College's approach to generating non-SFC income and how staff should generate ideas and develop business cases, etc.	A full review of this income analysing the different types of income from SDS funding, company fees, training board fees, international company fees etc is being carried out and then presented to the Board for further discussion at the March 2016 board meeting. In terms of non SFC income not linked to direct training delivery, the College is currently recruiting for a Development and Fund Raising Manager and a key remit for this role is to develop, implement and manage the college's development and fund raising strategy. This type of income/funding will be focussed on trusts, lottery, foundations, alumni development and links to the main capital project for the new campus in Falkirk.	3 (Medium)	May 16 - Development and Fundraising Manager appointed and in post. Fundraising strategy under development and will be presented at the next cycle of Board meetings.	Aug-16			
78	Financial Systems	Feb-16	Alison Stewart	Pamela Duncan	The process for raising credit notes for student debts should be formalised. The current process for raising credit notes for non-student debts should be applied to credit notes for student debts.	The College plans to adopt the same procedure for student debts as non-student debts. The credit note request form will be introduced and will be required for each credit note raised. The credit note request form will be authorised via e-mail from the relevant Head of Department before being processed by the student records officer and a credit note raised.	2 (Limited)	May 16 - We have revised the completion date of this task to ensure that the procedure brings into its scope all of the various types of student withdrawals. Student records and Finance are working together to create an infopath form which links into the Student Records library for withdrawals and also incorporate the use of the credit note request form. On discussion between student records and Finance it is not possible to have exactly the same procedure as Finance but the new procedure developed will have authorisation checks to ensure that no credit note is raised without approval and also have a formally documented process.	Apr-16	Aug-16		
79	Financial Systems	Feb-16	Alison Stewart	Fiona Lovell	The College should develop a standard form for adding, amending or removing user access rights to the Sun accounting system. The form should be authorised by the line manager prior to processing by the System Administrator. The College should also undertake an annual user access review to determine that only relevant staff have access to the system and they have the correct levels of access.	The College believes that this check is already in operation as it is only Finance who have access to the Sun accounting system. Therefore if any change to user rights were to occur such as a new member of the team, as part of the set-up, user rights would be reviewed and signed off by the line manager prior to the request being sent to the System Administrator. The annual user access review is also in operation to ensure that only relevant persons have access to the Sun accounting system. This will now be formally documented and signed off by the Head of Finance.	1 (Efficiency/Housekeeping)	May 16 - Now completed. Please click on hyperlink.	Jun-16		<a href="#">New User Set up.doc</a>	Yes
80	Financial Systems	Feb-16	Alison Stewart	Fiona Lovell	The Cash Handling Guidance should be reiterated to staff and training provided where necessary. When cash is dropped-off at the safe a formal independent cash count should be undertaken to ensure that the amount of cash being deposited in the safe is accurate. At least two individuals should be present for the cash count and it should be documented. The same procedures should be applied to till float counts.	The College accepts that there is an increased risk around the lack of independent cash counts when floats are either picked up or dropped off from a safe. The College will review with each of the relevant individuals the process currently in operation and assess where the additional checks can be added to the daily process to ensure that the risk is mitigated. The College will also ensure that any process designed to mitigate the risk above also applies to till float counts.	3 (Medium)	May 16 - We have reissued and discussed the cash handling guidance with all relevant staff, however are currently in the process of designing a process that fits into the operational requirement of the College as well as satisfying the internal audit requirement. We aim to have this completed by 1/7/2016.	Jul-16			
81	Financial Systems	Feb-16	Alison Stewart	Fiona Lovell	The College should engage with Security Plus to ensure receipts provided by Security Plus match the College's cash records. Finance staff should check the Security Plus receipts agree to the College's records whilst Security Plus is collecting the cash each week. The College should also reiterate to staff the importance of maintaining records.	The College will ensure it has a full understanding of each of the components of the Security Plus service including what the procedures are for producing receipts. This will then be communicated to the relevant staff who deals directly with Security Plus to ensure that the service delivered is in line with expectations. The College has now developed a new cash record log which will be required to be sent to Finance on the relevant Security Plus pick up day, (e.g. for the Falkirk Campus on a Tuesday and Thursday). This will then ensure that any discrepancies are identified in a timely manner.	3 (Medium)	May 16 - Now completed. Please click on hyperlink. The College has created a new float form which is used by all staff and should allow easier reconciliation to Security Plus receipts. In addition, this form is now sent to Finance after each Security Plus pick up to eliminate any risk of errors not being recognised in a timely manner.	Jul-16		<a href="#">Security Plus - New Float Rec.pdf</a>	Yes

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.

4. Changes to the Risk Register

Risk No 1 – [REDACTED]

[REDACTED].

Risk No 8 – SFC Allocation Levels. Following publication of the Grant In Aid letter by SFC, the risk score has been increased. Further details in the attached risk register.

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
No	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		
1	Estates	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	P	APED	ARED	VH	VH	25	VH	VH	25	Added from Estates Risk Register	May-16
2	Strategic	Strike action arising from National Bargaining negotiations will impact on the learning and teaching provision for students	<ul style="list-style-type: none"> <li>Inability to hold classes in line with timetables</li> <li>Disruption to campus operations during strike action</li> <li>Impact on the delivery of commercial training</li> <li>Depending on timing, impact on assessment activity</li> <li>Commercial clients requesting changes to contracts with College to reflect strike action.</li> </ul>	<ul style="list-style-type: none"> <li>College continues to liaise with unions on a local and national levels to ascertain potential strike days</li> <li>Communications plan under development to notify shareholders of potential impacts</li> <li>Contingency planning for the recovery of lost teaching/assessment time</li> </ul>	<p>May 16. Strike action successfully managed with limited destruction to students. NRPA now signed of by sector with EIS pay award for 15/16 &amp; 16/17 now completed.</p> <p>March 2016 - We have developed a communication plan to make sure that stakeholders are kept fully informed of mitigating actions we may take. We are actively working with departments to alleviate the impact on learners.</p>	HR	P	APHROE	VH	VH	25	VH	H	20	↕	Mar-16
3	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>May 16 - No donation made to Foundation in March 16. SFC/SG still reviewing the issues around utilisation of surplus cash.</p> <p>March 2016 - No further update at this time</p> <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
4	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>May 16 - Covenants were not breached at 31 July 15 and are not expected to be breached at July 16. Barclays still looking to remove covenants but making slow progress. Implementation of FRS 102 at July 16 could result in fluctuating surpluses / deficits due to treatment of non government grants which in turn could impact on covenants. Further meeting scheduled with Barclays in June 16.</p> <p>March 2016 - The College waiting to hear from Barclays on this matter.</p> <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





Forth Valley College Strategic Risk Register

5	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>May 16 NRPA now signed by the sector however, this remains a high risk as discussion begin on the next stage of Terms and Conditions</p> <p>March 2016 - There are still a number of colleges who have not yet signed the NRPA which is causing difficulties in moving the process further</p> <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 May 2015</p> <p>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  <ul style="list-style-type: none"> <li>College continues to monitor developments at a national level and share information with recognised trade unions.</li> </ul> </p>	HR	P	APEDHROE	VH	H	20	VH	H	20		Jun-14
6	Finance	The current economic environment, changes to the Oil & Gas sector, HEI investment levels 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	<p>May 2016 - No further update at this time</p> <p>March 2016 - Developing areas of activity across the teaching departments to generate additional income. Bid to SDS to expand the numbers and frameworks within the MA programme. Relaunched the MA Engineering programme and seeking to attract additional companies. Active marketing campaign on commercial activities. Recruiting a Development and Fund Raising Manager</p> <p>November 2015 - Meeting held with all Heads of Teaching department to identify new streams of income</p>	F	P	CF	VH	VH	25	VH	H	20		Nov-15
7	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>May 16 - Draft FBC being updated on basis of capital procurement. Planning Permission in Principal granted. Site Investigation complete. Conditional legal missives being negotiated for the sale of Branshill site.</p> <p>March 2016 - Draft FBC completed February 2016 and issued to SFT and SFC. Planning Permission in Principal (PPP) submitted. Site Investigation contractor appointed. Negotiations commenced on sale of Branshill site.</p> <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  <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> <p>May 2014  <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> <p>8 April 2014  <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> </ul> </p>	B	APEDED	APEDED	VH	VH	25	M	VH	15		Nov-14 score reduced from 20 to 15 Added - 01/08/2013
8	Strategic	Uncertainty over SFC allocation levels for the College will impact on the curriculum planning process	<ul style="list-style-type: none"> <li>Inability to accurately curriculum plan impacting on course advertising, recruitment and staffing levels</li> <li>Uncertainty over meeting Outcome agreement targets if reductions are received in allocation</li> </ul>	<ul style="list-style-type: none"> <li>Liaise with SFC to receive assurance over funding levels</li> <li>Update Outcome Agreement to match available funding levels once known</li> </ul>	<p>May 16 - Publication of SFC Grant In Aid letter. Core funding up but capital and student funding reduced. Letter issued to Lawrence Howells on 20 May 2016.</p> <p>March 2016 - Ongoing dialogue with Outcome Agreement Manager. Principals group involved in strategic dialogue with SFC and Scottish Government.</p>	B	P	P	M	H	12	H	H	16		March 2016 Score Increase May 2016
9	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>May 16 - Expected cost to the College is £380k and currently working to try and manage within budget</p> <p>March 2016 - No further update at this time</p> <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.</p> <p>March 2015 - Will be incorporated into 2015/16 budget</p> <p>November 2014 - • Additional cost factored into 2015/16 reforecast.</p> <p>May 2014 - • No further update at this time</p> <p>8 April 2014 - • No further update at this time</p> <p>17 January 2014 - • Initial estimate of cost is £350k</p>	F	APEDF	APEDF	VH	M	15	VH	L	10		Nov 14 Score reduced from 15 to 10 Added - 01/01/2014

Forth Valley College Strategic Risk Register

10	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><b>May 16 - No further update</b>                      March 2016 - No further update at this time                      November 2015                      No further update at this time                      August 2015                      Foundation approved grant application.                      May 2015                      Grant Application submitted and awaiting confirmation of meeting date with Foundation to review application. March 2015                      The Foundation were supportive of the new Falkirk campus developments and the grant application will be submitted for the FBC costs                      November 2014  <ul style="list-style-type: none"> <li>Meeting scheduled with Foundation 3 December 2014</li> </ul>                     May 2014 - Memorandum of Understanding signed by Forth Valley College and Forth Valley College Foundation</p>	B	APEDF	APEDF	M	VH	15	L	VH	10		May-14
11	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><b>May 2016 - No further update at this time</b>                      March 2016 - There has been no further legal advice on this.                      November 2015                      No further developments at this time                      July 2015                      No further update at this time                      May 2015                      No further information received regarding this                      March 2015 - No update at this time</p>	HR	APEDHROE	APEDHROE	H	H	16	M	M	9		Nov-14
12	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.	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.	<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><b>May 16 - IT Healthcheck undertaken by Internal Auditors. No significant risks identified.</b>                      March 2016 - Further resilience added through additional break-out access added to Alloa and Stirling.                      November 2015                      No further update                      August 2015                      An additional high-speed internet connection was installed in May to provide resilience                      May 2015  <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>                     March 2015  <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>                     November 2014  <ul style="list-style-type: none"> <li>No Further Update</li> </ul>                     May 2014  <ul style="list-style-type: none"> <li>IT services participating as pilot department for Business Continuity planning processes</li> </ul> </p>	F	APEDIS	APEDIS	L	VH	10	L	H	8		Jun-14
13	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><b>May 16 EIS pay award now competed for 15/16 &amp; 16/17 Unison pay award for 15/16 completed Negotiations still on going for 16/17</b>                      March 2016 - Unison have now accepted a pay award backdated to April 2015. Unison have also tabled a pay awards for 16/17                      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.                      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                      May 2015                      National Bargaining process remains ongoing which could result in local pay negotiation taking place. Financial details require to be worked through.                      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.                      November 2014 - UNISON accepted pay offer                      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>                     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>                     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

Forth Valley College Strategic Risk Register

14	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>• 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>May 16 - Test rescheduled to May 16.</p> <p>March 2016 - Testing to occur in March 2016</p> <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 - • Business Continuity Plan being developed</p> <p>May 2014 - • Business Continuity Policy approved</p> <p>8 April 2014 - • 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.</p> <p>17 January 2014 - • Scope for services required to meet recommendations within Audit Report developed</p> <ul style="list-style-type: none"> <li>• Potential candidate list for consultancy services created</li> <li>• Discussions on next steps on-going</li> </ul> <p>21 November 2013</p> <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>	A	P	APEDF	L	VH	10	L	M	6		Nov-13
15	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>May 16 - Outcome Agreement updated and will be taken to next meeting of the Strategic Development Committee</p> <p>March 2016 - Early Draft Outcome Agreement shared with SFC. Revised draft taken to Strategic Development Committee in February 2016.</p> <p>November 2015 - • Early Draft Outcome Agreement for 2016/17 going to Strategic Development Committee on November 19th.</p> <ul style="list-style-type: none"> <li>• 2014/15 Outcome Agreement Self Evaluation submitted to SFC on 31st October, with key targets met.</li> </ul> <p>August 2015 No further update</p> <p>May 2015 Outcome Agreement for 2015/17 agreed with SFC</p> <p>March 2105 - The College continues to monitor progress against all targets</p> <p>November 2014 • Draft Outcome Agreement for 2015/17 going to Strategic Development Committee on November 20th.</p> <ul style="list-style-type: none"> <li>• 2013/14 Outcome Agreement Self Evaluation submitted to SFC on 31st October, with all key targets met.</li> </ul> <p>8 April 2014 KPI's for 2012/13 reported to SDC ??</p> <p>16 January 2014 • Draft Outcome Agreement shared with Strategic Development Committee and Board of Management</p> <ul style="list-style-type: none"> <li>• Draft Outcome Agreement shared with SFC, with changes made following suggested enhancements</li> </ul> <p>21 November 2013 • 2012/13 Outcome Agreement self evaluation completed and returned to SFC identifying that key targets within the Outcome Agreement have been met. Regular meetings between College and SFC Regional Outcome Agreement manager. Software to produce KPI reports tested</p>	SDC	APEDIS	APEDIS	L	VH	10	L	M	6		Aug-13

Uncontrolled