

Executive Office, Falkirk Campus at 5.30pm

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 29 November 2016
3. Matters Arising
 - a) A/15/021 Internal Audit Programme Progress Report
 - b) A/16/021 Board Effectiveness Review

FOR DISCUSSION

4. Presentation of Internal Audit Reports Scott Moncrieff
 - a) Non-Pay Expenditure and Creditor; and
 - b) Budget Setting and Monitoring.
5. Internal Audit Plan Progress Report Scott Moncrieff
6. Progress Report on Audit Recommendations Stephen Jarvie
7. Risk Management Ken Thomson
(Elements of paper 7 have been 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.)
8. Risk Management Scope Scott Moncrieff
9. External Board Effectiveness Review Update (Verbal Update) Lorna Dougall
10. Review of Risk
11. Any other competent business

Jan Polley, will be observing the meeting as part of the Board Effectiveness Review.

Boardroom, Falkirk Campus (commencing at 4.30pm)

Present: Mrs Lorna Dougall (Chair)
Mr Colin Alexander
Mr Liam McCabe (for items A/16/012 and A/16/013)

In Attendance: Mrs Alison Stewart, Associate Principal and Executive Director of Finance
Mr Stephen Jarvie, Corporate Governance and Planning Officer
Mrs Irene Andrew, Head of Finance (for items A/16/012 and A/16/013)
Mr Gary Devlin, Scott Moncrieff
Ms Claire Beattie, Scott Moncrieff
Mr Steven McNaught, Henderson Loggie
Mr Keith McPherson, Ernst & Young

The Chair informed members that, in order to ensure quorum for the approval of item A/16/013, Liam McCabe was being co-opted onto the Committee for that item. She also informed members that the joint items A/16/012 and A/16/013 would be considered first.

**A/16/012 Annual Report and Financial Statements 2015/16
(Joint item with Finance Committee)**

The Associate Principal and Executive Director of Finance presented the Annual Report and Financial Statements 2015/16 for approval.

She noted that the preparation of the accounts had been challenging with the implications of the new Statement Of Recommended Practice (SORP) and FRS 102 to be taken into account. She highlighted the work done by the Finance team under the Head of Finance.

She informed members that the new reporting standard made the figures look more challenging than they actually were and that neither the College nor the External Auditors had any issues with describing the College as a going concern. She confirmed that the College was continuing to be strong in cash generation, had achieved a better outturn for the year than had been budgeted and had met government resource allocation requirements.

The Chair of the Finance Committee congratulated the Assistant Principal and Executive Director of Finance and the Head of Finance for pulling together the financial statements and securing a clean audit report in this challenging year of transition. The Chair of Finance also noted that there were concerns as to how the changes to the accounts as a result of applying new technical changes under FRS 102 would look externally to the sector but noted that the College had no choice but to implement this.

Members noted that the changes did make the accounts appear challenging and invited both internal and external auditors to comment on the accounts and raise any concerns they might have.

No concerns were raised.

Members requested an update regarding the existing covenants with Barclays Bank. The Associate Principal and Executive Director of Finance confirmed that the College was in breach of the covenants and that Barclays were aware of the reason. She updated members on progress towards the removal of the covenants and confirmed that, while this was a Barclay's decision, the College continues to push for the removal of the covenants.

The Chair asked for clarity over the use of the term 'exceptional items' for items that have appeared in the accounts for more than a year. Mr McNaught, Henderson Loggie, confirmed that in his professional opinion these items should be classed as 'exceptional' items.

a) Members approved Annual Report and Financial Statements 2015/16

**A/16/013 Draft External Audit Annual Report to the Board of Management
(Joint item with Finance Committee)**

Mr McNaught, Henderson Loggie, presented the annual report from the College external auditors. He highlighted that all testing had been satisfactory and outlined the audit adjustments which had been made.

He confirmed that Henderson Loggie planned to issue an unqualified audit opinion for the accounts.

a) Members approved the content of the draft external audit annual report to the Board of Management

Finance Committee members exited at this point

A/16/014 Apologies for Absence

Mrs Beth Hamilton

A/16/015 Declarations of Interest

None

A/16/016 Minute of Audit Committee of 15 September 2016

The Minute of 15 September 2016 was approved as accurate.

A/16/017 Matters Arising

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

The Chair requested an update on progress with the arrangement of a risk session for the Board. The Associate Principal and Executive Director of Finance noted that an hour had been put aside at the upcoming Board meeting for risk but, following discussion with the internal auditors, it was agreed that this time was insufficient.

Members discussed what they would anticipate the risk training to be and it was agreed that Gary Devlin, Scott Moncrieff, would prepare a risk session proposal which would be circulated to members for comment.

b) A/16/006 Presentation of Internal Audit Reports

The Associate Principal and Executive Director of Finance confirmed that the SFC returns internal audit had been circulated to Finance Committee members.

A/16/018 Presentation of Internal Audit Reports

Gary Devlin presented the Review of the 2015/16 Credits data return report. He noted that the controls reviewed had been accurate and only one very minor point had been found and rectified during the visit.

- a) Members noted the content of the report

A/16/019 Progress Report on Audit Recommendations

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

He noted that one recommendation (IT Security Policy) was seeking an extension and outlined the reasons for this.

- a) Members noted the content of the report and agreed the requested extension.

A/16/020 Risk Management

The Associate Principal and Executive Director of Finance presented the current Strategic Risk Register.

She noted that the risk surrounding funding allocation levels had been increased over concerns on future funding levels.

She also reported that two new risks relating to the Apprenticeship Levy and Foundation Apprenticeships had been added and outlined the reasons for these.

Members queried what activity the College was undertaking to mitigate against anticipated funding level reductions. The Associate Principal and Executive Director of Finance outlined actions being taken by the College to grow non-SFC income via commercial work, international developments and fundraising.

- a) Members noted the content of the report

A/16/021 Board Effectiveness Review

The Associate Principal and Executive Director of Finance outlined the requirement from the Code of Good Governance to have an external review of Board effectiveness. She outlined some quotes which had been sought from external firms and consultants who may undertake this review.

She confirmed a framework had been developed by the Good Governance working group and that she was seeking direction from the Audit Committee on how they would like to proceed.

Following discussion, it was agreed the Jan Polley would be appointed to conduct the review and that the Chair and the Associate Principal and Executive Director of Finance would meet with her to scope out the review process.

Once the proposal had been developed, it would be electronically circulated to members for comment.

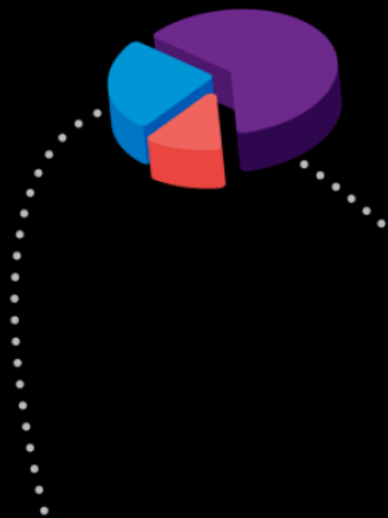
- a) Members noted the content of the report

A/16/022 Review of Risk

Members noted the risks as outlined in the papers.

A/16/023 Any Other Competent Business

None.



Forth Valley College
Internal Audit Report 2016/17
Non-Pay Expenditures and
Creditors

February 2017



Forth Valley College

Internal Audit Report 2016/17

Non-Pay Expenditure and Creditors

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Audit Sponsor	Key Contacts	Audit team
Alison Stewart – Director of Finance and Corporate Services	Stephen Jarvie – Corporate Governance and Planning Officer	Gary Devlin, Partner Claire Beattie, Audit Manager Mairi MacMillan, Auditor

Executive Summary

Conclusion

The College has a range of effective controls in place over expenditure and payments, but should improve specific controls over supplier amendments, the raising of purchase orders and the monitoring of system user access rights.

Background and scope

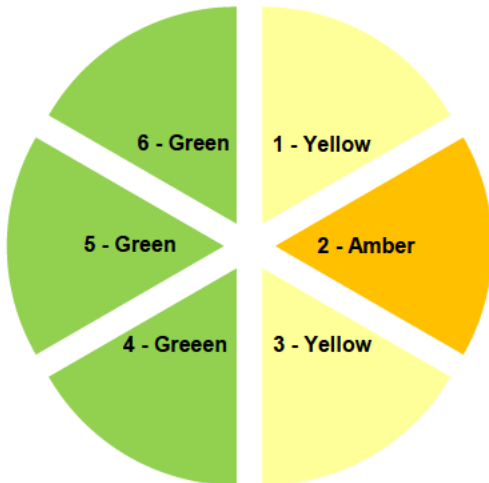
Non-pay expenditure and creditors' systems control and account for payments to suppliers. These systems are closely linked to, but distinct from, procurement and purchasing systems.

In order to ensure the economic, efficient and effective use of money, it is important that Forth Valley College can demonstrate that it has robust processes and procedures in place that will facilitate the achievement of its objectives

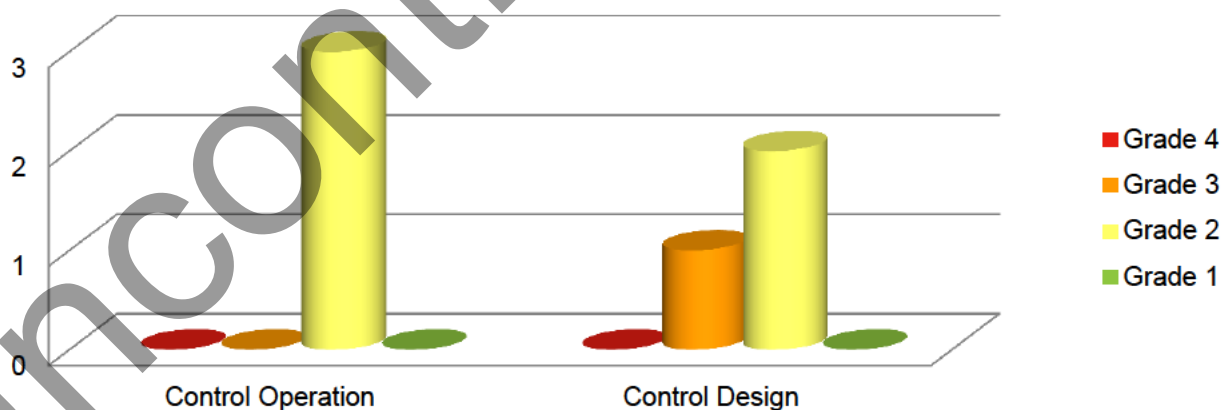
We reviewed the key controls in place over the payment, accounting, and monitoring of Forth Valley College non-pay expenditure transactions and creditors balances. We also considered the College's compliance with VAT regulations.

Control assessment

- 1. Policies and procedures are in place for non-pay expenditure which are aligned to best practice.
- 2. Payments are made only in respect of valid and approved creditor accounts for goods and services confirmed as received.
- 3. Payments are made in accordance with the organisation's payment policy.
- 4. Non-pay expenditure is accurately reflected in the financial ledger.
- 5. Timely, relevant and accurate management information is available and is reviewed on a regular basis.
- 6. The College is compliant with VAT regulations.



Improvement actions by type and priority



Six improvement actions have been identified from this review, three of which relate to compliance with existing procedures, rather than the design of controls themselves. See Appendix A for definitions of colour coding.

Key findings

Good practice

We have gained assurance that Forth Valley College's procedures reflect good practice in a number of areas:

- The College uses the Purchase to Pay (P2P) purchasing 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.
- VAT processes are clearly documented within the Colleges Financial Memorandum and the document is fully aligned with Scottish Government compliance requirements. VAT amounts are accurately recorded within the finance ledger and quarterly VAT returns are completed, authorised, and submitted to HMRC by the required due date.
- A Management Accounts Pack is produced on a monthly basis and presented at each meeting of the Senior Management Team, Finance Committee and Board. The Management Accounts Pack is produced electronically from the ledger and is reviewed by the Head of Finance and reviewed and approved by the Associate Principal & Executive Director Financial before being circulated at meetings.

Areas for improvement

We have identified a number of areas for improvement which will strengthen Forth Valley College's control framework. These include:

- New supplier and supplier amendment processes must be agreed and documented.
- A formal policy and procedure review schedule should be implemented for non-pay expenditure documentation.
- All invoices must be supported by a valid purchase order prior to payments being released to creditors.
- Purchase system user administration processes should be documented and evidence of system user requests and user access reviews should be retained by the College.
- Aged creditors reviews and control account reconciliations should undergo a secondary review by a senior member of staff and evidence of these reviews should be retained for audit purposes.
- The College's Scheme of Delegation should be updated to reflect current purchasing approval processes and financial authorisation limits.

These are further discussed in the Management Action Plan below.

Acknowledgements

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

Management Action Plan

Control Objective 1: Policies and procedures are in place for non-pay expenditure which are aligned to best practice.

Yellow

1.1 Policies and Procedures

The College has a range of non-pay expenditure policies and procedures in place that provide guidance and direction to purchase system users and the Finance Team when processing purchases orders and authorising invoice payments. However new supplier and supplier amendment processes have not been formally documented within a procedure document.

We undertook a review of available policies and procedures and noted that whilst they reflect current practice there are no arrangements in place to review these documents on a regular basis. Policies and procedures were last reviewed in April 2014.

Risk

There is a risk that staff are unfamiliar with new supplier and supplier amendment processes resulting in fraudulent suppliers being set up within the purchase system and payments being made to them. Also, failure to regularly review and update non-pay expenditure policies and procedures may result in staff not adhering to expected working practices.

Recommendation

The College should make arrangements to formally document new supplier and supplier amendment processes and communicate these to relevant staff.

The College should also develop a formal policy and procedure review schedule for non-pay expenditure documentation. Review, revision and upcoming review dates should be captured within the version control table contained within these documents.

Management Action

Grade 2
(Design)

As part of our continuous improvement programme we will formally document the new supplier process detailing the steps that we currently undertake and will publish this within the public section of the finance area in Sharepoint to ensure that all College staff have visibility and understand what steps should be taken when considering using and setting up a new supplier. This will include a checklist to ensure that we have covered all the required steps and align the procedure to procurement guidelines. This procedure will also cover all changes to be made to suppliers that are currently held on P2P.

Action owner: Fiona Lovell

Due date: 31/07/2017

Control Objective 2: Payments are made only in respect of valid and approved creditor accounts for goods and services confirmed as received.

Amber

2.1 Supplier Amendments

Whilst there are controls over certain aspects of supplier details (eg secondary review to confirm payment information of new suppliers), some aspects of these processes are not as closely controlled. For example, amendments to supplier bank details are reflected within the purchase system following receipt of an amendment request being received on supplier letterhead stationery. No additional follow up and confirmation of amendment requests are sought by the Finance Team.

Risk

Supplier amendment process are insufficient and do not deter the risk of fraudulent payments being made to suppliers.

Recommendation

Forth Valley College must review existing supplier amendment processes and ensure adequate supporting evidence is obtained prior to amendments being reflected within the finance system.

Management Action

Grade 3
(Design)

For any amendment of supplier bank details on the Sun system, an extra verification step will be added which will require the Finance Team to telephone the supplier directly to verify the details of any bank account changes to mitigate the risk of fraud and note this in the new supplier file. This will then be reviewed and evidenced as part of the normal bank changes check which is completed as part of the weekly payment run by the Financial Accountant.

Action owner: Fiona Lovell

Due date: 30/04/2017

2.2 Purchase orders

The Finance Team is required to match all invoices to an appropriately authorised purchase order prior to realising payments to creditors.

We undertook invoice payment testing and from our sample of 24 we identified 11 instances where invoices had been paid by Finance without a supporting purchase order being available. We were advised that purchase orders had not been raised for these purchase requests as the total costs were unknown by budget holders at the time of ordering, for example catering and hospitality costs. We did verify that Finance had confirmed the validity of these suppliers and that the College had received the goods prior to releasing these invoice payments.

Risk

There is a risk that invoices will be approved and paid after agreed budgets have been exceeded putting the College at financial risk.

Recommendation

The College must revise current invoice payment processes to ensure all invoices are supported by a valid purchase order prior to payments being released. Where order amounts are not known at the time of placing orders, budget holders should raise a purchase orders that captures the total budget amount available. Finance will then be able to pay invoices that fall within purchase order budget amounts or seek payment authorisation for amounts greater than the amount stated.

Grade 2
(Operation)**Management Action**

The College believes that POs are not appropriate for all non-pay expenditure.

As noted above, the majority of the invoices which did not have any associated Purchase Orders were in relation to catering and hospitality costs. The Hospitality team is currently developing a new process for the requisition and receipt of catering supplies through the Bleep (Hospitality till software). It is hoped that this will be fully implemented around August 2017 and once implemented, the hospitality team will have more visibility between goods delivered and orders placed and the finance team will have access to this to verify the order level and check this to the invoice received.

In the meantime, all catering supplies invoices are checked by the individual Campus and then sent to Finance for entry onto the system. These invoices are still subject to an approval process through P2P and any invoices that cause the budget to be exceeded are directed to the Financial Accountant to be checked.

For the other areas including gas and electricity, postage, broadband, call charges, legal fees and HR expenses where there are usually no PO's due to the full cost of the invoice not being fully known, the invoices are still required to follow the P2P approval process which has a budget check as part of this process. Any invoices which would mean a budget was exceeded are automatically sent to the Financial Accountant to be checked against available budget.

Action owner: Fiona Lovell

Due date: 31/08/17

2.3 User Access

The purchase system, P2P, is administered by the Finance Team and access is controlled by the Finance Manager. Management advised that system processes are in place to govern new users, user amendments and removal of leavers by requiring line managers to submit system user requests to the Finance Team. We noted that these processes have not been formally documented.

We undertook system user testing and confirmed adequate controls are in place for the removal of leavers from the system, however, limited evidence was available to us to demonstrate the accurate completion of new user and user amendment requests. This was due to user request not being retained by the Finance Team.

The P2P system has the functionality to generate an existing users report. We were advised that the system user report is regularly reviewed by a senior member of the Finance Team to confirm user access rights remain accurate and appropriate. However limited evidence was available to us to demonstrate the regular review and approval of user access reports.

Risk

There is a risk that staff have unauthorised or inappropriate access to the purchasing system leading to inappropriate or fraudulent orders being placed resulting in financial and reputational damage.

Recommendation

The College should implement processes that require the Finance Team to retain an adequate paper trail of all P2P system user requests. Also, arrangements must be made to undertake system user access reviews on a biannual basis and evidence of these reviews must be retained by the College. These processes should be formally documented and communicated to relevant staff.

Management Action

Grade 2
(Operation)

New user requests will be formally documented and saved within a new folder within the finance shared drive.

The review of the existing users report will be saved and evidence of review noted in the same finance shared drive going forward.

A new procedure to document the request for a new user and set up will be drafted and made available to all staff.

Action owner: Louise Burnett

Due date: 31/07/2017

Control Objective 3: Payments are made in accordance with the organisation's payment policy.

3.1 Aged Creditor Review and Control Account Reconciliations

The College monitors outstanding creditor accounts and undertakes control account reconciliations during month end finance procedures. The Financial Accountant is responsible for reviewing and analysing outstanding creditor payments and for performing ledger reconciliations.

We reviewed aged creditor review and reconciliations processes and confirmed that these are being completed by the Financial Accountant. However no secondary review and approval of these outputs is being undertaken by another senior member of staff. We were advised that Senior Management review the trade creditors figure within the Management Accounts Pack but the pack fails to provide a detailed analysis of aged creditors.

Risk

There is a risk that errors or issues with creditors are not identified and addressed. Also, there is a risk that the items are incorrectly recorded in the ledger leading to inaccurate management information being produced that will result in poorly informed decision making and potentially financial loss or reputational damage.

Recommendation

The College should review month end processes to include the need for aged creditors reports and ledger reconciliations to be overseen and approved by a senior member of staff. The College should ensure appropriate evidence of secondary reviews is retained for audit purposes.

Management Action

Grade 2
(Design)

A new checklist will be created to ensure the aged creditors and reconciliations are being reviewed by a senior member of staff and evidence of the formal sign off will be documented and retained for audit purposes.

Action owner: Fiona Lovell

Due date: 31/03/2017

3.2 Schedule of Delegated Authority

The College has a Scheme of Delegation in place that was last revised in 2008. We noted that the scheme of delegation fails to capture current purchasing approval processes and financial authorisation limits. We were informed that arrangements are currently in place to revise the Scheme of Delegation.

Management verbally confirmed current purchase approval processes and advised that approval authorisation limits have been reflected within the purchasing system. Without a current Scheme of Delegation we were unable to verify the accuracy of approval limits recorded within the system. However, we did undertake testing and confirmed that all purchase orders, from our sample of 24, had been appropriately approved and authorised in line with current approval processes.

Risk

There is a risk that purchases orders are approved by individuals with inappropriate authorisation leading to inappropriate or fraudulent orders being placed resulting in financial and reputational damage.

Recommendation

We support management's plans to review the College's Scheme of Delegation. The revised document should clearly set out current purchasing approval processes and financial authorisation limits.

Management Action

Grade 2
(Operation)

The College's Scheme of Delegation is currently being reviewed and will be revised to set out the relevant approval processes and authorisation limits. This will be made available to all staff on the public area of the Finance section in Sharepoint.

Action owner: Irene Andrew

Due date: 31/07/17

Control Objective 4: Non-pay expenditure is accurately reflected in the financial ledger.


 Green

No weaknesses identified

The Finance ledger interfaces directly with the P2P purchasing system. This ensures current purchasing information is contained within the financial system to support management decisions. Monthly reconciliations are undertaken by the Financial Accountant to confirm the accuracy and completeness of purchase data contained within the finance system. As noted at 3.1, no secondary review and approval of monthly reconciliations takes place. The College should ensure secondary review processes are undertaken by a senior member of staff.

Control Objective 5: Timely, relevant and accurate management information is available and is reviewed on a regular basis.


 Green

No weaknesses identified

Internal management accounts are produced electronically from the ledger, reducing the risks from significant manual intervention. Once data is extracted from the financial system, the Head of Finance reviews and assesses the data prior to compiling the monthly Management Account Pack. The Management Accounts Pack is reviewed by the Associate Principal & Executive Director of Finance before being distributed to the Senior Management Team on a quarterly basis and to the Finance Committee and Board on a quarterly basis.

Control Objective 6: The College is compliant with VAT regulations.

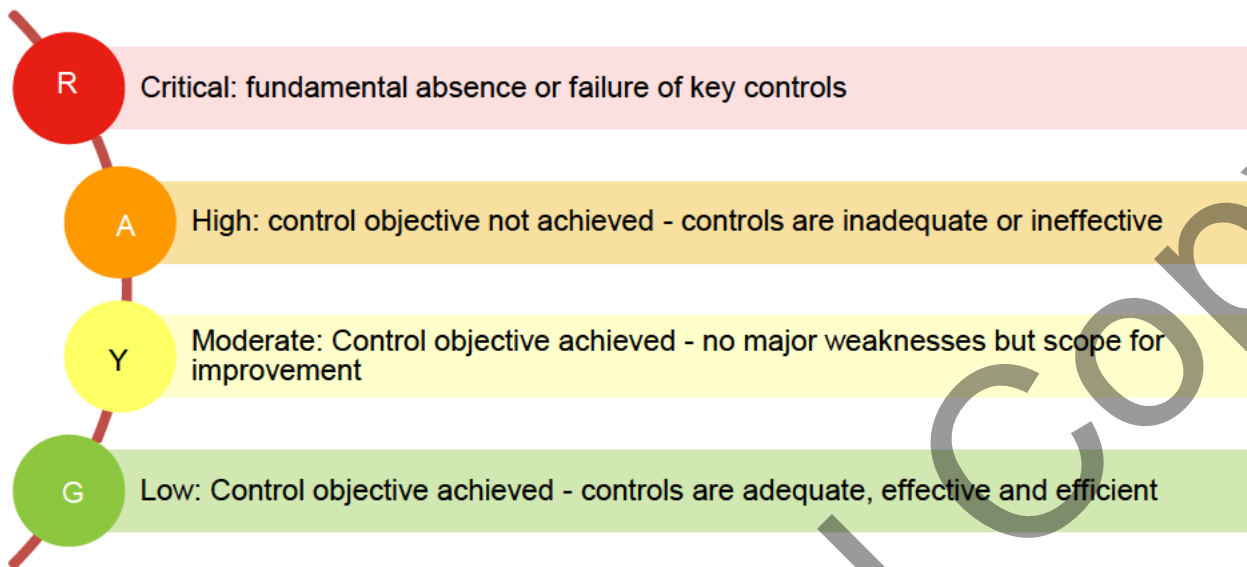

 Green

No weaknesses identified

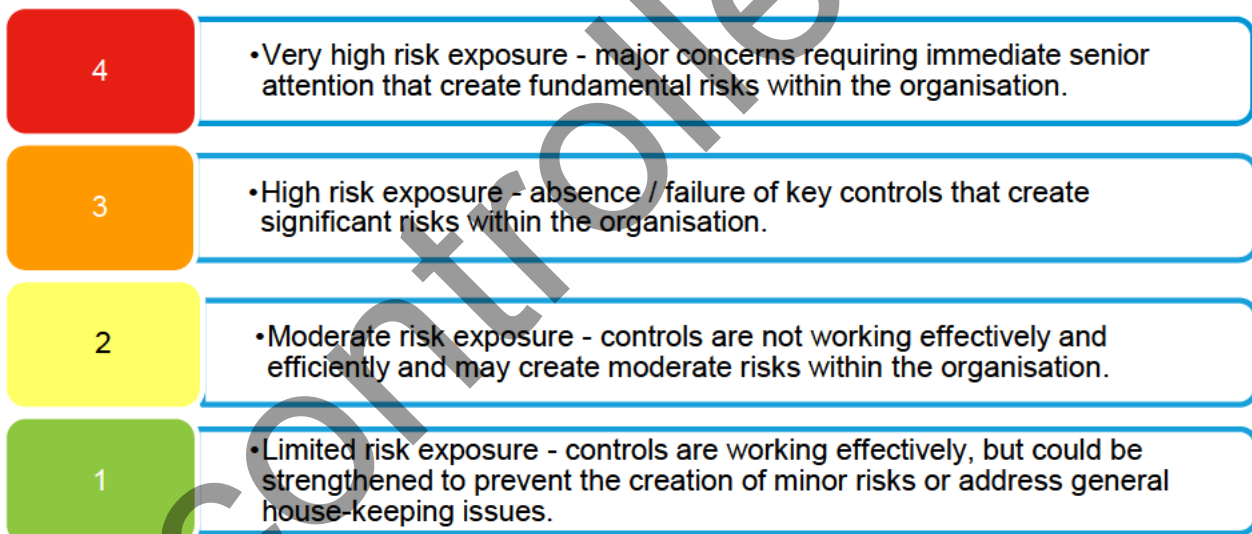
College VAT processes are set out within the College's Financial Memorandum and the document is easily accessible to staff via the Scottish Government website. Finance staff responsible for authorising invoice payments must also allocate VAT amounts for reclaim or charging within the ledger. The Financial Accountant reviews and authorises all VAT amounts recorded within the ledger and the VAT account is reconciled on a monthly basis. VAT reclaims /charges returns are completed on a quarterly basis and are authorised by the Head of Finance and submitted to HMRC by the required due date.

Appendix A – Definitions

Control assessments



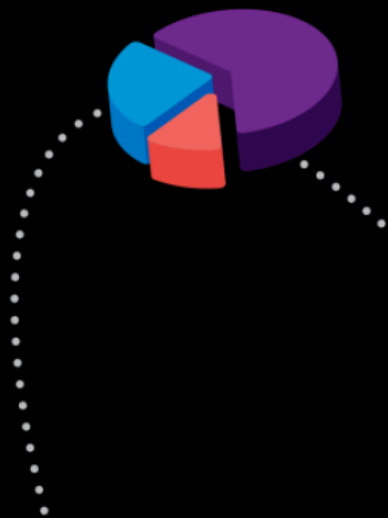
Management action grades



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Forth Valley College
Internal Audit Report 2016/17

**Budget Setting and
Monitoring**

February 2017



Forth Valley College

Internal Audit Report 2016/17

Budget Setting and Monitoring

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<i>Audit Sponsor</i>	<i>Key Contacts</i>	<i>Audit team</i>
<i>Alison Stewart, Director of Finance</i>	<i>Irene Andrew, Head of Finance, Fiona Lovell, Financial Accountant</i>	<i>Gary Devlin, Partner Claire Beattie, Audit Manager Andrea Larkin, Internal Auditor</i>

Executive Summary

Conclusion

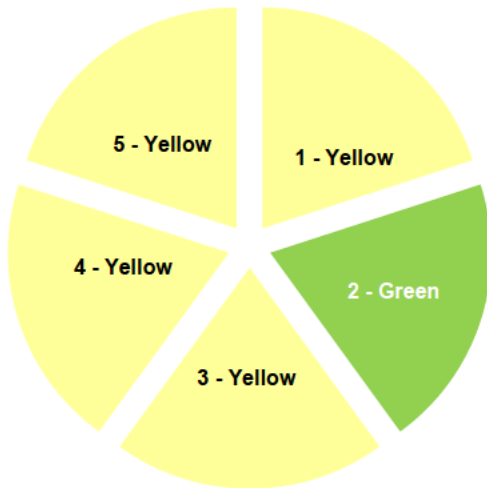
Forth Valley College (FVC) has adequate and effective budget setting and monitoring arrangements in place that reflect good practice. We have identified some opportunities for improvement which will further enhance the design and robustness of controls currently in place.

Background and scope

Budgetary control is fundamental to the financial health and success of any organisation. As a public sector organisation Forth Valley College is accountable for the proper use of public funds. In order to ensure the economic, efficient and effective use of these monies, it is essential that Forth Valley College has robust processes and procedures in place surrounding budgetary control.

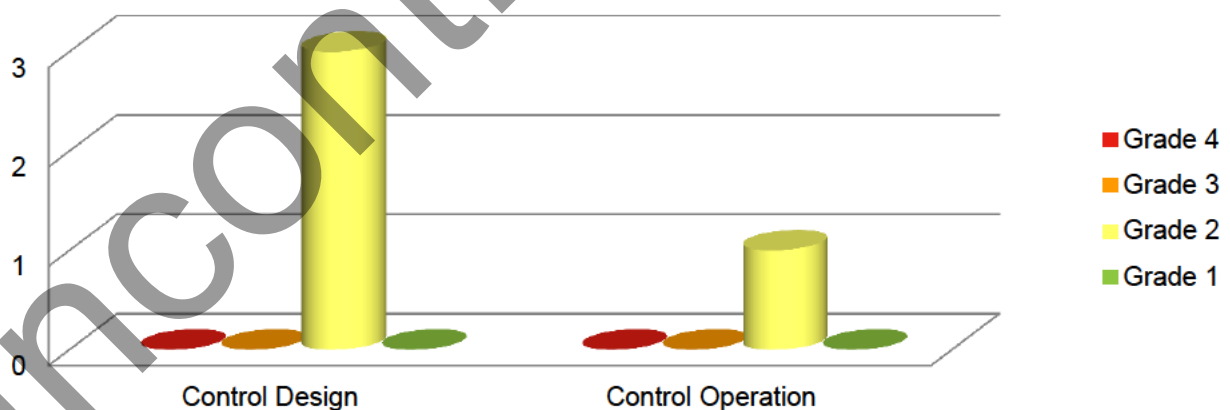
We have reviewed the budget setting and monitoring arrangements in place at Forth Valley College to ensure that they are robust and operating effectively. This included an assessment of how the budget is planned, authorised and rolled out, how performance against the budget is monitored and reported and how budget variances are dealt with, including clarity of budget holder responsibilities.

Control assessment



1. There is an appropriate budgeting framework which reflects and supports the structure and operations of the organisation;
2. The budget planning process has taken account of the financial operating environment, with in-year and future expected reductions in funding being robustly managed and monitored;
3. Budgets are subject to scrutiny prior to the start of the year and authorisation by senior management and the board;
4. Budget performance is monitored against financial targets, with variations from budget promptly identified and investigated;
5. Budget holders and senior management have appropriate means to monitor progress against financial targets.

Improvement actions by type and priority



Five improvement actions have been identified from this review, one of which relate to compliance with existing procedures, rather than the design of controls themselves. See Appendix A for definitions of colour coding.

Key findings

Good practice

We have gained assurance that FVC's procedures reflect good practice in a number of areas:

- The College has implemented a devolved budget framework. Under this framework the responsibility for managing departmental budgets, income budgets and salary budgets has been devolved to individual budget holders who are ultimately responsible for delivery within these areas. The devolved budgeting framework within the College requires budget holders to maintain proper control of allocated budgets and holds the BH accountable for performance against budgets, ensuring ongoing control, management and transparency of budget performance.
- The devolved budget setting framework is clearly linked to the achievement of FVC's strategic objectives with BH's required to reflect Regional Outcome Agreements (ROA) and departmental operational plans within budgets.
- The Finance Team is responsible for issuing monthly budget monitoring reports to budget holders and arranging monthly meetings with them to discuss budget performance and determine reasons for any variances. The process is effective and provides sufficient budget monitoring control with finance regularly reviewing budget allocations, budget performance and obtaining and reflecting suitable variance explanations within the management accounts.
- A Budget Monitoring Reporting Pack is produced on a quarterly basis and presented at each meeting of the Senior Management Team (SMT), Financial Committee (FC) and Board. The pack includes income and expenditure analysis information and provides an overview of the College's financial position against the annual budget. It also highlights and provides budget variance analysis which provides the reasons for variances and what actions the College is taking to address these.

Opportunities for improvement

We have identified a number of areas for improvement which, if addressed, would strengthen FVC's control framework. These include:

- Formally documenting budget setting and monitoring processes and communicate these with relevant staff.
- Budget establishment processes should be reviewed and require budget holders to formally notify the Finance Team when establishment reviews have been completed.
- Budget holders should be required to formally agree and approve proposed budgets prior to their inclusion within the full annual budget.
- Adequate evidence should be retained to demonstrate the review and approval of budget reports by appropriate members of the Finance Team prior to reports being issued to budget holders, SMT, FC and the Board.
- Budget variance actions should be consistently documented and meet SMART (Specific, Measurable, Attainable, Realistic and Timebound) requirements with owners and timescales assigned and regular action updates must be provided by action owners.

These are further discussed in the Management Action Plan below.

Acknowledgements

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

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Management Action Plan

Control Objective 1: There is an appropriate budgeting framework which reflects and supports the structure and operations of the organisation;

1.1 Budget setting and monitoring process

College budgets are prepared on an annual basis. The budget setting process requires:

- Budget holders to develop a draft budget that reflects their department's needs and requirements in line with departmental operational plan objectives and staffing requirements;
- The Head of Finance along with the Financial Accountant and the Finance Manager attends one to one meetings with budget holders to discuss draft budgets and departmental needs for the year ahead;
- The Head of Finance to review, amend, and agree proposed departmental budgets;
- Finance to issue finalised departmental budgets to budget holders for agreement and approval;
- The Head of Finance to collate approved departmental budgets to form the foundation of the College's overall annual budget; and
- The SMT, Finance Committee and Board to agree and approve the final budget for the academic year.

Once approved, the College budget is monitored regularly throughout the year. The Finance Team issue monthly Budget Monitoring Reports to budget holders and will attend monthly budget holder meetings to discuss budget performance. Quarterly Budget Monitoring Reporting Packs are also provided to the SMT, Finance Committee and the Board.

While we are satisfied that the College is complying with budget setting and monitoring process these have not been formally documented. As such, the roles and responsibilities of budget holders and other key staff members involved in the process are not clear and there is no formal timetable in place that requires each step of the budget setting process to be performed in a timely manner.

We have also identified that other key documents such as the Financial Regulations, Management Accounts Procedure and reforecasting exercise guidance notes are outdated and misaligned with current working practices.

Risk

There is a risk that staff are unaware of budget setting and monitoring roles, responsibilities and processes resulting in inappropriate budgets being developed and approved that fail to support the achievement of strategic and operational objectives leading to financial mismanagement and reputational damage.

Recommendation

The College should make arrangements to document budget setting and monitoring processes and communicate these to relevant members of staff. Also, the College should consider developing a budget

setting timetable that sets out the key steps in the process, responsible owners, and the dates in which these processes should be completed by. Developing a budget timetable will ensure sufficient time is available to enable budget holders to be involved in the budget planning process and will support the completion of budget tasks within the schedule required to allow the Head of Finance to finalise the annual budget for presentation and approval at the SMT, FC and Board.

Finally, the College should make arrangements to review all other budget documentation to ensure these reflect current practice. Once amended, budget documentation must be communicated to relevant staff and arrangements put in place to review these documents on a regular basis to ensure they continue to reflect current working practices.

Management Action

Grade 2
(Design)

The College will update the budget setting guidelines that are currently in place and ensure that the roles and responsibilities of budget holders in the budget setting process are set out clearly. This document will also ensure that the budget review requirements are highlighted to ensure full understanding of budget holders' responsibilities.

A budget and reforecast timetable is currently being developed which will be updated on an annual basis and the timetable made available to all budget holders on the Finance section of Sharepoint. This will ensure full understanding of the budget setting cycle and deadlines of when submissions should be made to align with both internal and external deadlines.

Action owner: Irene Andrew

Due date: 30/04/2017

1.2 Establishment Data

The annual budget setting process requires budget holders to review and agree the establishment data available for their department. Finance ask budget holders to review the accuracy of delivery hours within the Curriculum Planning System (CPS) by a specific date. When the CPS review deadline has passed, the Finance Manager will reconcile departmental data within CPS against the HR establishment information to confirm the College has sufficient staff available to meet current departmental course delivery needs. If the departmental data agrees, the Finance Manager will then email budget holders to confirm that establishment data is correct within their draft budgets.

We noted that budget holders are not required to formally notify Finance when CPS establishment reviews have been completed. As a result, the Finance Manager may undertake reconciliations prior to data being verified by BH resulting in inaccurate establishment figures being agreed and reflected within the annual College budget. We were advised completion of establishment reviews will be clarified during budget planning meetings. However as these meetings are not minuted we have not been able to confirm establishment confirmations took place.

Risk

There is a risk that the College's staffing establishment is inaccurate leading to budgets being approved that fail to support the achievement of strategic and operational objectives which will lead to financial mismanagement and reputational damage.

Recommendation

The College should revise establishment processes to require the budget holders to formally notify Finance when establishment reviews have been completed. This will ensure accurate establishment data is confirmed by the Finance Manager and reflected within the final budget. .

Management Action

Grade 2
(Design)

Finance sets and communicates the date for final CPS adjustments to be completed. This therefore reduces the risk of inaccurate data being used.

However, we do acknowledge that changes often happen after this date so we include a review of the required delivery hours as part of the quarterly reforecast stage.

Going forward, budget meetings will be minuted.

Action owner: Louise Burnett

Due date: 01/08/2017

Control Objective 2: The budget planning process has taken account of the financial operating environment, with in-year and future expected reductions in funding being robustly managed and monitored.



Green

No weaknesses identified

At the start of the annual budget setting process, future funding scenarios are reviewed by the finance team to identify high risk areas where there is a potential for funding to be reduced. Where it is believed that there is a risk, assumptions will be made in relation to the anticipated reduction and these will be factored into the College's budget. Details of the budget assumptions made during the development of the budget are included within the Annual Budget Submission which is presented to the SMT, Finance Committee and the Board for approval.

Funding allocations are reviewed by the finance team as part of the monthly budget monitoring process. Significant reductions in funding are detailed within Budget Monitoring Reports which are presented to the Senior Management Team (SMT) on a quarterly basis. The resultant impact on the College is formally considered during quarterly reforecasting exercises and where required the budget will be reforecast to reflect changes in income/expenditure identified. A reforecasting report is produced to provide narrative on the issues identified and resultant actions taken and is presented to the SMT, Finance Committee and the Board on a quarterly basis.

Control Objective 3: Budgets are subject to scrutiny prior to the start of the year and authorisation by senior management and the board.

3.1 Budget Approval

Budget holders are responsible for setting the annual budgets for their departments. The Head of Finance along with the Financial Accountant and the Finance Manager attend one to one meetings with budget holders to discuss draft budgets and confirm they appear reasonable and accurate to meet annual departmental expectations. Draft budgets are then reviewed and agreed by the Director of Finance and a finalised version is emailed to budget holders asking them to confirm and approve the final draft budget.

We noted that budget holder approval of final draft budgets is not always obtained and where a response is received from the budget holder, there is no formal process in place requiring their approval to be documented.

Risk

There is a risk that budgets are not subject to robust review and scrutiny leading to errors in assumptions or arithmetic not being identified resulting in funds not being available to deliver core objectives.

Recommendation

FVC should ensure that BH formally agree and approve proposed budgets prior to their inclusion within the full annual budget.

Management Action

Grade 2
(Design)

E-mails are currently sent to each budget holder with the proposed final budget/reforecast and a deadline by when responses are to be received, to evidence approval of this budget. However, Finance does not always receive an e-mail confirmation, so going forward the email issued to Budget Holders will make it clear that there will be an implied approval should they not respond by a certain date.

All correspondence re any proposed changes will be held on the relevant department area within the finance section of SharePoint.

Action owner: Irene Andrew

Due date: 30/04/2017

Control Objective 4: Budget performance is monitored against financial targets, with variations from budget promptly identified and investigated.

4.1 Budget Monitoring Reports

As noted at 1.1, budget monitoring processes have not been formally documented. However management advised that various budget monitoring report controls have been implemented that require finance staff to routinely review and approve budget monitoring reports prior to their distribution, for example:

- The Financial Accountant is responsible for preparing, reviewing, and approving Monthly Monitoring Reports prior to these being issued to budget holders; and
- The Head of Finance is responsible for reviewing and approving the quarterly Budget Monitoring Reporting Pack prior to its circulation to the Director of Finance, SMT, Finance Committee and the Board.

Although budget report review and approval controls have been implemented, limited evidence was available to us to demonstrate the review and approval of these reports by appropriately authorised staff prior to report distribution.

Risk

There is a risk that budget reports are not formally approved prior to distribution resulting in inaccurate data being reported to budget holders, SMT, Finance Committee and the Board.

Recommendation

The College should ensure adequate evidence is retained to support the review and approval of budget reports by appropriate Finance Team members prior to reports being issued to budget holders, SMT, FC and the Board.

Management Action

Grade 2
(Design)

The monthly budget monitoring reports which are produced for Budget Holders are prepared by the Senior Finance Assistant and reviewed by the Financial Accountant before being issued to Budget Holders via their department area on SharePoint in time for the scheduled meeting. Going forward, this process will be formally documented by way of a checklist for all month end accounting activities.

In respect of formal reports for SMT the checklist will include the review stages and evidence the approval of papers before being issued to the Director of Finance, SMT, FC and the Board

Action owner: Fiona Lovell

Due date: 31/03/2017

Control Objective 5: Budget holders and senior management have appropriate means to monitor progress against financial targets.

5.1 Budget Monitoring Actions

The College operates a £10,000 budget variance threshold. All departmental variances above the threshold will be raised and discussed at monthly budget holder meetings and adequate explanations sought for such variance. Budget holders will be asked to develop a budget action that will help to reduce the variance throughout the remaining financial year. Narrative explanations of variances and relevant actions are documented within the budget holder monitoring folder that is held within the finance area of the College Intranet. Owners are assigned to budget actions and, where possible, target timescales will be agreed.

A high-level monthly monitoring report is produced for the College's overall annual budget and this is used to identify significant corporate variances. Where required, budget actions will be agreed to address corporate variances and these will be assigned to relevant staff members to ensure variances are appropriately managed and resolved.

We undertook budget action testing and from our sample of 21 actions we noted the following issues:

- Narrative explanations of variances and resulting actions for departmental budgets are not consistently documented within departmental monitoring folders;
- Actions fail to meet SMART requirements and timescales are not consistently assigned to ensure timely completion;
- Updates are not regularly provided by action owners to give assurance that actions are being implemented/actively pursued; and
- Timescales are not consistently assigned to actions identified via the College's high level corporate budget monitoring report.

Risk

There is a risk that variances are not sufficiently scrutinised and actions are not identified, resulting in failure to meet spending targets and the inability to deliver core functions.

Recommendation

FVC should ensure that narrative explanations and actions are consistently documented for all variances identified above £10,000. Actions must meet SMART requirements with owners and timescales assigned and regular updates must be provided by action owners to give the College assurance that variances and resultant actions are being appropriately managed and implemented.

Management ActionGrade 2
(Operation)

The College currently documents any variances noted as part of the monthly review of finance information that are greater than £10k on the relevant departments SharePoint area in Finance. It is acknowledged that this area is not utilised to its full potential.

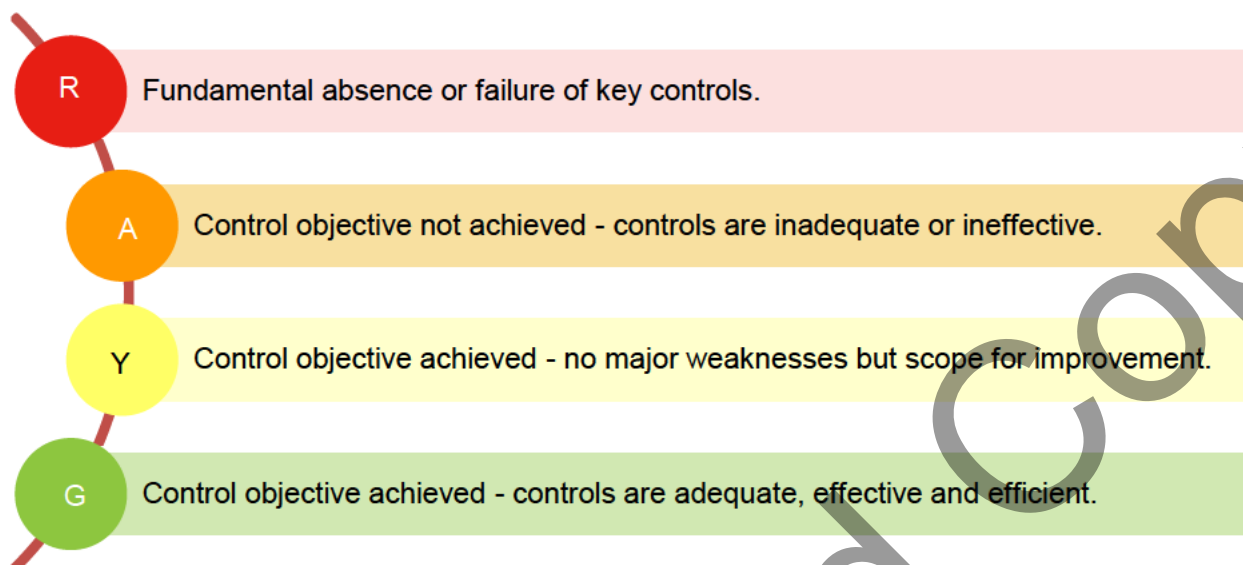
To improve our tracking of actions and minutes of meetings, the team will improve communication with Budget Holders on how to utilise this area when actions are assigned to the relevant team members and ensure that assigned actions meet the SMART requirements to ensure there is a dedicated person responsible, the action is specific and that a deadline is given for a response.

Action owner: Fiona Lovell/Budget Holders**Due date:** 31/03/2017

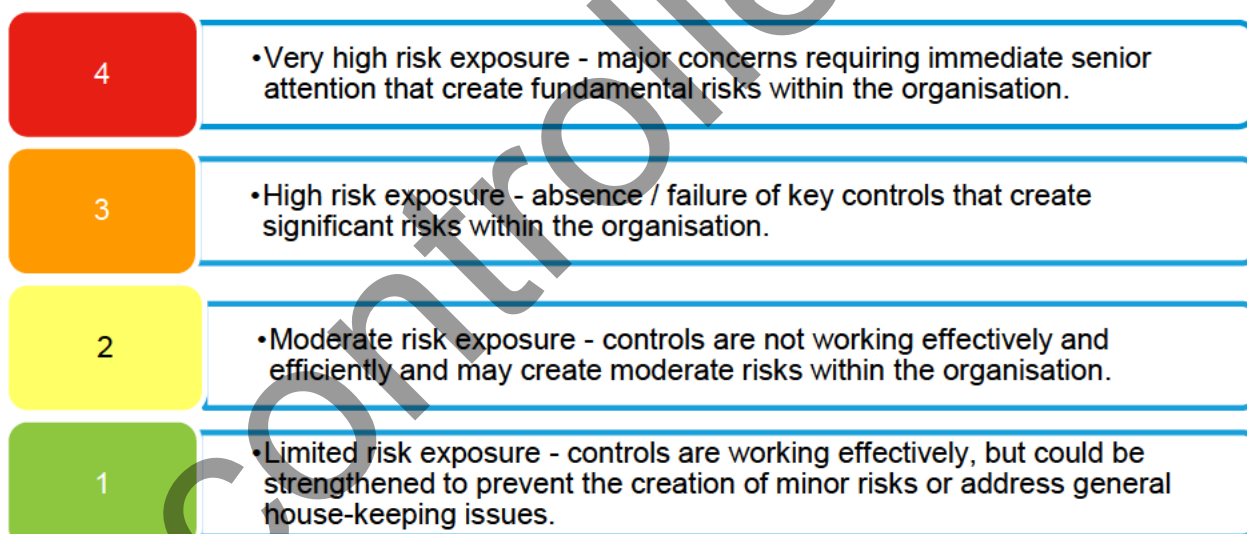
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Appendix A – Definitions

Control assessments




Management action grades



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Forth Valley College
2016/17 Internal Audit Plan
Progress Report

March 2017



Scott-Moncrieff
business advisers and accountants

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Forth Valley College

Internal Audit 2016/17

Progress Report – March 2017

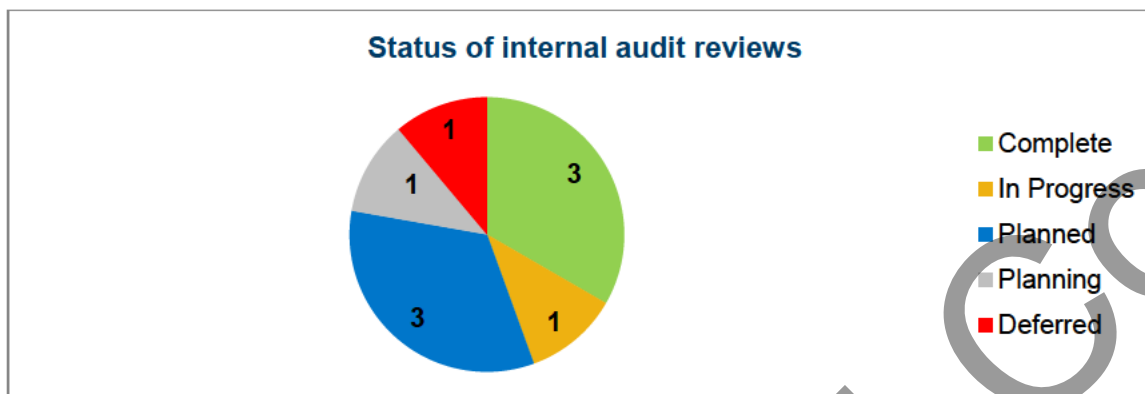
Summary of Progress	1
Audits Completed	3
Appendix 1 – Progress against 2016/17 Internal Audit Plan	4

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Summary of Progress

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

Progress against annual audit plan



As at March 2017, three audits have been completed so far in 2016/17; credits, budget setting and monitoring and non-pay expenditure. One audit is currently in progress, international strategy and operations.

We were due to conduct a risk management audit in February 2017 but management have asked the review to be deferred until the Risk Workshop has been delivered to the Board and Senior Management Team. We are still to confirm a revised date with management but hope to present this report at the August 2017 meeting.

All reviews scheduled for the next Audit Committee meeting in June 2017, with the exception of the risk management review, are in progress or have been planned, and we remain on track to deliver the full programme of audit days on time.

Appendix 1 sets out the status of the 2016/17 internal audit programme.

Plan for next quarter

We will present the following reports to the June 2017 Audit Committee:

- International Strategy and Operations
- Project Management

Action for Audit Committee



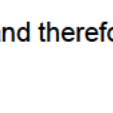
The Audit Committee is asked to note the contents of this report and to approve the plan for the next quarter. We also invite any comments on the format or content of this report. Contact details are as follows:

Gary Devlin, Audit Partner	gary.devlin@scott-moncrieff.com	0131 473 3500
Claire Beattie, Audit Assistant Manager	claire.beattie@scott-moncrieff.com	0141 567 4500

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Audits Completed

The table below sets out the reports completed during 2016/17. There were no Grade 4 recommendations (very high risk exposure) and there are no control objectives assessed as red. Full definitions for the colour coding and the grading structure are set out below.

Review	Control objective assessment	No. of issues per grading			
		4	3	2	1
Credits	N/A* 			1	
Non-pay expenditure			1	5	
Budget setting and monitoring				5	

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

Definitions

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

Assessment	Definition
RED	Critical: fundamental absence or failure of key controls
AMBER	High: control objective not achieved - controls are inadequate or ineffective
YELLOW	Moderate: Control objective achieved - no major weaknesses but scope for improvement
GREEN	Low: Control objective achieved - controls are adequate, effective and efficient

Recommendations are graded as follows:

Ranking	Definition
4	Very high risk exposure - major concerns requiring immediate senior management attention.
3	High risk exposure - absence / failure of key controls.
2	Moderate risk exposure - controls not working effectively and efficiently.
1	Limited risk exposure - controls are working effectively, but could be strengthened.

Appendix 1 – Progress against 2016/17 Internal Audit Plan

Shaded areas denote completion.

Name of report	Status	Audit start	Draft report issued	Management responses	Final report issued	Planned Audit C'ttee meeting	Actual Audit C'ttee meeting
Budget setting and monitoring	Complete	January 17	February 17	March 17	March 17	November 17	March 17
Non-pay expenditure	Complete	January 17	February 17	March 17	March 17	November 17	March 17
Risk Management	Deferred	TBC					
Risk Workshop	Planning	TBC					
International strategy and operations	In progress	February 17	March 17	March 17	March 17	June 17	
Project Management	Planned	April 17	April 17	May 17	May 17	June 17	
Credits	Complete	September 16	September 16	October 16	October 16	November 16	November 16
Follow up	Planned	Jun 17	July 17	July 17	July 17	August 17	
Annual report	-	-	July 17	July 17	July 17	August 17	
Annual Internal Audit Plan 2017/18	-	-	-	-	-	August 17	

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

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1. Purpose

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

2. Recommendation

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

3. Background

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

4. Summary of Changes

The current audit recommendations are detailed in full in Appendix 1. The table below represents a summary of the current position of these recommendations as at 24 February 2017.

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 this report.

At the meeting of 29 November 2016, one report was laid before the committee – Review of the 2015/16 credits data return. There was only a single recommendation from this report.

There are 3 recommendations covered in Appendix 1.

Since the last meeting of the Audit Committee, 1 of the 3 recommendations has reached a stage where the College considers them to be complete. This completed recommendation is highlighted in grey in the appendix.

In relation to recommendation 74 in the appendix – Copyright Policy – an extension has been requested to the end of July 2017. Further detail on the reason for this is included in the appendix.

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

5. Financial Implications

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

6. Equalities

Assessment in Place? – Yes No

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

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

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

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

Risk Owner – Alison Stewart

Action Owner – Stephen Jarvie

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes No

Health and Safety – Yes No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

ID	Audit Name	Date of Audit	SMT Owner	Action Owner	Recommendation	Management Response	Priority	Evaluation	Scheduled Completion Date	Revised Completion Date	Evidence	Completed
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)	<p>Feb 2017 - Copyright development still underway. There has been a lack of feedback from the pilot group and in particular Dundee and Angus, to the best of our knowledge, have not had a formal response from the Copyright Licensing Agency on their approach which the College may choose to adopt. SMT have now appointed a member to lead on this activity. A further extension is requested to give time for feedback to be received and to tie into the licence renewal timescale for the College.</p> <p>Nov 16 - No further update at this time.</p> <p>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.</p> <p>May 16 - In progress for June completion</p> <p>Feb 16 - Initial meeting took place in early Feb and in progress to meet June deadline.</p> <p>Nov 15 - A draft of the policy is available and a further meeting in due to take place in early December.</p>	March 17 (extension approved Sept 15 2016)	31/07/2017		
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)	<p>Feb 2017 - On target for submission for approval at the end of March 2017</p> <p>Nov 16 - SMT have reviewed the policy and requested that IT liaise with other College's who operate EDUROAM/Bring Your Own Device environments to investigate how their security operates</p> <p>Sept 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.</p>	23/03/17 (extension approved November 2016)			
88	Review of the 2015/16 credits data return	Oct-16	David Allison	David Allison	Withdrawn Students - The College should establish a review process over withdrawn students to ensure the reasonableness of the credits claimed for a student in accordance with the number of days attended by the student.	An additional report will be added to our suite of FES checking reports to identify any students incorrectly withdrawn from their course.	2 (Limited)		Dec-16		Report written and added to suite of FES checking reports.	Dec-16

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1. Purpose

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

2. Recommendation

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

3. Background

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

4. Changes to the Risk Register

With the recent agreement of the Forth Valley College Foundation to award £5.1m towards the new campus and toward funding the Student Association, the remaining resources within the foundation (approx. £300k) are low. Correspondingly, the impact associated with the risk has been lowered to low. Given this change in status, it is proposed to remove risk 16 from the Strategic 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


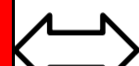


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Forth Valley College Strategic Risk Register

Risk Management and Mitigation						Owners			Initial Risk Score			Score After Mitigation				
No	Area	There is a real or perceived risk that...	Potential Consequences	Mitigating Actions	Actions/Progress to Date	Board Committee	SMT Risk Owner	Action Owner	Likelihood	Impact	Risk Score	Likelihood	Impact	Risk Score	Change to score since last meeting	Date Added and Date Score Updated
1	Estates	Failure to successfully exit from the current contractual obligations with Arqiva for the telecoms array on the West Block will negatively impact on College finances and estates development	<ul style="list-style-type: none"> Negatively impact on ability to sell whole existing Falkirk campus site before contract expiry of lease in February 2023 Requirement to keep and maintain telecommunications equipment on the West Block roof post completion of new campus in Summer 2019 Potential legal action against the College if forced to break the contract as no exit clause exists 	<ul style="list-style-type: none"> Continued engagement with Arqiva to look at potential alternative hosting scenarios Seek legal advice on the range of options available to the College 	<p>Feb 17 - Agreed at EEC that strategy document to be prepared in April 2017.</p> <p>November 2016 - review with Board member completed, Strategy document being prepared by December 2016.</p> <p>August 2016- Due to continued lack of progress with Arqiva, escalation measures now being prepared</p> <p>May 2016 - The College has met several times with Arqiva to date and proposed a number of potential alternative hosting options for the telecommunications array. Continued engagement with Arqiva and legal advisors on contractual options.</p>	P	APED	APED	VH	VH	25	VH	VH	25	↕	May-16
2	Strategic	Strike action arising from National Bargaining negotiations will impact on the learning and teaching provision for students	<ul style="list-style-type: none"> Inability to hold classes in line with timetables Disruption to campus operations during strike action Impact on the delivery of commercial training Depending on timing, impact on assessment activity Commercial clients have requested changes to contracts with College to reflect strike action which may result in financial penalty. 	<ul style="list-style-type: none"> College continues to liaise with unions on a local and national levels to ascertain potential strike days Communications plan under development to notify shareholders of potential impacts Contingency planning for the recovery of lost teaching/assessment time 	<p>Feb 2017 - following further negotiations EIS have raised a dispute against the management side and are in the process of balloting members re strike action</p> <p>October 16. Negotiations continue with both unions. there is a dispute with EIS regarding the £100 pay award and how this has been implemented. Unison are currently in discussion with ACAS and the NJNC and continue with their action of not providing additional H&S and Fire Warding cover. (FVC is operating as normal with cover arrangements in place)</p> <p>August 16 - National UNISON strike action planned for 6 September. Contingency plans developed and enacted to allow learning and teaching to continue.</p> <p>May 16. Strike action successfully managed with limited disruption to students. NRPA now signed of by sector with EIS pay award for 15/16 & 16/17 now completed.</p> <p>March 2016 - We have developed a communication plan to make sure that stakeholders are kept fully informed of mitigating actions we may take. We are actively working with departments to alleviate the impact on learners.</p>	HR	P	APHROE	VH	VH	25	VH	H	20	↕	Mar-16
3						F	APEDF	APEDF	VH	H	20	VH	H	20	↕	March 2015 - Score increased from 15 to 20

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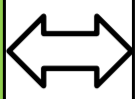
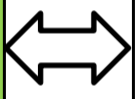
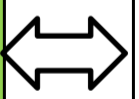
Forth Valley College Strategic Risk Register

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>Feb 17 - given the current proposals from both unions re salary this has the potential increase the salary budget overall</p> <p>October 16 Negotiations continue no further update</p> <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 National Recognised Procedure Agreement signed by all colleges and a pay offer has been communicated to both unions which has subsequently been rejected and both unions are considering industrial action.</p> <p>July 2015. National Bargaining Process is in the process of being signed by all colleges. This will enable the pay negotiations to move forward and take place at a National Level . The outcome of negotiations will determine the next stage . FVC has budget in place to meet the suggested level of increase for staff</p> <p>May 2015 Discussions continue with National Bargaining Committee and Scottish Government no further information as been received</p> <p>March 2015 - First draft of Recognised Procedural Agreement (RPA) discussed</p> <p>November 2014 - No significant changes</p> <p>May 2014 College continues to monitor developments at a national level and share information with recognised trade unions.</p>	HR	P	APEDHROE	VH	H	20	VH	H	20		Jun-14
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>Feb 17 - February 2017 - Challenges with commercial income continue with the oil and gas downturn still having an impact on CompEx numbers. MA activity performed well even with lower engineering numbers and bidding to secure similar numbers for next year.. Full commercialisation plan being developed for next 5 years to evaluate and assess the different strands of income and project position going forward with level of support required</p> <p>November 2016 - Still a challenging period and impacts of Brexit and oil and gas downturn still affecting MA numbers, continue market as much as possible for MAs and commercial delivery and have managed to secure 76% of MA engineering numbers which is very high in Scotland. International picking up and are starting work in both Russia and Dubai.</p> <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>Feb 17 - Indicative allocation for 17/18 had a 2.8% increase however there is a risk around the review of ELS funding</p> <p>Nov 16 - There is a real potential that the spending review (draft budget) in December will produce a cut to Colleges. The SNP manifesto pledge of 116,000 FTE places means that we will be unable to reduce activity to accommodate this. Colleges Scotland are giving this due consideration.</p> <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	VH	20		March 2016 Score Increase May 2016
7	Finance	The introduction of the Apprenticeship Levy in the UK and subsequently in Scotland will have an impact on the number of apprenticeship places taken up in Forth Valley due to cross border differences in funding (England has higher levels), English system being further ahead in terms of implementation and the costs of levy to employer could mean that they decide to recruit less apprentices as overall costs have increased.	Reduced level of funding to college in terms of SDS places filled and direct contracts from employers for delivery.	Ensure we are well informed of Scottish position and keep employers informed of how they can access their levy funding and thus maintain the apprenticeship numbers.	<p>Feb 17- Continued involvement with Colleges Scotland group and event with employers planned for 2 March 2017. Also engaged with the consultation on how new Flexible Workforce Development Fund will be implemented in Scotland with colleges being the main deliverer of the training</p> <p>Nov 16 - Attendance at national Colleges Scotland WG for Apprenticeship Levy Contact with CBI Scotland on employer response to Levy Organising an employer event to inform them of the position when Scottish Government announce implementation plans.</p>	F	APEDBD	APEDBD	H	H	16	H	H	16		Nov-16

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8	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>February 2017- Approval of FBC and to progress to DP3 received from Ministers in December 2016. DP3 document on programme for issue March 2017.</p> <p>November 2016- FBC approval from Ministers awaited November/December 2016. Conditional sale of Branshill site signed by Developer for £3.2m</p> <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 	B	APEDED	APEDED	VH	VH	25	M	VH	15		Nov-14 score reduced from 20 to 15 Added - 01/08/2013
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>Feb 17 - Ongoing, no further update</p> <p>October 16 No further update</p> <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>Feb 17 - No further update</p> <p>November 2016 - No further update</p> <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
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 (Scotland) Act) etc are reviewed and relevant sections implemented 	<p>Feb 17 - Additional Storage installed at Stirling, allowing further fall-over of key systems.</p> <p>Nov 16 - No further update</p> <p>Sept 16 - Risk analysis of physical security carried out</p> <p>May 16 - IT Health check 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 No further update</p> <p>August 2015 An additional high-speed internet connection was installed in May to provide resilience</p> <p>May 2015 • 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> <p>March 2015 • We are planning to install an additional internet connection to provide resilience should there be any disruption to our main connection.</p> <p>November 2014 • No Further Update</p> <p>May 2014 • IT services participating as pilot department for Business Continuity planning processes</p>	F	APEDIS	APEDIS	L	VH	10	L	H	8		Jun-14

Forth Valley College Strategic Risk Register

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>Feb 17 - We have accounted for public pay sector pay rises within College budgeting</p> <p>October 16 FVC have accounted for the current pay offer to Unison in this financial year. However, there remains a depute with Unison in which the offer has not been accepted. Talks are currently underway between NJNC, Unison and ACAS to agree a solution.</p> <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 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 	HR	APEDHROE	APEDHROE	H	H	16	L	M	6	<p>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</p> 
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>Feb 17 - No further update</p> <p>November 2016 - No further update</p> <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 	<p>Feb 17 - Draft Outcome Agreement for 2017/18 submitted to SFC, with favourable feedback. Draft Outcome Agreement and targets discussed at Strategic Development Committee.</p> <p>Nov 16 - No further update</p> <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> <ul style="list-style-type: none"> 2014/15 Outcome Agreement Self Evaluation submitted to SFC on 31st October, with key targets met. <p>August 2015 No further update</p> <p>May 2015 Outcome Agreement for 2015/17 agreed with SFC</p> <p>March 2105 - The College continues to monitor progress against all targets</p> <p>November 2014 • Draft Outcome Agreement for 2015/17 going to Strategic Development Committee on November 20th.</p> <ul style="list-style-type: none"> 2013/14 Outcome Agreement Self Evaluation submitted to SFC on 31st October, with all key targets met. <p>8 April 2014 KPI's for 2012/13 reported to SDC ??</p> <p>16 January 2014 • Draft Outcome Agreement shared with Strategic Development Committee and Board of Management</p> <ul style="list-style-type: none"> Draft Outcome Agreement shared with SFC, with changes made following suggested enhancements <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</p>	A	P	APEDF	L	VH	10	L	M	6	
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>Feb 17 - Draft Outcome Agreement for 2017/18 submitted to SFC, with favourable feedback. Draft Outcome Agreement and targets discussed at Strategic Development Committee.</p> <p>Nov 16 - No further update</p> <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> <ul style="list-style-type: none"> 2014/15 Outcome Agreement Self Evaluation submitted to SFC on 31st October, with key targets met. <p>August 2015 No further update</p> <p>May 2015 Outcome Agreement for 2015/17 agreed with SFC</p> <p>March 2105 - The College continues to monitor progress against all targets</p> <p>November 2014 • Draft Outcome Agreement for 2015/17 going to Strategic Development Committee on November 20th.</p> <ul style="list-style-type: none"> 2013/14 Outcome Agreement Self Evaluation submitted to SFC on 31st October, with all key targets met. <p>8 April 2014 KPI's for 2012/13 reported to SDC ??</p> <p>16 January 2014 • Draft Outcome Agreement shared with Strategic Development Committee and Board of Management</p> <ul style="list-style-type: none"> Draft Outcome Agreement shared with SFC, with changes made following suggested enhancements <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</p>	SDC	APEDIS	APEDIS	L	VH	10	L	M	6	

Forth Valley College Strategic Risk Register

15	Finance	SDS funding for Foundation Apprenticeships is insufficient to cover college costs and prevents the college from delivering on this DYW target.	Reputational damage (schools, LAs, SDS, SFC); College finds itself running Foundation Apprenticeships with lower than viable group sizes	Ensure clear communication about the requirements of adequate funding to all stakeholders from the outset; Ensure that tender to SDS makes it clear that courses will only run with adequate funding and sufficient candidates.	<p>Feb 2017 - No further update expected until June 2017</p> <p>Nov 2016 - The requirement for adequate funding and sufficient candidate numbers has been made expressly clear to Head Teachers and to SDS in the tender documentation; Marketing of Foundation Apprenticeship courses is already underway, pending a successful and adequate funding offer.</p>	F	APEDL&T	APEDL&T	h	m	12	l	m	6	↔	Nov-16
16	Governance	the Forth Valley College Foundation does not operate as originally envisaged.	• Loss of control over surplus cash by Forth Valley College	• Memorandum of Understanding agreed between parties	<p>Feb 17 - FVC Foundation approved £5.1m grant on 23/2/17</p> <p>November 16 - Grant request for Student Association and Estates funding approved through Board process and submitted to Forth Valley College Foundation. The Foundation will meet late November/early December to consider these applications</p> <p>Sept 16 - No further update</p> <p>May 16 - No further update</p> <p>March 2016 - No further update at this time</p>	B	APEDF	APEDF	M	VH	15	L	L	4	↓	May-14

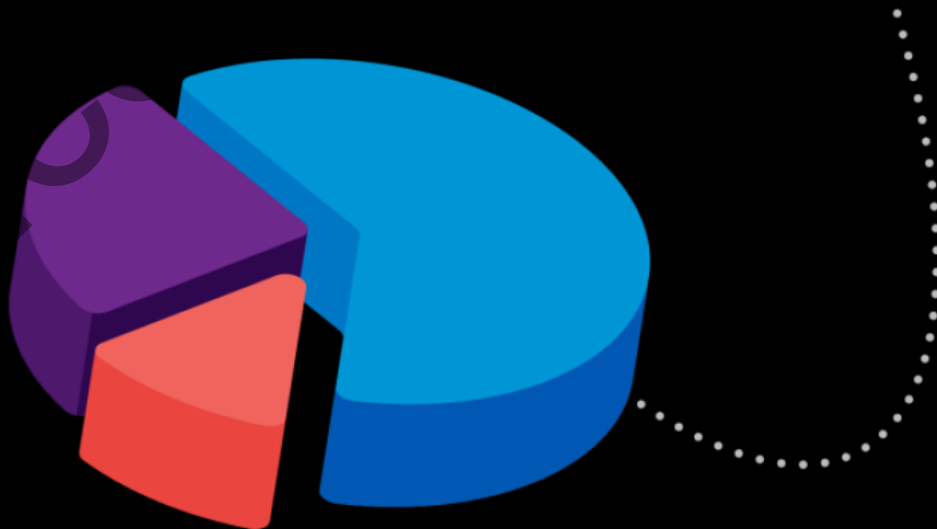
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Forth Valley College

Risk appetite workshop – outline agenda and preparatory reading

February 2017



Forth Valley College

Risk Appetite Workshop

Outline agenda

Preparatory reading

Appendix 1 – Risk classifications by risk appetite category

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Outline agenda

Objectives of the workshop

- To capture board members' and senior managers' perspectives on risk and their willingness to tolerate different types of strategic risks
- To understand how these different perspectives should inform the management of Forth Valley College's strategic risks

Risk Management

- Provide the board and senior management team with an overview of the risk management process
- Identification, definition and scoring of strategic risks

Different appetites for risk

- Explaining why College's should have different perspectives for different types of risks
- How to define risk appetite
- Assessing the board's and senior management team's perspective on the College's current risk appetites
- Defining what the College's risk appetite should be

Conclusion and next steps

Preparatory reading

Risk can be defined as the effect of uncertainty on objectives. This effect can be positive or negative. A risk is often characterised by reference to potential events and consequences or a combination of both. Accepting a level of risk is usually necessary to achieve a certain level of benefit. Therefore organisations need to be prepared to risk suffering some losses if these are outweighed by a potential overall gain.

The board of every public body is responsible for describing its attitude to risk, often known as its risk appetite. Risk appetite is defined by HM Treasury as ‘the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.’ Risk appetite ranges from eagerness to take or accept risk through to unwillingness or aversion to risk.

Defining risk appetite is about making clear the underlying reasons for accepting a specific level of risk. Risk appetite varies for every organisation and varies within an organisation for different types of risks and over time.

It is essential that a board's attitude to risk is communicated to the whole College. It should be applied in decision making regarding the prioritisation of policies, work streams, programmes, projects, operational service delivery and the funding that goes with them.

Defining risk appetite

HM Treasury issued guidance to help public sector organisations define their risk appetites. This guidance set out four generic risk categories. These categories are reputational risks, financial risks, compliance risks, and operational risks. Scott-Moncrieff has added a fifth risk appetite category; political risks. This additional category is to reflect that there can be political implications and pressures on the College as a result of the strategic decisions it takes (Table 1).

Table 1 – Risk categories

Category	Examples of risks in each category
Reputational	Strategic risks; stakeholder perception
Political	Lobbying, legislative changes, political support
Financial	Funding, budget settlement, value for money
Compliance / Regulatory	Health and safety, human resources, property, business continuity planning
Operational	Projects, innovation, performance information

Source: *Thinking about risk, managing your risk appetite: a practitioner's guide*, HM Treasury, November 2006 and Scott-Moncrieff.

Risk appetite classifications

Each category of risk can be assessed on a range of risk appetite from hungry to averse (Table 2).

Table 2 – Risk classifications

Classification	Description
Hungry	Eager to be innovative and to choose options offering potentially higher rewards, despite greater inherent risk

Classification	Description
Open	Willing to consider all options and chose the one that is most likely to result in success, while also providing an acceptable level of reward
Cautious	Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward
Minimalist	Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward
Averse	Avoidance of risk and uncertainty is a key organisational objective

Source: *Thinking about risk, managing your risk appetite: a practitioner's guide*, HM Treasury, November 2006.

Ahead of the workshop we have amended the HM Treasury guidance to show how each risk appetite classification varies to reflect the risk appetite category (Appendix 1).

It is important that Forth Valley College defines and agrees its own risk appetite categories. These risk categories should be clearly relevant to the college and its work. These could then be further developed so that a risk appetite could be set for each risk within the risk register.

Further reading

Attendees who are interested may wish to do further reading ahead of the workshop. A very helpful background guide to risk appetite is the HM Treasury guidance prepared in 2006.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191520/Managing_your_risk_apetite_a_practitioners_guide.pdf

In addition, attendees may wish to read 'Managing Risks to Improve Public Services', a 2004 report by the Comptroller and Auditor General of the National Audit Office. This report, ordered by the House of Commons, provides information on some of the principles of effective risk management.

<http://www.nao.org.uk/wp-content/uploads/2004/10/03041078.pdf>

Appendix 1 – Risk classifications by risk appetite category

	Averse	Minimalist	Cautious	Open	Hungry
Risk Category	Examples of behaviours demonstrated by risk classification				
Reputational	Minimal tolerance for any decisions that could lead to increased scrutiny or criticism of the College.	Only tolerant of risk taking where there is no chance of significant repercussions for the College.	Only tolerant of risk taking where there is limited chance of significant repercussions for the College.	Appetite to take decisions which may expose the College to additional scrutiny, but only where appropriate steps have been taken to minimise any exposure.	Appetite to take decisions which are likely to expose the College to additional scrutiny, if the potential benefits outweigh the risks.
Political and stakeholder	Minimal tolerance for taking any decisions or actions that could result in increased scrutiny or criticism of the College. Only prepared to engage in required partnership working arrangements with minimal commitment of resources.	Only tolerant of making decisions that contradict national or local governments or the SFC where there is no chance of significant repercussions for the College. Partnership and stakeholder engagement is only encouraged where there are clearly defined parameters and budgets control is retained by each partner organisation.	Only tolerant of making statements or taking decisions that impact on the political arena or challenges the SFC where the College has the support of key political stakeholders. Partnership and stakeholder engagement is encouraged but oversight and ownership is retained by the Board and senior management.	Appetite to take decisions which may expose the College to additional parliamentary or SFC scrutiny, but only where appropriate steps have been taken to minimise any exposure. Partnership and stakeholder engagement is seen as a key priority for the College, but only where appropriate controls are in place to mitigate any loss of control or failure.	Appetite to take decisions which are likely to expose the College to additional SFC, political, media and parliamentary scrutiny where the potential benefits to the College and to its students outweigh the risks. The organisation actively promotes and contributes to cutting edge partnerships and stakeholder engagement as long as the benefits outweigh the risks.
Financial	The key objective is to	Only prepared to	Prepared to accept the	Prepared to take some	Prepared to take

	Averse	Minimalist	Cautious	Open	Hungry
	<p>operate in line with the agreed budget profile. Only willing to accept the low cost option.</p>	<p>accept the potential for very limited variance in budget lines. Minimising cost is the primary concern.</p>	<p>potential for some variance in budget lines and the potential for some minor underspend / overspend. Value for money is the primary concern, with an emphasis on quality as well as price.</p>	<p>financial risk by investing in new projects or activities (recognising that this could result in underspend / overspend) as long as appropriate controls are in place. In assessing value for money, quality considerations are weighted more than price.</p>	<p>financial risks by investing for the best possible reward, accepting that this brings the possibility of underspend / overspend.</p>
Compliance / Regulatory	<p>Avoid anything which could be challenged, even unsuccessfully.</p>	<p>Want to be very sure the College would win any challenge.</p>	<p>Limited tolerance for sticking our neck out. Want to be reasonably sure the College would win any challenge.</p>	<p>Challenge will be problematic but the College is likely to win it. The gain will outweigh the adverse consequences.</p>	<p>Chances of losing are high and consequences serious. But a win would be seen as a great coup.</p>
Operational areas	<p>Defensive approach- aim to maintain or protect existing ways of working, rather than to create or innovate. Priority for tight management controls and oversight with limited devolved decision making authority. Resources withdrawn from all non-essential activities. General avoidance of systems/ technology</p>	<p>Innovations are always avoided unless essential. Decision making authority held by senior management. Only essential systems/ technology developments are undertaken.</p>	<p>Tendency to stick to the status quo. Innovations generally avoided unless necessary. Decision making authority generally held by senior management. Systems/ technology developments limited to those which are essential and those where there is low risk.</p>	<p>Innovation supported, as long as there is a commensurate improvement in management control. Responsibility for non-critical decisions may be devolved. Resources are allocated to capitalise on potential opportunities, not just to deliver our current practices. Systems/ technology</p>	<p>Innovation pursued- desire to 'break the mould' and challenge current working practices. High levels of devolved authority - management by trust rather than tight control. Resources are allocated to areas of work where there are no firm guarantees of success - 'investment capital' type approach.</p>

Averse	Minimalist	Cautious	Open	Hungry
developments.			developments considered where these will enable delivery.	New technologies viewed as a key enabler of operational delivery.

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