

Room 109, Falkirk Campus
4.30pm

AGENDA

1. Apologies for Absence
2. Declarations of interest

FOR APPROVAL

3. Minute of Audit Committee of 2 June 2016
4. Matters Arising
 - a) A/15/021 Internal Audit Programme Progress Report
 - b) a/15/034 Progress Report on Audit Recommendations
 - c) A/15/036 Review of Risk
5. Internal Audit Plan 2016/17 Scott Moncrieff
(Elements of paper 5 are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

FOR DISCUSSION

6. Presentation of Internal Audit Reports Scott Moncrieff
 - a) Follow Up Review
 - b) SFC Financial Returns
 7. Internal Audit Annual Report Scott Moncrieff
 8. Progress Report on Audit Recommendations Stephen Jarvie
(Elements of paper 8 are withheld from publication on the Forth Valley College website under Section 38 Personal Information of the Freedom of Information (Scotland) Act 2002.)
 9. Risk Management Alison Stewart
(Elements of paper 9 are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)
 10. Review of Risk
 11. Any other competent business
-

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
-

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.

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.

He highlighted the addition of a new risk in relation to the historic lease of the West Block roof to a telecommunications firm and highlighted that this lease extended beyond the anticipated lifespan of the site.

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

1. Purpose

To present the draft Internal Audit Plan for the 2016/17 period from Scott Moncrieff for approval by the Audit Committee.

2. Recommendation

That members approve the attached audit plan.

3. Financial Implications

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

4. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not applicable

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

5. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		X
Low	X	
Very Low		

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

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

Risk Owner – Alison Stewart

Action Owner – Stephen Jarvie

6. 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

Internal Audit Plan

2015-18

June 2016



Scott-Moncrieff
business advisers and accountants

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Forth Valley College

Internal Audit Plan 2015-18

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Introduction

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

Section 3 – Definition of Internal Auditing, Public Sector Internal Audit Standards

Scott-Moncrieff's internal audit methodology complies fully with the Public Sector Internal Audit Standards (PSIAS), which cover the mandatory elements of the Chartered Institute of Internal Auditors' International Professional Practices Framework.

Internal Audit Plan

PSIAS require the Chief Internal Auditor to produce a risk-based plan, which takes into account Forth Valley College's (the College) risk management framework, its strategic objectives and priorities, and the views of senior managers and the Audit Committee.

The objective of audit planning is to direct audit resources in the most efficient manner to provide sufficient assurance that key risks are being managed effectively and value for money is being achieved.

This document addresses these requirements by setting out a detailed plan for 2016/17 in the context of a three-year Internal Audit Plan for the period 2015 to 2018.

Audit Committee action

The Audit Committee has previously approved the 2016/17 Internal Audit Plan, which formed part of the 2015-18 Internal Audit Plan. We have reviewed and updated the plan for 2016/17 to take account of any changes in the College's risk profile.

The Audit Committee is asked to review the proposed audits for 2016/17 and consider whether they adequately address the key risks faced by the College.

The plan will remain flexible to react to the College's emerging needs. Any changes to the plan will be agreed with management and the Audit Committee.

Internal audit approach

Supporting the Governance Statement

Our Internal Audit Plan is designed to provide the College, through the Audit Committee, with the assurance it needs to prepare an annual Governance Statement that complies with best practice in corporate governance. We also aim to contribute to the improvement of governance, risk management, and internal control processes by using a systematic and disciplined evaluation approach.

Risk based internal auditing

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

We have reviewed the College's risk management arrangements and have confirmed that they are sufficiently robust for us to place reliance on the risk register as one source of the information we use to inform our audit needs assessment.

Audit needs assessment

Internal audit plans are based on an assessment of audit need. "Audit need" represents the assurance required by the Audit Committee from internal audit that the control systems established to manage and mitigate the key inherent risks are adequate and operating effectively. The objective of the audit needs assessment is therefore to identify these key controls systems and determine the internal audit resource required to provide assurance on their effectiveness.

Our audit needs assessment takes both a top-down and bottom-up approach followed by a reasonableness check. The top-down approach involves identifying the areas of highest inherent risk and the control systems in place to manage those risks. The bottom-up approach involves defining the College's audit universe (potential auditable areas) and covering all systems on a cyclical basis in line with their relative risk and significance. The reasonableness check involves us using our experience of similar organisations, together with discussions with other internal auditors, to ensure that all key risk areas and systems have been considered and the resulting Internal Audit Plan seems appropriate.

Our audit needs assessment involved the following activities:

- Reviewing risk registers;
- Reviewing strategic and operational plans;
- Reviewing previous internal audit reports;
- Reviewing external audit reports and plans;
- Reviewing the website and internal policies and procedures; and
- Discussions with the Senior Management Team and the Audit Committee.

The audit needs assessment is revised on an on-going basis (at least annually) to take account of any changes in the College's risk profile. Any changes to the Internal Audit Plan are approved by the Audit Committee.

Liaison with external audit

We seek to complement the areas being covered by the College's external auditor. This helps us to target our work in the most effective manner, avoiding duplication of effort and maximising the use of the total audit resource.

Best value

Our work helps the College to determine whether services are providing best value. Each year, the Internal Audit Plan contains specific reviews that focus on assessing whether the current processes provide best value. In addition, every review includes an assessment of value for money; i.e. whether the controls identified to mitigate risks are working efficiently and effectively. Where we identify opportunities for improving value for money, we raise these with management and include them in the report action plan.

Delivering the internal audit plan

Internal Audit Charter

At Appendix 5 we have set out our Internal Audit Charter, which details how we will work together to deliver the Internal Audit Plan.

Assignment planning

We would like internal audit to be seen as part of the wider management team at the College, working closely with senior and operational managers to develop and deliver a programme of internal audit work that adds value to the College and encourages continuous process improvement.

To achieve this, we will ensure that assignment plans for all internal audit reviews are agreed with the audit sponsor and key contacts well in advance of the fieldwork commencing. To facilitate this, we need the audit sponsors to identify key contacts for each review and help us to focus the reviews in the right areas.

Audit reporting

We will ensure all audit reports will be fully discussed and agreed with management before being submitted to the Audit Committee.

Confirmation of independence

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

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

Internal Audit Team Contacts

Gary Devlin



Chief Audit Executive

email: gary.devlin@scott-moncrieff.com

telephone: 0131 473 3500

Michael Smith



Internal Audit Manager

email: michael.smith@scott-moncrieff.com

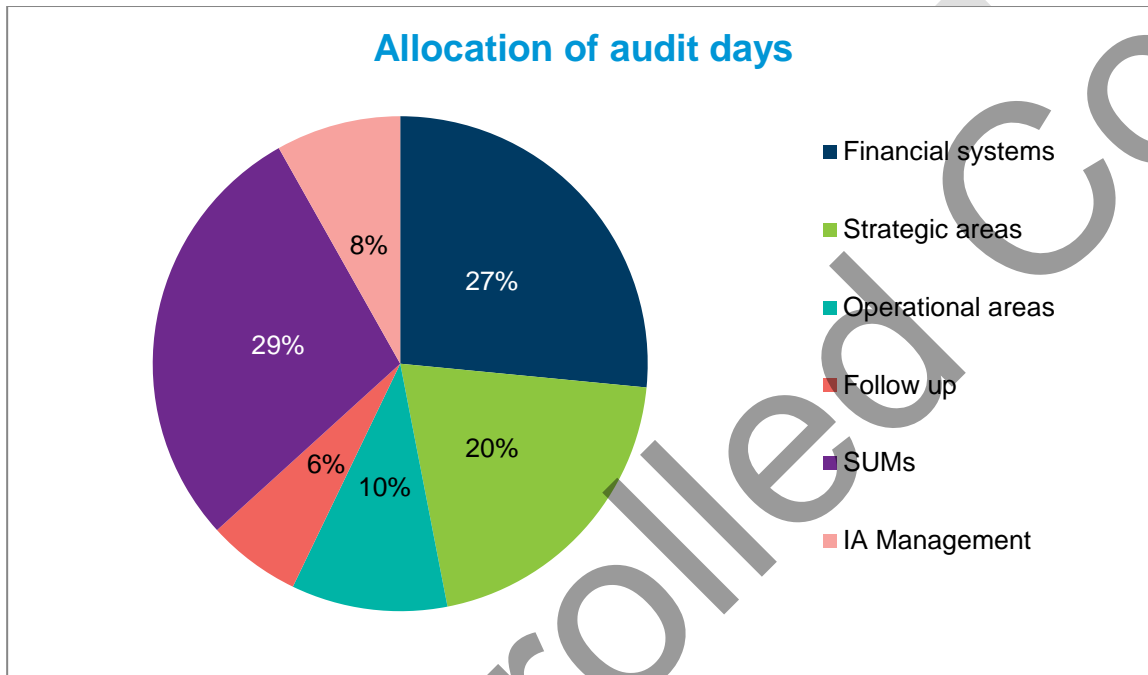
telephone: 0141 567 4500

Proposed Internal Audit Plan

Appendix 1 presents the Internal Audit Plan for 2015/16 to 2017/18.

As our internal audit approach is based on risk, the proposed plan is also cross-referenced to the Risk Register, which is included at Appendix 2 for reference.

The table below demonstrates how the total internal audit days for 2016/17 are allocated across each area of audit activity.



Appendix 1 – Internal Audit Plan 2015-18

Audit area	2015/16 Plan days	2016/17 Plan days	2017/18 Plan days	Risk Reg Ref	Notes
A. Finance and financial management reviews					
A.1 Treasury and cash management	3			3, 4, 5, 6, 9, 11	Review of processes in place for treasury and cash management, including receipt and recording of income and monitoring of bank accounts.
A2. Budget setting and monitoring		5		3, 4, 5, 6, 7, 9, 11, 13	Review of overall budgeting framework, i.e. how the budgets are initially generated, authorised and rolled out, how performance against budget is monitored and reported, how budget variances are dealt with, including clarity of budget holder responsibilities.
A3. Income and debtors	3			3, 4, 5, 6, 9, 11	Review of processes in place for identifying income, raising invoices and receiving/recording income and the approach to debtor management, including ensuring funds due are received and accounted for appropriately.
A4. Non-pay expenditure and creditors		3		3, 5, 6, 9, 11	To ensure all payments are for valid and approved creditor accounts for goods and services actually received. Ensure payments are correct and accurately accounted for. Ensure VAT regulations complied with.
A5. Payroll and expenses			4	3, 5, 6, 9, 11, 13	To evaluate and test the controls in place over payroll, including standing changes to payroll data. Will also include testing of expense claims.
A6. Financial ledger			3	3, 5, 6, 9, 11	A high level review of controls over financial systems.

Audit area	2015/16 Plan days	2016/17 Plan days	2017/18 Plan days	Risk Reg Ref	Notes
A7. Financial return	3			3, 5, 6, 9, 11	A review to provide assurance over the annual financial return to SFC.
TOTAL A – Key Financial Systems	9	8	7		
B. Strategic and Governance reviews					
B1. Risk management		5		<i>All risks</i>	Review of procedures for risk identification, assessment, mitigation and reporting across the College (strategic and operational).
B2. Corporate governance			6	4, 10	To review the extent to which the College's governance arrangements follow recommended best practice.
B3. Risk workshop		2		<i>All risks</i>	Work carried forward from 2015/16. To facilitate a workshop with SMT and Heads of Service to discuss risk, review and score existing risks, and identify any new risks.
TOTAL B – Strategic / Governance	2	7	6		
C. Operational reviews					
C1. International strategy and operations		5		1	To review the College's international strategy and operations, including UKVI compliance.
C2. Project management (new campus)		5		1, 7	We will review the arrangements in place for project management with a focus on the campus development.
C3. Health and safety	6			<i>Compliance risks</i>	We will review arrangements in place for complying with Health and Safety regulations and College Policies on Health and Safety.
C4. Student experience			8	2	To review internal controls and governance over an aspect of the student experience, e.g. student

Audit area	2015/16 Plan days	2016/17 Plan days	2017/18 Plan days	Risk Reg Ref	Notes
					feedback processes.
TOTAL C – Operational	6	10	8		
D. Additional Audit Services					
D1. wSUMS audit	5	5	5	8	Standard review in line with issued guidance.
D2. IT healthcheck	6			12, 14	To perform a healthcheck review of key controls over key IT systems, including business continuity planning.
TOTAL D – Additional Audit Services	11	5	5		
E. Internal audit management					
Follow-up of prior recommendations	2	2	2		To assess progress in implementing previous internal audit recommendations.
Audit management, Audit Committees, external audit liaison, annual planning, annual audit report	3	3	3		Includes initial planning meetings, documentation review and audit needs assessment in 2015/16.
Management support / contingency days	2	2	2		To respond to additional management request as required and contingency to enable plan flexibility.
TOTAL E – Internal audit management	7	7	7		
TOTAL ANNUAL DAYS IN IA PLAN	35	37	33		

		environment, changes to the Oil & Gas sector, HEI investment levels and international unrest will impact on the College's ability to generate commercial income.	VH					
7	Estates	There will be inadequate facilities for learners due to lack of capital investment.	VH x VH	25	M x VH	15	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.	A2. Budget setting and monitoring C2. Project management
8	Strategic	Uncertainty over SFC allocation levels for the College will impact on the curriculum planning process.	M x H	12	H x H	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.	D1. wSUMs audit
9	Finance	The Government has announced that it is ending the contracting out regime from the 2nd state pension scheme from 1 April 2016.	VH x M	15	VH x L	10	Expected cost to the College is £380k and currently working to try and manage within budget.	A. Finance reviews
10	Governance	The Forth Valley College Foundation does not operate as originally envisaged.	M x VH	15	L x VH	10	No further update.	B2. Corporate governance
11	Finance	Changes to legislation regarding overtime as part of holiday payments may lead to retrospective costs for the College.	H x H	16	M x M	9	No further update at this time.	A. Finance reviews
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.	L x VH	10	L x H	8	IT Healthcheck undertaken by Internal Auditors. No significant risks identified.	D2. IT healthcheck
13	HR	Financial restrictions limit the ability to fund pay increases.	H x H	16	L x M	6	EIS pay award now competed for 15/16 & 16/17 Unison pay award for 15/16 completed Negotiations still on going for 16/17.	A2. Budget setting and monitoring A5. Payroll and expenses

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.	L x VH	10	L x M	6	Test rescheduled to May 16.	D2. IT healthcheck
15	Strategic	Failure to deliver upon targets within Outcome Agreement impact upon the College.	L x VH	10	L x M	6	Outcome Agreement updated and will be taken to next meeting of the Strategic Development Committee.	

Appendix 3 – Audit timetable

Ref and name of report	Audit sponsor	Start audit	Complete fieldwork	Draft report	Mgmt response	Final report	Audit C'ttee
A2. Budget setting and monitoring	Associate Principal & Executive Director, Finance	Nov 2016	Dec 2016	Dec 2016	Jan 2017	Jan 2017	Mar 2017
A4. Non-pay expenditure and creditors	Associate Principal & Executive Director, Finance	Oct 2016	Oct 2016	Nov 2016	Nov 2016	Dec 2016	Mar 2017
B1. Risk management	Principal	Feb 2017	Feb 2017	Mar 2017	Mar 2017	Apr 2017	Jun 2017
C1. International strategy	Associate Principal & Executive Director Business Development	Feb 2017	Feb 2017	Mar 2017	Mar 2017	Apr 2017	Jun 2017
C2. Project management	Associate Principal & Executive Director, Estates Development	Apr 2017	Apr 2017	Apr 2017	May 2017	May 2017	Aug 2017
D1. wSUMS	Associate Principal & Executive Director, Information Systems & Communication	Aug 2016	Aug 2016	Sept 2016	Sept 2016	Oct 2016	Dec 2016
Follow Up	Associate Principal & Executive Director, Finance	June 2017	June 2017	July 2017	July 2017	Aug 2017	Aug 2017
Annual Internal Audit Report	N/A	-	-	July 2017	July 2017	Aug 2017	Aug 2017

Appendix 4 – Audit Universe

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

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

Appendix 5 - Internal Audit Charter

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

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

Aim

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

Role

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

Professionalism

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

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

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

Authority

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

Accountability

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

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

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

Independence and objectivity

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

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

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

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

Scope and responsibility

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

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

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

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

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

Annual internal audit plan

The audit year runs from 1 August to 31 July.

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

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

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

Assignment Planning and Conduct

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

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

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

Reporting and Monitoring

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

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

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

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

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

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

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

Audit Committee

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

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

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

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

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

Periodic Assessment

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

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

Review of Charter

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

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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 are two internal audit reports attached for presentation –

- Follow Up Review
- SFC Financial Returns

5. Financial Implications

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

6. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not applicable

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

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	X	X

Please describe any risks associated with this paper and associated mitigating actions – 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 2015/16

Follow up

June 2016



Scott-Moncrieff
business advisers and accountants

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Forth Valley College

Internal Audit Report 2015/16

Follow up

Introduction and background	1
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Appendix 1 – Action status by report	3
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Introduction and background

Introduction

As part of the internal audit programme we complete an annual follow up review to provide the Senior Management Team and the Audit Committee with assurance that actions agreed in previous internal audit reports have been implemented satisfactorily.

This report summarises the progress made by management in implementing the agreed management actions

Scope

We followed up the actions included in the College's Audit Recommendation Tracker as at June 2016.

We used the Audit Recommendation Tracker to obtain information about the latest position on each action. We discussed the agreed actions with the appropriate members of staff within the College and obtained evidence to confirm progress on all actions that were considered complete.

Acknowledgements

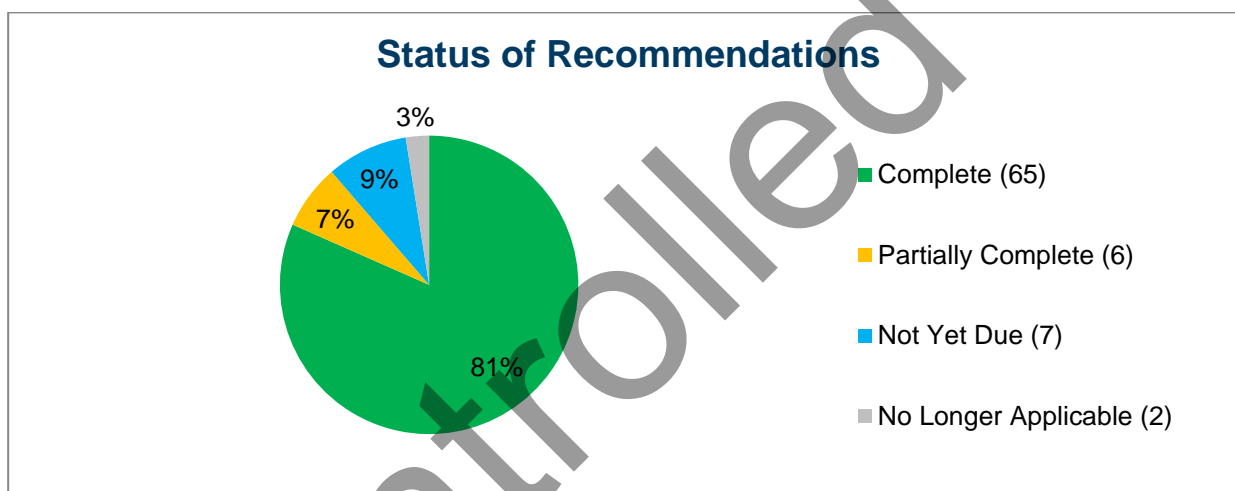
We would like to thank all staff consulted during this review for their assistance and co-operation.

Summary of progress

The table below sets out the movement in actions included on the Audit Recommendation Tracker since the previous internal audit follow up review in August 2015:

	Number of Actions
Open actions brought forward from previous internal auditor in August 2015	62
New actions added to tracker in 2015/16	18
Total actions to follow up	80
Actions closed during 2015/16	67
Open actions carried forward (including actions not yet due)	13

In our opinion, 65 recommendations (81%) are “complete”, two recommendations (3%) are “no longer applicable”, seven recommendations (9%) are “not yet due”, and six recommendations (7%) are “partially complete”.



Conclusion

The College has made excellent progress in implementing agreed actions from previous internal audit reviews, with only six recommendations classed as partially complete and none of these classed as high risk.

Further Information

Appendix 1 categorises the recommendations for each report. These are categorised as complete, partially complete, incomplete, no longer applicable, or not yet due.

Appendix 2 contains a brief summary of the status of all the outstanding overdue recommendations.

Appendix 1 – Action status by report

Report title	C	PC	I	NLA	NYD	Total
2013/14 Internal audits						
Business Continuity Planning	8	1	-	-	-	9
Stock Control	1	-	-	-	-	1
Community Planning Partnerships	2	-	-	1	-	3
Student Finance	7	-	-	-	-	7
Business Development Processes Phase 1	7	-	-	1	-	8
Follow Up Review	1	-	-	-	-	1
2013/14 Sub-total	26	1	-	2	-	29
2014/15 Internal audits						
FES Facilities Contract Management – Value for Money	8	-	-	-	-	8
HR Effectiveness	8	-	-	-	-	8
Payroll	5	-	-	-	-	5
Business Development Processes Phase 2	4	-	-	-	-	4
Communications and Marketing	3	2	-	-	-	5
Follow Up Review	2	1	-	-	-	3
2014/15 Sub-total	30	3	-	-	-	33
2015/16 Internal audits						
Review of 2014/15 SUMs Return	2	-	-	-	-	2
Financial Systems Healthcheck	5	2	-	-	1	8
Health and Safety	2	-	-	-	-	2
ICT Healthcheck	-	-	-	-	6	6
2015/16 Sub-total	9	2	-	-	7	18
TOTAL	65	6	-	2	7	80

Key:

C – Completed	PC - Partially Complete	I – Incomplete	NLA – No Longer Applicable	NYD – Not Yet Due
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Appendix 2 – Summary of outstanding overdue actions

Management action grades used in the summary

Scott-Moncrieff grades

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.

Previous internal auditor grades

Rating	Definition
High	Fundamental issue should be addressed within 1 to 3 months.
Medium	Serious issue should be addressed within 3 to 6 months.
Low	Not fundamental but best practice or Value for Money should be addressed within 6 to 12 months.

Summary of outstanding actions

Report	Recommendation	Action Owner	Grade	Original date	Update as at June 2016	Revised date	Status
Business continuity planning	We would recommend the BC plan is reviewed, tested and updated at least annually with relevant versions communicated to all staff with BC responsibilities. We further recommend BC plans are distributed in electronic copy only to prevent the need to recall hardcopies when changes occur. Electronic versions may be accessed remotely or stored on USB key, CD/DVD or smart devices and distributed and controlled more easily when document changes occur.	Associate Principal & Executive Director of Finance	Medium	July 2014	Testing exercise with SMT scheduled but delayed owing to other business. Likely to take place late June 2016	July 2016	Partially complete
Follow up 2014/15	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.	Associate Principal & Executive Director of Finance	Medium	April 2016	Testing exercise with SMT scheduled but delayed owing to other business. Likely to take place late June 2016	July 2016	Partially complete
Communications and Marketing	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.	Associate Principal & Executive Director Information Systems & Communications	Medium	June 2016	Policy remains in draft form at present.	July 2016	Partially complete

Report	Recommendation	Action Owner	Grade	Original date	Update as at June 2016	Revised date	Status
Communications and Marketing	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.	Associate Principal & Executive Director Information Systems & Communications	Low	June 2016	Two 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.	July 2016	Partially complete
Financial Systems	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.	Associate Principal & Executive Director of Finance	2	April 2016	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.	Aug 2016	Partially complete

Report	Recommendation	Action Owner	Grade	Original date	Update as at June 2016	Revised date	Status
Financial Systems	<p>The Cash Handling Guidance should be reiterated to staff and training provided where necessary.</p> <p>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.</p> <p>The same procedures should be applied to till float counts.</p>	Associate Principal & Executive Director of Finance	3	July 2016	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 31/7/2016.	July 2016	Partially complete

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Forth Valley College
Internal Audit Report 2015/16
SFC financial returns

July 2016



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Forth Valley College

Internal Audit Report 2015/16

SFC financial returns

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Introduction

Background

Following reclassification by the Office of National Statistics as central government bodies as from April 2014, Scotland's colleges have undergone a period of intense change. Changes have had implications for funding, the provision of learning and how colleges are run, managed and scrutinised.

This reclassification has also resulted in increased financial scrutiny. The incorporated colleges are required by the Scottish Government to provide updates throughout the year on the current position of their resource budget.

The two most important returns required are:

- Resource Returns setting out revenue and capital income and expenditure; and
- Monthly cash drawdown requests.

The Resource Returns should be drawn from Forth Valley College's (the College) budget and management accounts. This information should be capable of reconciliation to the College's management accounts and budgets and be consistent with the College's cash flow returns.

The returns are made to the Scottish Funding Council (SFC). The SFC consolidates these returns for the Scottish Government.

Scope

We reviewed the Quarter 4 Month 3 resource return submitted to the SFC in April 2016, to provide assurance that the process of preparing the return based on the College's management accounts is robust. We also reviewed the College's monthly cash flow drawdown request as at the start of July 2016.

This included gaining assurance that there is an appropriate method in place to extract figures from the College's management accounts, that reconciliations are performed between the resource return and the management accounts, that the SMT/Finance Committee have sufficient oversight of the returns, suitable cash drawn down management is in place and the College submits returns in line with SFC guidelines.

We have not performed an audit of the figures used in the return; instead the focus of our review was on the process of extracting and creating the return.

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	Number of recommendations, by grade				
			5	4	3	2	1
1	The method of extracting figures from the College's management accounts to incorporate into the SFC resource return is clear and accurate to ensure the completeness of the return submitted.	GREEN					
2	Reconciliations are undertaken to ensure the figures in the SFC return reconcile to the College's management accounts.	GREEN					
3	There is adequate reporting on the resource returns to the SMT and Finance Committee and any issues with the return are highlighted.	GREEN					
4	The College's cash drawdown requests to SFC are made appropriately in the context of need and prudent cash management.	GREEN					
5	The College's Finance Team engages appropriately with the SFC regarding the resource return, including adhering to SFC deadlines.	YELLOW					1

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

Conclusion

The College has robust processes in place for preparing the SFC resource return and we have gained assurance that these are operating effectively. We have identified one low risk area which relates to ensuring that the return is submitted in accordance with SFC deadlines.

Main Findings

Good practice

The College has clear procedures in place for ensuring the accurate completion of the SFC resource return. The return is prepared using figures extracted from the monthly management accounts. The Financial Accountant, in conjunction with the Finance Manager, is responsible for the preparation of the return, which is then reviewed and approved by the Associate Principal & Executive Director Financial. Actual monthly income and expenditure figures are extracted from the finance system, and transferred using a journal upload. A data send facility is then used to transfer these figures to the resource return spread sheet. The automation of this process prevents the risk of data manipulation and error. In line with SFC guidance, the resource return checklist issued by the SFC is completed prior to submission, and returns are submitted directly by the Associate Principal & Executive Director Financial.

Monthly reconciliations are performed between the management accounts and the resource return to confirm the accuracy and completeness of the return prior to submission. Where variances have been noted, these are clearly explained.

Once completed, the resource return is presented to both the Senior Management Team (SMT) and the Finance Committee, highlighting and explaining any issues.

The College produces a monthly cash flow forecast to ensure that it will have sufficient cash to meet its obligations as they fall due. From these cash flow forecasts, cash drawdown requests are made to the SFC. As with the resource return, the Associate Principal & Executive Director Financial reviews and approves the cash drawdown request prior to submission to the SFC.

Areas for improvement

We identified one low risk area:

- The most recent resource return was submitted one day late against the SFC deadline of 18 April 2016. The SFC was aware of this and we are therefore satisfied that appropriate action was taken in this instance.

Further details of the points noted above are included in the Management Action Plan.

Management Action Plan

All actions are given a grade 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.

1. Control objective: The method of extracting figures from the College's management accounts to incorporate into the SFC resource return is clear and accurate to ensure the completeness of the return submitted.

We identified no reportable issues in relation to this control objective.

The Financial Accountant works with the Finance Manager to prepare the resource return. Figures are automatically downloaded from the finance system, using a data send facility. The automation of this process minimises scope for manipulation of data or manual error. As responsibility for preparation of the return is shared, there is no over-reliance on any one member of the team. The return is then reviewed by the Associate Principal & Executive Director Financial, which evidences a segregation of duties in the process between preparer and reviewer.

The Associate Principal & Executive Director Financial completes the SFC checklist prior to submission of the return to ensure that it is complete, and emails the final return in line with SFC requirements.

2. Control objective: Reconciliations are undertaken to ensure the figures in the SFC return reconcile to the College's management accounts.

We identified no reportable issues in relation to this control objective.

A reconciliation between the resource return and the management accounts is performed on a monthly basis by the Financial Accountant, and reviewed by the Finance Manager. Explanations are documented for any variances arising. Any issues or variances identified through the reconciliation are shared with SMT and the Finance Committee.

3. Control objective: There is adequate reporting on the resource returns to the SMT and Finance Committee and any issues with the return are highlighted.

We identified no reportable issues in relation to this control objective.

Following completion of the resource return, SMT and the Finance Committee are presented with a summary of the figures included, and an assessment by the Associate Principal & Executive Director Financial of the overall progress against the resource budget. This ensures that management have adequate oversight of the content of the return, and also provides an opportunity to highlight any issues within the return which require attention. There is sufficient detail in reports provided to SMT and the Finance Committee to ensure they are sufficiently informed.

4. Control objective: The College's cash drawdown requests to SFC are made appropriately in the context of need and prudent cash management.

We identified no reportable issues in relation to this control objective.

Cash flow forecasts are prepared monthly and figures are updated with actuals at each month-end by the Financial Accountant. Actual figures obtained from the finance system are compared with monthly bank reconciliations to ensure accurate reflection of the College's current bank balance.

The Financial Accountant then prepares a cash drawdown request for the coming month. The Associate Principal & Executive Director Financial reviews and authorises the cash drawdown request, before it is forwarded to the SFC.

5. Control objective: The College's Finance Team engages appropriately with the SFC regarding the resource return, including adhering to SFC deadlines.

Observation and Risk	Recommendation	Management Response
<p>5.1 Compliance with SFC deadlines</p> <p>We have gained assurance that the College has robust processes in place to ensure the accuracy and completeness of the SFC resource return.</p> <p>In line with SFC requirements, the SFC checklist is completed prior to submission, and the Associate Principal & Executive Director Financial emails the final return to SFC in order to demonstrate evidence of their review and approval of the resource return. However, we identified that the most recent resource return for Quarter 4 Month 3 was submitted one day late against the SFC deadline of 18 April 2016. The College highlighted this in advance to the SFC and we are therefore satisfied that appropriate action was taken in this instance.</p> <p>Where returns are not submitted to the SFC on time, there is a risk that sanctions are imposed on the College, and there may also be timing implications related to the receipt of funding.</p>	<p>The College should ensure all SFC returns are submitted in line with timescales. This will help ensure that funding is received in line with expectations to meet the College's cash flow requirements.</p>	<p>A spreadsheet has been prepared as a checklist to note the return dates for the resource information and to monitor progress.</p> <p>This will be updated on receipt of the request from SFC each quarter and will be monitored by the Head of Finance to ensure the timely</p> <p>To be actioned by: Irene Andrew</p> <p>No later than: Complete</p>
		<p>Grade 1</p>

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1. Purpose

To present the Internal Annual Report 2015/16 period from Scott Moncrieff for consideration by the Audit Committee.

2. Recommendation

That members discuss the attached report.

3. Financial Implications

Please detail the financial implications of this item – None. The report details the amount of audit days used and shows that the College did not use additional audit days during the year.

4. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not applicable

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

5. 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 – The attached report provides members with an assurance on the College's approach to control systems within the organisation and summarises the audit work undertaken for 2015/16

Risk Owner – Alison Stewart

Action Owner – Stephen Jarvie

6. 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
Internal Audit Annual Report
2015/16

July 2016



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Forth Valley College

Internal Audit Annual Report 2015/16

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Introduction

The Public Sector Internal Audit Standards (PSIAS) state that:

“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.”

“The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”

To meet the above requirements, this Annual Report summarises our conclusions and key findings from the internal audit work undertaken at Forth Valley College during the year ended 31 July 2016, including our overall opinion on the College’s internal control system.

Acknowledgement

We would like to take this opportunity to thank all members of management and staff for the help, courtesy and co-operation extended to us during the year.

Internal Audit work performed

Scope and Responsibilities

Management

It is management's responsibility to establish a sound internal control system. The internal control system comprises the whole network of systems and processes established to provide reasonable assurance that organisational objectives will be achieved, with particular reference to:

- risk management;
- the effectiveness of operations;
- the economic and efficient use of resources;
- compliance with applicable policies, procedures, laws and regulations;
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- the integrity and reliability of information and data.

Internal auditor

The Internal Auditor assists management by examining, evaluating and reporting on the controls in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, the Internal Auditor should:

- analyse the internal control system and establish a review programme;
- identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner;
- report findings and conclusions and, where appropriate, make recommendations for improvement;
- provide an opinion on the reliability of the controls in the system under review; and
- provide an assurance based on the evaluation of the internal control system within the organisation as a whole.

Planning process

In order that we can provide an annual assurance statement supporting the Governance Statement, we include all of the College's activities and systems within the scope of our internal audit reviews.

Our Internal Audit Plan is designed to provide the Audit Committee with assurance that the College's internal control system is effective in managing the key risks and best value is being achieved. The Internal Audit Plan is therefore linked to the Strategic Risk Register.

The Internal Audit Plan was agreed in consultation with senior management and formally approved by the Audit Committee.

The Internal Audit Plan is subject to revision throughout the year to reflect changes in the College's risk profile.

We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. However, internal audit can never guarantee to detect all fraud or other irregularities and cannot be held responsible for internal control failures.

Cover achieved

Our Internal Audit Plan comprises 35 days per annum. We completed 31 days of internal audit work in 2015/16. In addition, the Internal Audit Plan included two contingency days to respond to emerging issues as required. We used these days to provide advice and support in relation to FRS102 implementation.

We have completed all of the planned reviews with the exception of a facilitated Risk Workshop, which has been deferred until 2016/17 at the request of management.

A comparison of actual coverage against the 2015/16 plan is attached at Appendix 1.

We confirm that there were no resource limitations that impinged on our ability to meet the full audit needs of the College and no restrictions were placed on our work by management.

Reports




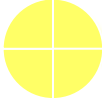
We have prepared a report for each of the internal audit reviews completed and presented these reports to the Audit Committee.

Where relevant, all reports contained action plans detailing responsible officers and implementation dates. The reports were fully discussed and agreed with management prior to submission to the Audit Committee.

We made no significant recommendations that were not accepted by management.

Summary of reports by control objective and action grade

Five internal audit reports have been completed during 2015/16, as summarised in the table below.

Review	Control objective assessment	No. of issues per grading				
		5	4	3	2	1
A1 & A3. Treasury and cash management / Income and debtors		-	-	3	3	2
A7. Financial return		-	-	-	-	1
C3. Health and safety		-	-	-	1	1
D1. wSUMs audit	N/A*	-	-	-	2	-
D2. ICT healthcheck		-	-	2	4	-

*Different reporting style with no assessed control objectives.

A summary of the conclusions from the 2015/16 reports is provided at Appendix 3

Control objective assessment definitions

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

Management action prioritisation definitions

Priority	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.

Independence

Public Sector Internal Audit Standards require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that staff members involved in each 2015/16 internal audit review were independent and their objectivity was not compromised.

Conformance with Internal Auditing Standards

We confirm that our internal audit service conforms to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing. This is confirmed through our quality assurance and improvement programme, which includes cyclical internal and external assessments of our methodology and practice, against the standards.

A summary of the results of our most recent internal assessment is provided at Appendix 2.

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Overall internal audit opinion

Basis of opinion

As the Internal Auditor of Forth Valley College, we are required to provide the Audit Committee with assurance on the whole system of internal control. In giving our opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control.

In assessing the level of assurance to be given, we have taken into account:

- All reviews undertaken as part of the 2015/16 Internal Audit Plan;
- Matters arising from previous reviews and the extent of follow up action taken;
- The effect of any significant changes in the College's objectives or systems; and
- The proportion of the College's review needs covered to date.

Internal Audit Opinion

In our opinion, Forth Valley College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money and deliver best value.

Scott-Moncrieff

July 2016

Appendix 1 – Planned v actual days 2015/16

Ref and Name of report	Planned Days	Actual Days
A. Key Financial systems reviews		
A1. Treasury and cash management	3	3
A3. Income and debtors	3	3
A7. Financial return	3	3
B. Key Strategic reviews		
B3. Risk workshop	2	-
C. Key Operational reviews		
C3. Health and safety	6	6
D. Key Information Systems reviews		
D1. wSUMs audit	5	5
D2. IT healthcheck	6	6
E. Internal audit management		
E1. Follow up	2	2
E2 Audit management, Audit Committees, annual planning, etc	3	3
E3. Management support / contingency*	2	2
Total	35	33

*Used to provide support and advice in relation to FRS102.

Appendix 2 – Summary of Quality Assurance assessment

The International Standards for the Professional Practice of Internal Auditing expect us to disclose the outcome of our regular internal and external quality assessments.

The table below summarises the outcome of our most recent internal quality assessment, in which we have assessed the extent to which our internal audit methodology conforms with the standards.

Standard	Does not conform	Conforms	Improvements we have identified
Purpose & positioning			
• Remit		✓	✓
• Reporting lines		✓	
• Independence		✓	
• Other assurance providers		✓	
• Risk based plan		✓	✓
Structure & resources			
• Competencies		✓	
• Technical training & development		✓	
• Resourcing		✓	
• Performance management		✓	✓
• Knowledge management		✓	
Audit execution			
• Management of the IA function		✓	
• Engagement planning		✓	✓
• Engagement delivery		✓	✓
• Reporting		✓	
Impact			
• Standing and reputation of internal audit		✓	
• Impact on organisational delivery		✓	✓
• Impact on Governance, Risk and Control		✓	✓

Comment

Overall, our service conforms with the requirements of the International Standards. A range of actions have been identified which will improve the overall effectiveness and consistency with which our methodology is applied. For example, ensuring that an internal audit charter is established for all clients, and further improving the linkage of our internal audit plans to the key risks facing our clients..

Our assessment is based on the overall service that is delivered to each client. Compliance with the methodology will be monitored through an enhanced system of internal quality assurance that will be initiated during 2016/17, to supplement existing arrangements.

We would be happy to provide Audit Committee members with further details of the information set out above and the assessment process followed.

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Appendix 3 – Audit outputs summary

The following is a summary of the main findings from each of our audit reports issued during 2015/16.

A1 & A3. Treasury & cash management / Income and debtors

February 2016

We have gained assurance that the College has appropriate key financial controls in place within the two areas we reviewed and these are generally operating effectively. However, we have identified some areas where existing controls and processes can be improved.

We identified the following areas of good practice:

- There is a formal process for raising sales invoices. The relevant department will complete an invoice request form and forward this to Finance. The Finance team will then raise the sales invoice and distribute it to the customer. The relevant adjustments will then be made to the ledger. We performed sample-testing and gained assurance that invoice request forms were in place and the Finance team had posted the income to the most appropriate account codes on the ledger. The College operates standard 30 day payment terms and this is clearly stated on all sales invoices. The College has formal processes in place for chasing overdue debts, although we raised a recommendation to ensure that these controls are applied consistently.
- The College uses the Sun accounting system. Each user requires a unique username and password to access the system. Users are given access to different modules within the system depending on their role.
- Bank reconciliations are performed monthly for all bank accounts and reviewed by a secondary member of the Finance team to ensure accuracy. The Finance team also performs monthly cashflow forecasts to ensure the College will have sufficient cash to meet its short-term liabilities.
- The College uses an external courier company, Security Plus, for banking purposes. Security Plus visits the College twice weekly. This ensures that cash is banked both securely and regularly.

Opportunities for improvement

The College does not have a formal strategy in place for income generation. Given the reduction in SFC funding it is essential that the College has overarching plans in place setting out those areas in which it believes it can maximise non-SFC income.

The College uses the Collect Plus software for credit control purposes. The College also has formal documented Debt Management Procedures in place. The Procedures set out the College's approach to managing overdue debts. The Procedures, along with the Collect Plus software, are intended to minimise the amount of outstanding debt and ensure the College receives all income it is due. However, as noted above, we identified areas where these processes were not being applied consistently. For example, there are different processes for chasing overdue student debts compared to overdue non-student debts. However, we were informed that the procedures for chasing overdue student debts are not applied in practice and instead the procedures for chasing non-student debts are applied to all overdue debtors. The procedures for chasing non-

student debts is actually more strict, so it may be that the College is operating inefficiently through applying the same procedures to overdue student debts.

We identified instances where the College's Cash Handling Guidance was not adhered to. For example, the Guidance states that "2 members of staff must be present when cash is transferred from tills to the counting location". However, during our review we observed this being undertaken by only one member of staff. In addition, we noted that when cash is dropped at the drop-in safe, there is no independent cash count undertaken to ensure the physical cash being deposited or removed reconciles with the corresponding cash records. Also, whilst we were informed that float checks are conducted, these are not formally documented so this could not be confirmed.

The College uses an external courier company, Security Plus, for banking purposes. Security Plus visits the College twice weekly. However, we identified one instance where the receipt given by Security Plus for the amount of cash they collected was greater than the College's own records; the difference was £290. In addition, we identified four of ten (40%) instances where the cash collection records could not be located.

A7. Financial return

July 2016

The College has robust processes in place for preparing the SFC resource return and we have gained assurance that these are operating effectively. We have identified one low risk area which relates to ensuring that the return is submitted in accordance with SFC deadlines.

We identified the following areas of good practice:

The College has clear procedures in place for ensuring the accurate completion of the SFC resource return. The return is prepared using figures extracted from the monthly management accounts. The Financial Accountant, in conjunction with the Finance Manager, is responsible for the preparation of the return, which is then reviewed and approved by the Associate Principal & Executive Director Financial. Actual monthly income and expenditure figures are extracted from the finance system, and transferred using a journal upload. A data send facility is then used to transfer these figures to the resource return spread sheet. The automation of this process prevents the risk of data manipulation and error. In line with SFC guidance, the resource return checklist issued by the SFC is completed prior to submission, and returns are submitted directly by the Associate Principal & Executive Director Financial.

Monthly reconciliations are performed between the management accounts and the resource return to confirm the accuracy and completeness of the return prior to submission. Where variances have been noted, these are clearly explained.

Once completed, the resource return is presented to both the Senior Management Team (SMT) and the Finance Committee, highlighting and explaining any issues.

The College produces a monthly cash flow forecast to ensure that it will have sufficient cash to meet its obligations as they fall due. From these cash flow forecasts, cash drawdown requests are made to the SFC. As with the resource return, the Associate Principal & Executive Director Financial reviews and approves the cash drawdown request prior to submission to the SFC.

Areas for improvement

We identified one low risk area:

- The most recent resource return was submitted one day late against the SFC deadline of 18 April 2016. The SFC was aware of this and we are therefore satisfied that appropriate action was taken in this instance.

C3. Health and safety

February 2016

We have gained assurance that the College has established a robust framework for managing health and safety and we have identified no major weaknesses in these arrangements. We have identified a small number of areas where the existing procedures can be improved. In particular, through ensuring explicit deadlines are given for investigation of health and safety incidents.

The College has developed appropriate statements, policies and procedures to cover the various aspects of health and safety across the College. These include a Health & Safety Policy Statement, a Health, Safety & Welfare Policy and an Emergency Evacuation Statement, amongst others. The policies and procedures are up-to-date, subject to regular review and accessible by staff, students and third parties. Guidance on how to report a health and safety incident is clearly set out on the SharePoint intranet page.

The Board has devolved responsibility for monitoring and oversight of health and safety to the Health & Safety Committee. The Health & Safety Committee meets quarterly to review long-term strategic planning, review and update policies and discuss reports on key aspects of health and safety within the College. In addition, the Health & Safety Committee provides assurance to the Board through an annual report on key aspects of health and safety and developments during the year.

The College has a dedicated Health & Safety Team in place. The Health & Safety Team is suitably qualified and experienced to provide advice, support and guidance on all areas of health and safety. The roles and responsibilities for key staff within the health and safety processes are clearly set out within job descriptions.

Health and safety training is mandatory for all new members of staff. All training is delivered through Moodle (online learning portal for staff and students). Moodle is integrated with the Human Resources management system. The HR management system has facilities to ensure staff refresher training is planned and conducted as and when required. When a staff member is added to the HR management system, the training they require for their role is also input along with the frequency with which it needs to be refreshed. The HR Team monitors completion of refresher training and will notify line managers if staff fail to complete the training.

The Health & Safety Team is responsible for promoting, developing and maintaining a positive safety culture throughout the College. The Team operates a health and safety audit schedule which covers various departments across the four campuses (Falkirk, Stirling, Alloa and Raploch). The Team also carries out random spot-checks in departments where personal protective equipment is used. These processes help the Team to identify instances of non-compliance across the College and ensure health and safety policies and procedures are being followed.

Areas for improvement

We identified the following areas for improvement:

- Heads of Department are not explicitly given deadlines for conducting investigations into health and safety incidents. We were informed there is an assumption that they will provide feedback to the Health & Safety Team within one month; however this is not explicitly stated.

- We identified one instance where the appraisal for a member of the Health & Safety Team had not been conducted using the electronic system and instead had been conducted using a traditional paper-based approach.

D1. wSUMs

October 2015

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

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

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

D2. ICT healthcheck

April 2016

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.

Opportunities for improvement

- 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.

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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 7 September 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 IT Health Check audit presented to the Audit Committee on 2 June 2016 has been added to the tracker, bringing the total number of recommendations to 12.

Since the last meeting of the Audit Committee, 7 of the 12 recommendations have reached a stage where the College considers them to be complete. These completed recommendations are highlighted in grey in the appendix.

There are 4 recommendations where the College is requesting extensions. It has been noted that three of these extensions relate to insufficient consideration of upcoming demands upon the relevant team and this is an area that will be challenged more strictly when setting completion dates for audit recommendations.

The reasons for the extensions are as follows –

ID 74 – Copyright Policy. The policy has been developed however there have been recent sectoral developments regarding copyright which have delayed the College seeking approval. The copyright licence currently costs the College over £33k per annum and College's Scotland are looking at ways to move away from the licencing approach. Dundee and Angus College have taken the step this year not to pay their licence so the decision was taken to halt the policy development until we could assess the impact of this and whether a similar approach is a viable option for Forth Valley College. The revised completion date is March 2017 to allow this work to progress and also to tie in with a relevant Board and Committee cycle for policy consideration and approval.

ID76 – Role Profiles. [REDACTED]

ID80 – Cash Handling. The current guidance has been verbally reiterated to all relevant staff. A review of the process is still outstanding. The original completion date of July 16 did not take into account the demands of the preparing the 2016/17 budget and implementing FRS102. It is requested that this recommendation be extended to the end of October to allow completion.

ID82 – IT Security Policy. The Policy has been completed in draft format but requires final review before being submitted to SMT and then Committee and Board approval. The final review has been delayed owing to the demands on the team with the start of the new academic year and summer developments. While the team are confident the policy will be finalised and reviewed by SMT for the original completion date, there is no opportunity to put it through the Committee/Board before the next cycle of meetings so an extension to December 2016 is requested.

	High	Moderate	Limited	N/a	Total
Live within date	0	0	2	0	2
Live recommendation passed implementation date	0	2	1	0	3
Completed since last report to Committee	0	4	3	0	7

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
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.		3 (Moderate)	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	Report on outcome of Business Continuity test	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.	3 (Moderate)	Aug 16 - The College is participating in a copyright pilot group to look at reducing or eliminating licencing costs. While in it's early stages across the sector, Dundee and Angus College made the decision in June 2016 not to renew their copyright licence. It was agreed to hold development of the policy to see the impact of the D&A decision and potential cost savings of £33,000 to the College per annum. May 16 - In progress for June completion	Jun-16	Mar-17		
76	Communications and Marketing	01/08/2015	David Allison	Lyndsay Condie	Role Profiles [REDACTED]	[REDACTED]	2 (Limited)	[REDACTED]	Jun-16	Oct-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 (Moderate)	Aug 16 - Paper and report written and presented to SMT on 23rd and 30th August 2016 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		SMT papers	Yes
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)	Aug 16 - InfoPath Form created containing student name, ID number, course code, credit note amount, reason for credit, name of person raising credit request and date. Pick list of Budget Holder names will be available to select from to submit approval request to and date request submitted. Budget Holder will receive request and have the option to authorise or reject and enter date before submitting to Finance for approval. 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	Infopath form	
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 (Moderate)	Aug 16 - The current guidance has been verbally reiterated to all relevant staff. A review of the process is still outstanding. The original completion date of July 16 did not take into account the demands of the preparing the 2016/17 budget and implementing FRS102. It is requested that this recommendation be extended to the end of October to allow completion. 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	31/10/2016		
82	ICT Health check	Apr-16	David Allison	Graeme Robertson	IT Security Policy - We recommend that the College finalise the IT Security Policy and circulate this to stakeholders once approved by the Board of Management.	An updated IT Security Policy is currently in draft, and will be brought for approval through Senior Management Team and Board of Management.	2 (Limited)	Sep 16 - The policy has been developed and will be taken to SMT in September for approval. Unfortunately this means that the current cycle of Board and Committee meetings will not be met so the completion date will need to be moved to reflect the next cycle of meetings.	Sep-16	08/12/2016		
83	ICT Health check	Apr-16	David Allison	Graeme Robertson	Redundant Account Management - 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. 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. 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.	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. 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.	3 (Moderate)	September 16 - Process has been reviewed and a reconciliation of accounts against HR information has been completed	Oct-16		Extracts from reconciliation exercise.	Yes

84	ICT Health check	Apr-16	David Allison	Graeme Robertson	Falkirk Server Room (Physical Security) - 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.	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. 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. The recommendations for the new Falkirk Campus have already been considered and are included within current drawings.	3 (Moderate)	Sept 16 - A risk assessment has been conducted which found risk to be very low however comments made by Audit committee had been taken into account and measures to improve security had been implemented	Jul-16		Physical check of room	Yes
85	ICT Health check	Apr-16	David Allison	Graeme Robertson	Group Password Policy - 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. One possible source of best practice guidance can be found through the following link: http://windows.microsoft.com/en-gb/windows-vista/tips-for-creating-a-strong-password 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.	Agreed, and this is planned to be included within the revised IT Security policy.	2 (Limited)	Sept 16 - the group password policy has been reviewed and revised and will go live this month	Sep-16		Group Password policy	Yes
86	ICT Health check	Apr-16	David Allison	Graeme Robertson	Device Encryption - 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.	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.	2 (Limited)	Sept 16 - We have implemented BitLocker - a method of encryption of the hard disks of domain computers, and are using this with all new staff laptops	Aug-16		Physical check of laptops	Yes
87	ICT Health check	Apr-16	David Allison	Graeme Robertson	Disaster Recovery (DR) Documentation - 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.	Ensuring synergy with the College's overall Disaster Recovery testing schedule, we will devise and implement an IT specific Disaster Recovery testing schedule.	2 (Limited)	Sept 16 - The College has completed the annual test of the overall Business Continuity Plan. This test incorporated a number of IT challenges and these are scheduled to be further tested with the IT team to ensure IT disaster recovery actions meet the requirements of the College	Oct-16			

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 10 – Government accountancy rules - The score for this risk has been downgraded as, while this is still a risk, the College has adopted an approach to channel surpluses towards estates developments. Upon approval of the FBC this approach will be approved by SFC.

Risk No 15 – End of pension contracting out regime. This has now been incorporated into College budgets and as such is no longer a risk and the College are seeking agreement to remove this from the 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

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

4	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"> Inability to fund pay increases agreed at a national level without impacting on College operations/existing staffing establishment Inability to effectively manage industrial relations with recognised College unions as a result of decisions/proposals made at a national level 	<ul style="list-style-type: none"> Continue effective local employee relation communication with Unison and EIS/FELA Participate in and contribute to the National Bargaining process Identify efficiencies to ensure affordability 	<p>Aug 16 Detailed work has begun with the NJNC and Workforce of the Future Committees in preparing recommendations to be presented to both Unions on the migration of salaries and revised terms and conditions . This remains a risk in relation to potential disputes</p> <p>May 16 NRPA now signed be 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</p> <p>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.</p> <p>National Bargaining Process is in the process of being signed by all colleges. This will enable the pay negotiations to move forward and take place at a National Level . The outcome of negotiations will determine the next stage . FVC has budget in place to meet the suggested level of increase for staff</p> <p>May 2015</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</p> <ul style="list-style-type: none"> College continues to monitor developments at a national level and share information with recognised trade unions. 	HR	P	APEDHROE	VH	H	20	VH	H	20	Jun-14
5	Finance	The current economic environment including BREXIT , 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>August 2016 - Strategy in place for Development and Fund Raising and this will be taken to SDC on 8 Sept, marketing support for commercial activities has stabilised the numbers for CompEx and International delivery underway with an Iraqi project and a scoping team currently out in Russia, as well as improved student numbers due to company sponsorship and links being established with universities. Challenges still remain to secure MA places as the oil/engineering sector still experiencing difficulties.</p> <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
6	Strategic	Uncertainty over SFC allocation levels for the College will impact on the curriculum planning process	<ul style="list-style-type: none"> Inability to accurately curriculum plan impacting on course advertising, recruitment and staffing levels Uncertainty over meeting Outcome agreement targets if reductions are received in allocation 	<ul style="list-style-type: none"> Liaise with SFC to receive assurance over funding levels Update Outcome Agreement to match available funding levels once known 	<p>Sept 16 - No further funding allocated. Change to ESF funding announced in Aug 16 which could impact on curriculum delivery.</p> <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	H	H	16	H	H	16	March 2016 Score Increase May 2016

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7	Estates	there will be inadequate facilities for learners due to lack of capital investment	<ul style="list-style-type: none"> • Reputational damage • Inability to deliver quality learning facilities to the same standard as Alloa and Stirling Campuses • Prohibitive on-going maintenance costs for Falkirk • Restriction on ability to grow commercial income • Expiry of temporary occupation certificates for Carron & Grange buildings 	<ul style="list-style-type: none"> • Preparation of Falkirk Outline Business case (OBC) • Development of Funding Strategy which will require SFC approval • Maximising receipts from existing assets • Negotiate extension to temporary occupation certificate with Falkirk Council 	<p>August 16 - FBC approved by Board of Management and submitted to SFC and SFT for approval.</p> <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</p> <ul style="list-style-type: none"> • NPD funding strategy announced in Scottish Government October 2014 budget for Forth Valley College • Agreement reached with SFC to fund demolition of Middlefield campus; demolition programmed to start in November 2014. • Falkirk OBC completed and to be submitted to SFC for approval in December 2014 • Ongoing discussions with SFT and SFC re overall procurement route, FBC and next steps <p>May 2014</p> <ul style="list-style-type: none"> • Fundraising proposal for Middlefield demolition submitted to SFC • Paper on demolition proposal on Board of Management agenda for 26 June 2014. <p>8 April 2014</p> <ul style="list-style-type: none"> • SFC advised on 7/2/14 they are happy for FVC to proceed to developing Falkirk Business Case, with 	B	APEDED	APEDED	VH	VH	25	M	VH	15		Nov-14 score reduced from 20 to 15 Added - 01/08/2013
8	Governance	the Forth Valley College Foundation does not operate as originally envisaged.	<ul style="list-style-type: none"> • Loss of control over surplus cash by Forth Valley College 	<ul style="list-style-type: none"> • Memorandum of Understanding agreed between parties 	<p>Sept 16 - No further update</p> <p>May 16 - No further update</p> <p>March 2016 - No further update at this time</p> <p>November 2015 No further update at this time</p> <p>August 2015 Foundation approved grant application.</p> <p>May 2015 Grant Application submitted and awaiting confirmation of meeting date with Foundation to review application.</p> <p>March 2015 The Foundation were supportive of the new Falkirk campus developments and the grant application will be submitted for the FBC costs</p> <p>November 2014</p> <ul style="list-style-type: none"> • Meeting scheduled with Foundation 3 December 2014 <p>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
9	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"> • Financial cost to the College that has not been budgeted for • Staff/Union relationships whilst this matter is being resolved 	<ul style="list-style-type: none"> • Monitoring situation as it proceeds through a variety of legal steps • Commence contingency planning to identify potential staff affected by this ruling and costs to the College 	<p>Aug 16 - No further update at this time.</p> <p>May 2016 - No further update at this time</p> <p>March 2016 - There has been no further legal advice on this.</p> <p>November 2015 No further developments at this time</p> <p>July 2015 No further update at this time</p> <p>May 2015 No further information received regarding this</p> <p>March 2015 - No update at this time</p>	HR	APEDHROE	APEDHROE	H	H	16	M	M	9		Nov-14
10	Finance	Government accounting rules restrict Colleges ability to use available resource at the Board's discretion.	<ul style="list-style-type: none"> • Inability to utilise surplus cash • Additional complexity of managing projects over a number of financial years • Unable to spend our capital without appropriate budget cover 	<ul style="list-style-type: none"> • Implementation of revised budgeting and forecast processes to support decision making • Transfer of surplus funds to Arm's Length Foundation 	<p>Sept 16 - All surplus resources being utilised for estates developments.</p> <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 & 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	L	H	8		March 2015 - Score increased from 12 to 20 01/05/2014

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11	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"> 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 The College's Business Continuity is updated and informs when to access the College's IT Disaster Recovery Plan The College's Business Continuity Plan is tested Physical Security is reviewed Changes to legislation e.g. (European Data Protection/ Public Records (Scotlans) Act) etc are reviewed and relevant sections implemented 	<p>Sept 16 - Risk analysis of physical security carried out</p> <p>May 16 - IT Healthcheck undertaken by Internal Auditors. No significant risks identified.</p> <p>March 2016 - Further resilience added through additional break-out access added to Alloa and Stirling.</p> <p>November 2015</p> <p>No further update</p> <p>August 2015</p> <p>An additional high-speed internet connection was installed in May to provide resilience</p> <p>May 2015</p> <ul style="list-style-type: none"> 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. <p>March 2015</p> <ul style="list-style-type: none"> We are planning to install an additional internet connection to provide resilience should there be any disruption to our main connection. <p>November 2014</p> <ul style="list-style-type: none"> No Further Update <p>May 2014</p> <ul style="list-style-type: none"> IT services participating as pilot department for Business Continuity planning processes 	F	APEDIS	APEDIS	L	VH	10	L	H	8		Jun-14
12	HR	Financial restrictions limit the ability to fund pay increases	<ul style="list-style-type: none"> Low staff morale Inability to attract and/or retain key staff 	<ul style="list-style-type: none"> Implementation of alternative benefits (i.e. additional holidays, salary sacrifice schemes, season ticket loan for travel, Edenred Staff Benefits system) Clear communication with staff and engagement with Unions on funding restrictions 	<p>Aug 16 Following a ballot by Unison the current pay offer was rejected and we have notification of industrial action</p> <p>May 16 EIS pay award now competed for 15/16 & 16/17 Unison pay ward for 15/16 completed</p> <p>Negotiations still on going for 16/17</p> <p>March 2016 - Unison have now accepted a pay award backdated to April 2015. Unison have also tabled a pay awards for 16/17</p> <p>November 2015</p> <p>National Recognised Procedure Agreement signed by all colleges and a budgeted pay offer has been communicated to both unions which has subsequently been rejected and both unions are considering industrial action.</p> <p>July 2015.</p> <p>National Bargaining Process is in the process of being signed by all colleges. This will enable the pay negotiations to move forward and take place at a National Level . The outcome of negotiations will determine the next stage . FVC has budget in place to meet the suggested level of increase for staff</p> <p>May 2015</p> <p>National Bargaining process remains ongoing which could result in local pay negotiation taking place. Financial details require to be worked through.</p> <p>March 2015 - No longer a risk pay settlement accepted by both unions. However, new risk for 15/16 is the implications of national bargaining. College agreed not to negotiate until RPA is signed.</p> <p>November 2014 - UNISON accepted pay offer</p> <p>28 May 2014</p> <ul style="list-style-type: none"> 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. <p>8 April 2014</p> <ul style="list-style-type: none"> Pay offer made to EIS and Unison to be taken to members - awaiting outcome <p>17 January 2014</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
13	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"> Full review of business continuity conducted by Baker Tilly resulting in a number of recommendations Initial investigation of engaging external specialist to conduct review of BCP and implementation of audit recommendations Creation of BCP policy which will govern frequency of update and testing of new plan 	<p>Sept 16 - Test undertaken in August 2016</p> <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"> Potential candidate list for consultancy services created Discussions on next steps on-going <p>21 November 2013</p> <ul style="list-style-type: none"> No actions to date - paper will be taken to SMT to get approval to appoint consultant to support development of new BCP 	A	P	APEDF	L	VH	10	L	M	6		Nov-13

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14	Strategic	Failure to deliver upon targets within Outcome Agreement impact upon the College	<ul style="list-style-type: none"> Impact on future financial settlements Reputational damage Potential removal of Board members 	<ul style="list-style-type: none"> KPI reporting to relevant committees to ensure appropriate monitoring occurs Robust internal monitoring processes to ensure KPI achievement Regular engagement with SFC on progress and expectations 	<p>Aug 16 - Outcome Agreement approved at June 21 Board meeting</p> <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> <p>• 2014/15 Outcome Agreement Self Evaluation submitted to SFC on 31st October, with key targets met.</p> <p>August 2015 No further update</p> <p>May 2015 Outcome Agreement for 2015/17 agreed with SFC</p> <p>March 2015 - The College continues to monitor progress against all targets</p> <p>November 2014 • Draft Outcome Agreement for 2015/17 going to Strategic Development Committee on November 20th.</p> <p>• 2013/14 Outcome Agreement Self Evaluation submitted to SFC on 31st October, with all key targets met.</p> <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> <p>• Draft Outcome Agreement shared with SFC, with changes made following suggested enhancements</p> <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
15	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"> Unavoidable increased employers NI contributions (loss of 3.4% rebate for all employees in pension scheme) 	<ul style="list-style-type: none"> Provision to be included into 15/16 budget Clear communication with staff on the requirements placed upon the College and impact on budgets 	<p>Sept 16 - This is now factored into budget and the College are recommending removal.</p> <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

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