

Project Meeting Room, Falkirk Campus at 4.30pm
(Refreshments available from 4pm)

AGENDA

1. Declarations of interest
2. Apologies

FOR APPROVAL

3. Minutes of meeting of 9 March 2017
4. Matters Arising
 - a) A/16/028 Non-Pay audit report
 - b) A/16/028 Budget setting and Monitoring
 - c) A/16/031 Risk Management
 - d) A/16/032 Risk Management Scope

5. External Audit Plan 2017/18 Ernst Young

FOR DISCUSSION

6. Presentation of Internal Audit Reports Scott Moncrieff
 - a) International Strategy and Operations
 - b) Project Management (New Campus)
 - c) Follow Up report
 7. Internal Audit Plan Progress Report Scott Moncrieff
 8. Progress Report on Audit Recommendations Stephen Jarvie
 9. Risk Management Alison Stewart
(Elements of paper 9 are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002)
 10. Risk Management Scope Update (Verbal) Scott Moncrieff
 11. Review of Risk
 12. Any other competent business
-

Boardroom, Falkirk Campus (commencing at 4.30pm)

Present: Mrs Lorna Dougall (Chair)
Mr Colin Alexander
Mrs Trudi Craggs

In Attendance: Dr Ken Thomson, Principal
Mr Stephen Jarvie, Corporate Governance and Planning Officer
Mrs Irene Andrew, Head of Finance (for item A/16/028)
Mr Gary Devlin, Scott Moncrieff
Ms Claire Beattie, Scott Moncrieff
Ms Jan Polley, Observer

A/16/024 Apologies for Absence

Mrs Beth Hamilton
Mrs Alison Stewart

A/16/025 Declarations of Interest

None

A/16/026 Minute of Audit Committee of 29 November 2016

The Minute of 29 November 2016 was approved as accurate.

A/16/027 Matters Arising

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

The Chair reported this would be covered under item 8 on the agenda

b) A/16/021 Board Effectiveness Review

The Chair reported that this would be covered under item 9 on the agenda

A/16/028 Presentation of Internal Audit Reports

Claire Beattie, Scott Moncrieff, presented the Non-Pay Expenditure and Creditor report.

She confirmed that the audit had found that effective controls were in place over expenditure and payments, with some recommendations made as to how the College could implement improvements, with one of the recommendations being classed as amber.

Gary Devlin, Scott Moncrieff, outlined the actions they would expect for the College to undertake to address the amber recommendation.

Following discussions, members recommended this be strengthened further with Finance undertaking additional checks to ensure the validity of changes to companies contact and bank details.

Members queried whether the management response matched the recommendation in relation to invoices being backed up by corresponding purchase orders (PO's). Members also asked if invoices not tying back to PO's was a wider issue. Gary Devlin confirmed that this was only in relation to two specific areas as outlined in the report.

The Head of Finance outlined the reasons why these expenditure areas did not have PO's to match invoices. She also noted that there was an existing series of regular budget monitoring meetings to track invoices against anticipated spend.

Following discussion members recommended that, for areas which have tendered activity such as utilities, the College consider implementing an annual estimated PO for these activity areas against which invoices can be matched off.

The Principal agreed that Finance would look into the feasibility of members recommendations and feedback to the next meeting of the Audit Committee.

Gary Devlin presented the Budget Setting and Monitoring report for members consideration.

He noted that the report had been a positive one, with some opportunities identified for improvements.

Members noted that the report appeared to demonstrate that controls were adequate but requested that the underpinning documentation be updated to ensure a full audit trail is in place.

Members expressed concern over indications that not all budget holders communicate effectively with the Finance team.

The Principal informed members that this would be further investigated and the root cause identified and rectified.

a) Members noted the content of the update

A/16/029

Internal Audit Plan Progress Report

Claire Beattie presented a report on progress to date against the established internal audit plan. She noted that the risk management review had been deferred owing to the need to have a risk session with the Board to set the direction for the College in regard to risk and risk appetite.

She reported that overall, progress to date was on track.

- a) Members noted the content of the report

A/16/030 Progress Report on Audit Recommendations

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

He reported that there were 3 audit recommendations on the tracker, one of which was now complete. He also highlighted that there was one recommendation where the College was seeking an extension.

The Principal outlined the reasons for this and the remedial action taken to bring this matter back on track.

- a) Members noted the content of the report

A/16/031 Risk Management

The Principal presented the current Strategic Risk register and noted that there had been one change since the last time the report was presented. This change related the risk regarding the Forth Valley College Foundation. Given the current situation, he noted that the College intended to remove this risk.

He also highlighted that there had been no movement for a considerable period of time for risk number 19. He reported that the College would be unable to update on this risk until such time as a UK wide legal issue was addressed.

The Internal Auditors commented that a number of organisations were adding the possible impact and opportunities arising from Brexit to the register and that the College may want to consider this.

- a) Members noted the content of the report

A/16/032 Risk Management Scope

Gary Devlin, Scott Moncrieff, presented their proposed scope for a Board Risk Management workshop.

Members agreed that a session to discuss risk and also to gauge risk appetite would be very useful. Members also noted that the risk workshop should not only focus on risk but how best to gauge the opportunities available from undertaking risk related activities.

The Principal echoed the opinions of members that a review of risk would be highly beneficial.

- a) Members agreed that Scott Moncrieff should discuss this matter further with the Committee Chair and Principal and bring back a more detailed framework to the group.

A/16/032 External Board Effectiveness Review (Verbal Update)

The Chair updated members with progress made by Jan Polley in conducting the external effectiveness review.

She noted that indications were that there were no major issues and that the report would be used as a mechanism to identify areas of development for the Board.

Jan Polley reported that the key message would be that, while the Board is effective, there is scope for Board members to contribute more and add value to the College.

She commented on the tight timescales surrounding the review and discussed with members how best to progress with reporting to the Board of Management.

Following discussion, members agreed that an overview report should be taken to the March Board meeting with a further detailed report to follow.

- a) Members noted the update provided

A/16/033 Review of Risk

Members noted the risks as outlined in the papers.

The Principal noted that, until completed, the need for a new Chair for the Board of Management was a risk.

A/16/034 Any Other Competent Business

None.

1. Purpose

To present the draft External Audit Plan 2017/18 for approval by the Audit Committee.

2. Recommendation

That the Audit Committee approves the draft External Audit Plan 2017/18.

3. Background

Ernst Young are the external auditors for the College, appointed by Audit Scotland.

They have prepared the attached Audit Plan in accordance with Audit Scotland's Code of Audit Practice. The Plan reports on the assessment of the operational and financial risks considered relevant to the responsibilities of Ernst Young as auditors to the Board of Management of Forth Valley College. The Plan also sets out the framework and timetable within which the external audit for year ending 31 July 2017 will be carried out.

4. Key Considerations

Ernst Young have worked with senior College staff to create the plan along with May 2016 guidance issued by Audit Scotland.

5. Financial Implications

Fees are outlined in the attached document.

6. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not applicable

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – The process in place is very robust and preparations for the annual audit are already underway

Risk Owner – Alison Stewart

Action Owner – Alison Stewart

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes No

Health and Safety – Yes No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

Forth Valley College

Year ending 31 July 2017

Annual Audit Plan

1 June 2017 (presented to Audit Committee 14
September 2017)

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About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Auditor General for Scotland has appointed us as external auditor of Forth Valley College (the College) for financial years 2016/17 to 2020/21.

This report is for the benefit of the College and is made available to the Auditor General for Scotland and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Public sector audit framework

Pages 3-5

The Code of Audit Practice (the Code) <http://www.audit-scotland.gov.uk/report/code-of-audit-practice-2016> sets out the responsibilities of audited bodies, in accordance with statute and other relevant guidance, in respect of the preparation of financial statements.

We issue our audit opinion on the 'truth and fairness' of the College's financial statements in accordance with management's timetable, and by 31 December 2017. The nature of public sector audit means that the focus of audit work is broader than just the financial statements, covering the four dimensions of public sector audit as set-out in the Code.

Understanding the College

Pages 6-7

Our audit approach responds to our understanding of the College, and the environment in which it operates.

Forth Valley College is in third year of its four year strategic plan. The delivery of the College's strategic aims and priorities will be challenging. One key activity at the current time is the progression of the £83 million new build Falkirk campus, following approval of the full business case during 2016/17.

The College approved a budget deficit for 2016/17 after accounting for net depreciation. A one-off transaction of £2 million was received from Glasgow Kelvin College in late March, impacting the projected revenue resource outturn at 31 March.

Financial statements audit

Pages 8-12

Materiality

Planning Materiality for the audit has been determined at £450,000, representing 1.5% of estimated gross expenditure. Tolerable Error is set at £325,000. Our Summary of Audit Differences (SAD) nominal amount is £20,000.

Risk assessment

In line with auditing standards we identify significant risks in respect of fraud in income and expenditure recognition, and in respect of management override of controls. We also consider the significant unusual transaction with Glasgow Kelvin College.

The valuation of property, plant and equipment, and also of pension liabilities, are assessed as inherent risks. We use our own specialists, as appropriate, in reviewing management's judgements and estimates in these areas.

Audit approach

We obtain an understanding of the College's control environment and key accounting processes in operation. We also consider and test the key management procedures across the material accounting processes, as appropriate.

Management has primary responsibility for the prevention and detection of fraud. We design appropriate audit procedures in response to identified fraud risk factors, for the purpose of detecting material misstatements.

Wider scope audit and other work

Pages 13-14

The wider scope audit as set out in the Code plays a key role in the public sector audit framework in Scotland.

We have not identified any wider scope audit focus areas for 2016/17 at this stage in our audit planning.

We undertake certain audit procedures which impact on the wider scope audit dimensions as a consequence of our financial statements audit and we will report our findings to you on completion of our audit.

Team, fees and deliverables

Pages 15-17

Stephen Reid is your audit engagement partner, supported principally by Keith Macpherson.

Audit Scotland communicate an expected fee broken down by auditor remuneration, pooled costs and central overheads.

Given the additional senior time invested in understanding and responding to the significant transaction with Glasgow Kelvin College, we have agreed with management to set the auditor remuneration above the expected fee above. We have agreed an auditor remuneration of £22,470, with a total audit fee for 2016/17 of £24,910 (2015/16: £22,090).

Appendices

Pages 18-22

We confirm our independence to act as your external auditor.

We provide you with details of the key communications we are required to provide you with in accordance with Auditing Standards.

**1. Public sector
audit framework**

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The Auditor General for Scotland has appointed us as auditor of the College under the Public Finance and Accountability (Scotland) Act 2000 ("the Act"). The period of appointment is 2016-17 to 2020-21, inclusive.

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; relevant Auditing Standards and applicable Practice Notes issued by the Auditing Practices Board; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Plan, prepared for the benefit of College management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 July 2017, in accordance with the responsibilities placed on us through the public sector audit framework in Scotland.

Financial statements audit

The College's responsibilities

Forth Valley College (the College) is responsible for the preparation of the financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation. The Code also sets out the College's responsibilities for maintaining accounting records and supporting working papers that have been prepared to an acceptable professional standard.

In accordance with the Accounts Direction for Scotland's colleges and universities, the College is also required to prepare and publish, along with the financial statements, a performance report, an accountability report, a corporate governance statement, a remuneration and a staff report and, where applicable, a parliamentary accountability report, that are consistent with the disclosures within the financial statements.

Our responsibilities

We are responsible for conducting an audit of the financial statements of the College. We will provide an opinion on the financial statements as to:

- Ø Whether they give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the College's affairs as at 31 July 2017 and its surplus or deficit for the year then ended.
- Ø Whether they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Ireland.
- Ø Whether they have been properly prepared in accordance with the in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

We also review and report on the consistency of the other information prepared and published by the College along with its financial statements.

Wider scope audit

The College's responsibilities

The Code sets out the broader responsibilities of the College in respect of ensuring proper financial stewardship of public funds. In particular the College should establish proper arrangements:

- Ø For ensuring the proper conduct of its affairs, including the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements
- Ø For the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct
- Ø To ensure that their financial position is soundly based having regard to, for example, balances and reserves including strategies about levels held, their future use and how they plan to deal with uncertainty in the medium and longer term
- Ø The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

The Code of Audit Practice sets out the four audit dimensions which comprise the wider scope audit framework for the public sector in Scotland. These are:

- Ø Financial sustainability
- Ø Financial management
- Ø Governance and transparency.
- Ø Value for money.

As auditors we are required to provide judgements and conclusions on the four wider-scope audit dimensions.

Wider scope audit (continued)

Our responsibilities

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider-scope public audit. Our audit work over the wider scope audit dimensions complements our financial statements audit.

 Financial management	 Financial sustainability	 Governance and transparency	 Value for money
<p>We conclude on the effectiveness of financial management arrangements. This includes considering whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>We consider the medium and longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.</p>	<p>We review the adequacy of governance arrangements. In particular, we consider and report on; whether these are appropriate and operating effectively and that there is effective scrutiny, challenge and transparency on decision-making.</p>	<p>We consider whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement.</p>

Key messages

The Code of Audit Practice (the Code) <http://www.audit-scotland.gov.uk/report/code-of-audit-practice-2016> sets out the responsibilities of audited bodies, in accordance with statute and other relevant guidance, in respect of the preparation of financial statements.

We issue our audit opinion on the 'truth and fairness' of the College's financial statements in accordance with management's timetable, and by 31 December 2017. The nature of public sector audit means that the focus of audit work is broader than just the financial statements, covering the four dimensions of public sector audit as set-out in the Code.

2. Understanding the College

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2. Understanding the College

In accordance with the principles of the Code, our audit work is designed to be proportionate and risk based. It is based on an understanding of the strategic environment in which the College operates.

Through our knowledge and experience, plus our assessment of how the wider environment impacts on your activities, we tailor our approach to risk assessment.

Through discussion with senior management, and from review of corporate planning documents, we develop an understanding of your priorities and the specific challenges which the College faces.

Strategic context

The college sector has undergone substantial changes in recent years affecting how they operate and while activity targets across the sector have been exceeded, there is still adjustment required in coming to terms with the new arrangements. Audit Scotland's overview report on the sector, while making recommendations for both the Scottish Government and the Scottish Funding Council (SFC), drew attention to the fact that colleges in general should:

- Ø develop long-term financial strategies, underpinned by medium-term financial plans
- Ø implement a more systematic approach to workforce planning to ensure they have the appropriate resources and skills to achieve their strategic goals
- Ø make agendas, supporting papers and minutes (subject to confidentiality issues) for board and committee meetings publicly available within appropriate timeframes.

Understanding the College's priorities

The College is currently in the third year of its strategic plan covering 2014-18. The key aims outlined in the plan are:

- Ø To create a superb environment for learning.
- Ø To cultivate a vibrant learning organisation where learners develop qualifications valued by industry.
- Ø To instil an energy and passion in its people.
- Ø To lead as a business that is a champion for governance, financial control and measured risk taking.
- Ø To enhance its position as the business and community partner of choice.
- Ø To deliver a whole system approach that is simply effective, efficient and consistent.

A key element of the first aim is in respect of the strategy to build a new £83 million Falkirk headquarters, funded principally through £70 million in capital grant funding from the Scottish Funding Council (SFC). Approval of the full business case was obtained during 2016/17 and the College are now progressing through the next stages of the tender procurement process. The intention is to commence build in autumn 2017 with completion within two years.

Financial position

Following the transition to FRs 102 in 2015/16, the College reported net liabilities of £3 million. This occurred following the reclassification of deferred capital grants from reserves under the old SORP to liabilities. The net pension deficit in the local government pension scheme contributes to the deficit, however, the financial statements are prepared on a going concern basis as the Board of Management have no reason to believe the future support to meet these long-term liabilities will not be forthcoming from the SFC.

The College's budget for 2016/17 was approved at a deficit of £603,000 after non-cash items were accounted for. Budget monitoring has shown pressure in reaching income targets and hence savings have been identified in-year to manage the outturn position.

As the College is defined as a central government body, it is also required to operate within revenue and capital resource limits as at 31 March each year. A late £2 million transaction from Glasgow Kelvin College at the end of March involved management undertaking a number of measures to manage the year-end resource position.

Key messages

Our audit approach responds to our understanding of the College, and the environment in which it operates.

The College is in third year of its four year strategic plan. The delivery of the College's strategic aims and priorities will be challenging. One key activity at the current time is the progression of the £83 million new build Falkirk campus, following approval of the full business case during 2016/17.

The College approved a budget deficit for 2016/17 after accounting for net depreciation. A one-off transaction of £2 million was received from Glasgow Kelvin College in late March, impacting the projected revenue resource outturn at 31 March.

**3. Financial
statements audit**

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We provide an opinion on the financial statements as to whether they give a true and fair view of the financial position of the College, and whether they have been properly prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended). We also review and report on the consistency of the other information prepared and published by the College along with its financial statements.

We undertake our financial statements audit work in accordance with the four phases of EY's Global Audit Methodology: *Planning; Identification and assessment of risk; Design and execution of our response to those risks; and Conclude and communicate.*

Planning our audit work

Initial planning, independence and quality assurance

Our initial planning for any audit engagement includes client and engagement acceptance, which includes our documentation of the service requirements. We did not identify any specific audit risks arising from these procedures.

Part of these procedures are designed to ensure compliance with all relevant ethical standards, including independence which we assess for both EY as a firm and the individuals assigned to the audit. We set out more information on our independence in Appendix A.

We identify the team with primary responsibility for performance of the audit. Stephen Reid is the audit partner-in-charge.

Materiality

In accordance with ISA 320 we apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion. Materiality is the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. We determine:

- Ø Planning materiality (PM) – this is set for the financial statements as a whole, and is used to set the scope for our audit. We have determined this to be £425,000, representing 1.5% of estimated gross expenditure.
- Ø Tolerable Error (TE) – materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set this at 75% of PM, being £300,000.
- Ø Summary of Audit Differences (SAD) Nominal amount – this is the amount below which misstatements, whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. We have set this at £20,000.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At the end of the audit we will form, and report to you, our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

Financial statement risks

We outline our initial assessment of the financial statement risks facing the College, identified through our knowledge of the environment in which the College operates; discussion with those charged with governance and management; and through handover and transition arrangements with your previous auditor.

Our risk assessment is ongoing throughout the conduct of our audit and we will report to you any notable changes in our risk assessment during the course of our work.

Key messages

Planning Materiality for the audit has been determined at £425,000, representing 1.5% of estimated gross expenditure. Tolerable Error is set at £300,000. Our Summary of Audit Differences (SAD) nominal amount is £20,000.

In line with auditing standards we identify significant risks in respect of fraud in income and expenditure recognition, and in respect of management override of controls. We also consider the significant unusual transaction with Glasgow Kelvin College. The valuation of property, plant and equipment, and also of pension liabilities, are assessed as inherent risks. We use our own specialists, as appropriate, in reviewing management's judgements and estimates in these areas.

3. Financial statements audit (cont.)

Auditing standards require us to consider whether any of the risks identified are 'significant' risks to our audit of the College. Significant risks are defined as those with a higher likelihood of occurrence and, if they were to occur, a higher magnitude of impact which could result in a material misstatement of the financial statements. We are required to specifically highlight these significant risks to 'those charged with governance' i.e. the Audit Committee.

We perform specific procedures over significant risks, including consideration of the design and implementation of controls to address these risks plus performance of additional substantive procedures in response to the specific risk.

Risk assessment includes the inherent risk relating to the susceptibility of a transaction, disclosure or account balance in the financial statements to material misstatement. These inherent risks are broader in nature than significant risks, but require tailored audit procedures to be performed.

Significant risks (including fraud risks)	Our audit approach
<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Given the nature of SFC funding to the College, we rebut the presumed revenue recognition risk for this income stream. However we recognise a revenue recognition risk for tuition income and other material income in respect of possible manipulation of cut-off around the financial year end.</p> <p>We also recognise the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ review and test all relevant income and expenditure policies against the relevant accounting standards and SORP ▶ review, test and discuss with management any accounting estimates on income and expenditure recognition for evidence of bias ▶ develop a testing strategy to test material income and expenditure streams ▶ review and test income and expenditure cut-off around the year end.
<p>Risk of management override</p> <p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.</p> <p>The risk of management override is pervasive to the audit and impacts the testing of all areas. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk. This takes account of the fact that management are in a unique position to override controls which otherwise appear to be operating effectively.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ▶ identifying fraud risks during the planning stages ▶ inquiry of management about risks of fraud and the controls put in place to address those risks ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud ▶ determining an appropriate strategy to address those identified risks of fraud ▶ focusing our audit procedures on manual journals that could be used by management to manipulate the true and fair position of the College's financial statements.
<p>Significant unusual transactions – donation from Glasgow Kelvin College</p> <p>At the time of our audit planning meeting with management in March, the College had just received a £2 million donation from Glasgow Kelvin College. The purpose of the donation, made donation following an asset disposal by Glasgow Kelvin College and subsequent Ministerial direction to Glasgow Kelvin, was to support the College's new build campus in Falkirk.</p> <p>The initial intention of the transaction as we were advised was that the donation would be passed to Forth Valley College's arms-length foundation (ALF).</p>	<p>We have already provided management with advice on the accounting for this significant unusual transaction, in accordance with the accounting policies adopted by the College on transaction to FRS 102. We identified an issue with the accounting as initially proposed to the College as it was not clear that the donation could be recognised in the financial year by the College.</p> <p>As a result, management entered into a sequence of transactions to enable recognition of the donation in line with the purpose and restriction associated with it. In completing our year-end procedures we will:</p> <ul style="list-style-type: none"> ▶ review the appropriate documentation to verify the transactions noted ▶ coordinate with the corresponding external auditor of Kelvin College to verify the transaction and ensure the accounting treatment is consistent and in line with the SORP. <p>As part of our wider considerations of the College's arrangements with the ALF, we will seek to confirm the ongoing independence of the ALF from the College through review of interactions in the year.</p>

In addition to the significant risk areas highlighted above, our audit work will also consider the following areas of audit emphasis, reflecting the fact that these areas have additional compliance, regulatory or sustainability implications. Our risk assessment includes the inherent risk relating to the susceptibility of a transaction, disclosure or account balance in the financial statements to material misstatement. These inherent risks are broader in nature than significant risks, but require tailored audit procedures to be performed.

Other financial statement risks – inherent risks	Our audit approach
<p>Valuation of property, plant and equipment</p> <p>The College's property portfolio totals £57.4 million as at 31 July 2016, with the major elements of this being in respect of land and buildings. Land and buildings are revalued to fair value with a full revaluation taking place at least every five years.</p> <p>Given the size of this balance and the fact that a number of assumptions are made in the valuation, we assign a higher inherent risk to property, plant and equipment.</p> <p>With the approval of the full business case for the significant planned investment in the Falkirk Campus, management have identified the need to undertake a valuation of existing land and buildings at the 31 July 2017, to ensure the carrying value of existing assets is not overstated.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ analysis of the source data and inquiries as to the procedures used by management's specialist to establish whether the source data is complete ▶ assessment of the reasonableness of the assumptions and methods used, including their compliance with the SORP ▶ consideration of the appropriateness of the timing of when the specialist carried out the work, and management's approach to considering impairment of the estate between formal valuations ▶ assessment of whether the substance of the specialist's findings are properly reflected in the financial statements.
<p>Valuation of pension liabilities</p> <p>The College participates in two pension scheme; the Falkirk Pension Fund (FPF), and the Scottish Teachers Superannuation Scheme (STSS). While both are defined benefit pension schemes, the College is unable to identify its share of the underlying assets and liabilities of the STSS scheme on a consistent and reasonable basis and therefore, the scheme is accounted for as if it were a defined contribution scheme. The College recognises a provision for future early retirement liabilities of £7.3 million.</p> <p>FPF is accounted for as a defined benefit scheme. The net pension liabilities on the Balance Sheet arising from participation in the scheme were £16.8 million.</p>	<p>Our response will comprise:</p> <ul style="list-style-type: none"> ▶ obtaining an actuarial report at the year end date for FPF scheme and considering the reasonableness and consistency of assumptions underpinning such reports, in light of guidance available ▶ ensuring compliance with funding agreements ▶ we will utilise our in-house actuaries to assess the reasonableness of key assumptions such as discount rate, inflation and expected market return ▶ we will perform substantive testing on the underlying data ▶ we will also check the calculation of the College's valuation of future early retirement liabilities at 31 July.

Key accounting and auditing updates

The Financial Reporting Council has introduced a number of revised International Standards on Auditing (UK) (ISAs (UK)) which are effective to audits of financial statements commencing on or after 17 June 2016. On adoption of ISAs (UK), all audit reports will need to comply with revised requirements in ISA (UK) 700 (Revised June 2016), which affect the structure of the audit report and some of the detailed content. For example, the content of the report needs to be re-ordered with the auditor's opinion being at the start of the report, followed by the basis for the opinion. The exact format of our opinion will follow Audit Scotland guidance.

Consultation on FRS 102: *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

We would draw your attention to the fact that the Financial Reporting Council issued FRED 67 'Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland' for consultation in March 2017, with responses due 30 June 2017. The further and higher education SORP 2019 will be based on the revisions to FRS 102 arising from this triennial review and so the College may wish to consider making a response.

Our approach is designed to develop an audit strategy that is responsive to the College's risks of material misstatement for transactions and account balances in the financial statements. It is designed to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.

In addition, we plan and perform certain general audit procedures on every audit to address areas that are not directly related to financial statement account assertions. Examples of such procedures include compliance with applicable laws and regulations, litigation and claims, related parties and consideration of fraud.

As a first year audit, we also have additional procedures to perform in respect of opening balances.

Overview of audit approach

We determine which accounts, disclosures and relevant assertions could contain risks of material misstatement based on our understanding of the business, understanding of internal control arrangements and our determination of planning materiality.

We document and walkthrough the key accounting processes within the College, in particular with respect to classes of transactions associated with identified significant and fraud risks. We also consider, and where appropriate and beneficial to the efficiency of the audit process, test management procedures established across key financial processes.

To ensure efficiency in our audit work, we employ data analytics as appropriate to allow the testing of full populations of financial transactions where possible to minimise extensive sample testing and reduce the burden of compliance on management and the finance team.

Responsibilities in respect of fraud and error

Management has primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- Ø Identifying fraud risks during the planning stages.
- Ø Enquiry of management about risks of fraud and the controls to address those risks.
- Ø Understanding the oversight given by those charged with governance of management's processes over fraud.
- Ø Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Ø Determining an appropriate strategy to address any identified risks of fraud.
- Ø Performing mandatory procedures regardless of specifically identified risks.

First year audit procedures

As a first year audit, we also have additional procedures to perform in respect of opening balances. We follow Audit Scotland's protocol for handover from the previous auditor and will be holding discussions with your previous auditor in advance of the year end audit, in addition to reviewing the key reporting outputs as part of our planning procedures. Also, we are required to perform a full review of opening balances, with a specific focus on judgemental areas such as provisions and accrued income as at 31 July 2016. As part of our interim audit procedures we will review these year end balances, in particular assessing the retrospective accuracy of key estimates through evaluating the trued up value after 31 July 2016.

Key messages

We obtain an understanding of the College's control environment and key accounting processes. We also consider and test the key management procedures across accounting processes, as appropriate.

Management has primary responsibility for the prevention and detection of fraud. We design appropriate audit procedures in response to identified fraud risk factors, for the purpose of detecting material misstatements.

**4. Wider scope
audit and other
work**

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4. Wider scope audit and other work

Together the Auditor General for Scotland and the Accounts Commission agreed the four dimensions set out in the Code which comprise the wider-scope audit for public sector in Scotland. These are: financial sustainability, financial management, governance and transparency, and value for money.

The Code sets out an expectation that 'significant' risks identified through our planning process that relate to the wider scope dimensions will be communicated with you.

In undertaking our risk assessment in respect of the wider scope audit areas, we distinguish between the definition of 'significant risks' which apply to the audit of the financial statements, by referring in our report to 'Wider Scope Audit Focus Areas', where these have been identified.

Risk Assessment

We have not identified any wider scope audit focus areas for the year.

We do, however, undertake routine work in respect of each of the audit dimensions, by considering the evidence available to us through various aspects of our work. We will report accordingly our findings in respect of the following:

- Ø **Financial sustainability** - our view on the effectiveness of the financial planning systems and identifying and addressing risks to financial sustainability across shorter and longer terms.
- Ø **Financial management** - our view on whether the College can demonstrate the effectiveness of the budgetary control system in communicating accurate and timely financial performance and whether arrangements to ensure systems of internal control are operating effectively.
- Ø **Governance and Transparency** – our view on how the College's arrangements comply with best practice in respect of corporate governance including ensuring the regularity of transactions.
- Ø **Value for Money** – this dimension is focused on how the College effectively utilises its resources and the arrangements to continually improve services.

Key messages

The wider scope audit as set out in the Code plays a key role in the public sector audit framework in Scotland. We have not identified any wider scope audit focus areas for 2016/17 at this stage in our audit planning.

We undertaken certain audit procedures which impact on the wider scope audit dimensions as a consequence of our financial statements audit and we will report our findings to you on completion of our audit.

5. Team, fees and deliverables

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6. Team, fees and deliverables



We identify an audit team with the relevant skills and experience. All member of our core team have experience in the audit of further education. The engagement team is led by Stephen Reid, who is one of three partners leading EY's Government and Public Sector practice in the UK. Stephen is supported by Keith Macpherson, our Head of Government & Public Sector Audit in Scotland.

The audit fee is determined in line with Audit Scotland's fee setting arrangements, set out in recent communications to all audited bodies in line with their publication on 'Our Approach to setting audit fees' (http://www.audit-scotland.gov.uk/uploads/docs/um/audit_fee_approach.pdf).

Audit team

Individual	Contact details
Stephen Reid	T: 07795 307 033 E: sreid2@uk.ey.com
Keith Macpherson	T: 07831 136 496 E: kmacpherson@uk.ey.com

2016/17 Audit fee

The expected fee for each body, set by Audit Scotland, assumes that it has sound governance arrangements and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year from what would normally be expected by the Code, including in respect of wider scope audit work.

Expected Fee Element – per Audit Scotland fee letter	2016/17	2015/16*
Auditor remuneration	£20,430	n/a
Pooled costs	£1,280	n/a
Contribution to Audit Scotland costs	£1,160	n/a
<i>Total expected fee</i>	<i>£22,870</i>	<i>£22,090</i>
Total agreed fee	£24,910	n/a

* The breakdown of the prior year fee into these components is not available from Audit Scotland.

The auditor remuneration element of the fee is for final agreement between College management and the appointed auditor, and can be increased dependent on circumstances in the audited body.

Given the additional senior time invested in understanding and responding to the significant transaction with Glasgow Kelvin College, we have agreed with management to set the auditor remuneration above the expected fee above.

As a result we agreed an auditor remuneration of £22,470, resulting in a total audit fee for 2016/17 of £24,910 (2015/16: £22,090).

Key messages

Stephen Reid is your audit engagement partner, supported principally by Keith Macpherson.

Audit Scotland communicate an expected fee broken down by auditor remuneration, pooled costs and central overheads.

Given the additional senior time invested in understanding and responding to the significant transaction with Glasgow Kelvin College, we have agreed with management to set the auditor remuneration above the expected fee above. We have agreed an auditor remuneration of £22,470, with a total audit fee for 2016/17 of £24,910 (2015/16: £22,090).

6. Team, fees and deliverables (continued)



We agree a timetable with management, in line with the College's internal reporting requirements, and in accordance with Audit Scotland's planning guidance.

There are a number of deliverables required during the year, as set out in the table.

As part of our transparency to you, and to allow you to assess the performance of your external auditor, we will report to you annually on how we have performed against the timetable for audit deliverables.

Timeline and deliverables

Audit activity	Deliverables
Planning: January – May 2017	
<ul style="list-style-type: none"> ▶ Introductory meetings with senior management ▶ Handover discussions with outgoing auditor ▶ Review of Audit Scotland planning guidance ▶ Review of College documentation 	<ol style="list-style-type: none"> 1. Annual Audit Plan, presented to Audit Committee, (14 September 2017 following cancellation of 1 June 2017 meeting)
Identification of risks and design and execution of response to those risks: May – October 2017	
<ul style="list-style-type: none"> ▶ Onsite fieldwork, documentation and walkthrough of key accounting processes ▶ Testing of key management procedures as appropriate ▶ Understanding of College's response to results from National Fraud Initiative (NFI) ▶ Performance of year-end substantive audit fieldwork on draft financial statements 	<ol style="list-style-type: none"> 2. Submit NFI return to Audit Scotland by 30/6/2017
Conclude and communicate: November – January 2018	
<ul style="list-style-type: none"> ▶ Conclude on results of audit procedures ▶ Audit clearance meeting with senior management, and report findings to those charged with governance ▶ Issue opinion on the College's financial statements ▶ Submission of minimum dataset to Audit Scotland 	<ol style="list-style-type: none"> 3. Annual Audit Report – to Audit Committee (date tbc) 4. Certify Annual Financial Statements – by 31/12/2017 5. Submit Minimum Dataset Return to Audit Scotland by 3/1/2018

Appendices

- A – Auditor Independence
- B – Required Communications

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In order to carry out our duties and responsibilities as auditor, we are required to consider our independence and objectivity within the context of the regulatory and professional framework in which we operate.

The Financial Reporting Council's Ethical Standards and International Standard on Auditing (UK) 260 (Revised June 2016), *Communication with those charged with governance*, require us to communicate on a timely basis and at least annually on all significant facts and matters that bear upon our independence and objectivity since our last letter.

The aim of these communications is to ensure full and fair disclosure is made by us to you on matters in which you have an interest.

Required communication	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us. ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review. ▶ The overall assessment of threats and safeguards. ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed. ▶ Details of non-audit services provided and the fees charged in relation thereto. ▶ Written confirmation that we are independent. ▶ Details of any inconsistencies between APB Ethical Standards, Audit Scotland's Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy. ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the College.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with any of the policies that the College may have approved and that are in compliance with Audit Scotland's Terms of Appointment. At the time of writing, no non-audit services have been provided.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the College. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in accordance with the requirements of the Financial Reporting Council's Ethical Standards and International Standard on Auditing (UK) 260 (Revised June 2016).

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. Following a request for assistance by management, we have agreed a scope to undertake a review of the procedures management have in place to ensure compliance with HMRC IR35 rules. In accordance with requirements, considered our own independence to provide this service and we obtained the approval of Audit Scotland before commencing the work.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

The 2016/17 audit year is the first year that Stephen Reid has led the audit of Forth Valley College. We assessed this relationship prior to the commencement of the audit period and concluded that there are no considerations that compromise, or could be perceived to compromise, Stephen Reid's independence or objectivity.

Overall Assessment

Overall we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, the Audit Engagement Partner and the audit engagement team have not been compromised.

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EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

There are certain additional communications that we must provide to the Audit Committee, which are set out below.

Required communication	Reference
<p>Planning and audit approach</p> <ul style="list-style-type: none"> ▶ Communication of the planned scope and timing of the audit including any limitations. 	<ul style="list-style-type: none"> ▶ Annual Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balances on initial audits 	<ul style="list-style-type: none"> ▶ Annual Audit Report
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	<ul style="list-style-type: none"> ▶ Annual Audit Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	<ul style="list-style-type: none"> ▶ Annual Audit Plan ▶ Annual Audit Report
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<ul style="list-style-type: none"> ▶ Annual Audit Report
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	<ul style="list-style-type: none"> ▶ Annual Audit Report

Required communication	Reference
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Annual Audit Report
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	<ul style="list-style-type: none"> ▶ Annual Audit Report
Independence <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats, and any safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Annual Audit Plan ▶ Annual Audit Report
Going concern <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Annual Audit Report
Group audits <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components, and of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	<ul style="list-style-type: none"> ▶ Annual Audit Report
Fee information and confirmation of additional certification work <ul style="list-style-type: none"> ▶ Details of the audit fee ▶ Summary of additional audit certification work undertaken 	<ul style="list-style-type: none"> ▶ Annual Audit Plan ▶ Annual Audit Report

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EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Forth Valley College
Internal Audit Report 2016/17
International Strategy and
Operations

September 2017



Scott-Moncrieff
business advisers and accountants



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Forth Valley College

Internal Audit Report 2016/17

International strategy and operations

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Audit Sponsor	Key Contacts	Audit team
<p><i>Colette Fillipi, Associate Principal and Executive Director Business Development</i></p>	<p><i>Andrew Campbell, International Development Manager</i> <i>Jennifer Tempany, Head of Business Development</i></p>	<p><i>Gary Devlin, Partner</i> <i>Claire Beattie, Audit Manager</i> <i>Danyeale Carr, Internal Auditor</i></p>

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Executive Summary

Conclusion

Forth Valley College has developed an International Strategy that is aligned with the College's Strategic Plan and Operational Plan. Operational plans are well articulated and well designed processes are in place to support the delivery of the strategy. The recommendations in this report represent low risk opportunities for further improving international arrangements.

Background and scope

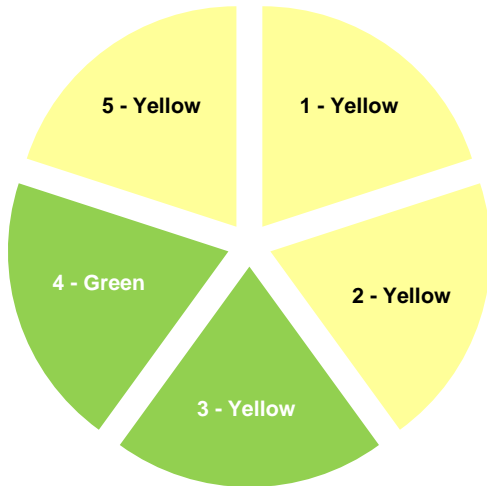
Effective strategic planning is fundamental to enabling Forth Valley College deliver its international goals.

Operational planning translates overarching strategic aims into more specific, detailed objectives to be taken forward on an annual basis. Through effective operational planning, each area and member of staff can identify how their role and actions will help deliver the College's international strategic goals.

The College must also comply with immigration law and actively prevent illegal working, so it is imperative that human resource systems are not only robust and comprehensive but also tailored to the UK Visa and Immigration (UKVI) stipulations on compliance.

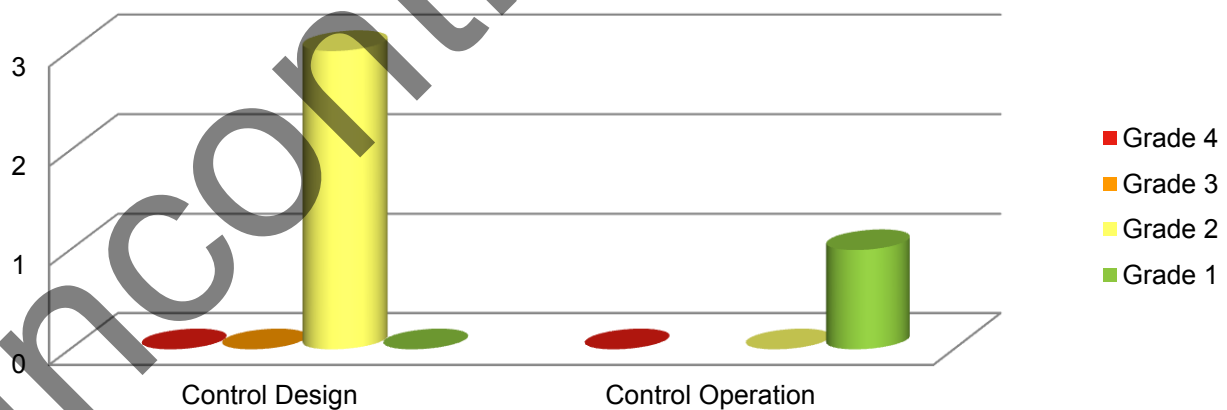
We have assessed the robustness of the College's International strategic and operational planning processes and also considered the College's compliance with UKVI requirements.

Control assessment



1. There is a developed plan in place which sets out the short, medium and long-term objectives for the College which has been developed in conjunction with relevant stakeholders
2. There are operational plans which are clearly linked to the strategic objectives of the organisation to develop on an international scale
3. Plans contain specific and measurable objectives and targets with lead officers identified for each one
4. There are effective monitoring arrangements in place to assess progress in delivering the international plan
5. There are effective systems in place to carry out UKVI compliance checks

Improvement actions by type and priority



Five improvement actions have been identified from this review, one of which relates 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 the College's procedures reflect good practice in a number of areas:

- The College has developed a three year International Strategy (2015-2018) that sets out the College's international development strategic vision. The International Strategy is aligned with the College's four year Strategic Plan (2014-2018) and clearly articulates how the College aims to deliver its international strategic objectives over the short, medium and long term. The International Strategy was approved by the Board in March 2015 and is available to all stakeholders via the College website.
- The College invested significant time and resources during the development of the International Strategy. A firm of independent experts (SJ Rennie Consulting) were appointed to identify the international development opportunities available to the College. Opportunities identified were assessed by the College, and those deemed achievable were reflected within the strategy.
- The College's annual operational planning process is well structured and supports the delivery of strategic objectives by breaking these down into annual operational priorities. Operational plan actions are fully aligned with international strategic objectives and each action clearly sets out how the action will be achieved, action owners and action target completion dates.
- A Business Development Report is produced on a quarterly basis and presented at each meeting of the Strategic Development Committee (SDC). The report provides an update on the College's Business Development activity, including modern apprenticeship, commercial and international delivery. It also highlights and provides international budget variance analysis, in terms of student recruitment and commercial activity, and provides the reasons for variances and what actions the College is taking to address these.

Areas for improvement

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

- The College should consider developing a Stakeholder Communications Plan to support the ongoing development of the International Strategy.
- The College should make arrangements to identify and review the level of international development resource requirements needed to successfully deliver international development objectives.
- A project review process should be developed that requires all large scale projects to be assessed formally at completion to identify instances of good and poor practice that can be used to inform future projects.
- The College should make arrangements to formally document the College's UKVI compliance monitoring process and ensure adequate compliance monitoring evidence is retained to demonstrate the identification, assessment and action of legislation amendments.

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

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 a developed plan in place which sets out the short, medium and long-term objectives for the College which has been developed in conjunction with relevant stakeholders.

Yellow

1.1 Stakeholder engagement

The development of an effective and well-rounded strategy should involve appropriate consultation on its contents with both internal and external stakeholders.

We noted that the College did not create an international strategy stakeholder communications plan, setting out the key stakeholders the College planned to engage with during the development of the strategy. Management advised that the College consulted with various key stakeholders during the creation of the strategy. However, evidence of these consultations has not been retained so we have not been able to confirm consultations took place and that the resultant outcomes were used to inform the development of the strategy.

Risk

There is a risk that the College does not identify and consult with key stakeholders during the development, or any revision, of the international strategy. This may result in the strategy not being accepted and supported by stakeholders, directly impacting the College's ability to achieve its strategic objectives.

Recommendation

The College should consider developing a Stakeholder Communication Plan to support the ongoing development of the International Strategy. The stakeholder communication plan should:

- identify key internal and external stakeholders to be consulted;
- set out how the College plans to engage with key stakeholders (e.g. focus groups, surveys etc.);
- include communication timetables and identify communication action owners; and
- set out how stakeholder feedback will be analysed and used to inform the development of the strategy.

Management Action

A Stakeholder Communication Plan will be generated in support of delivery of the International Strategy. The plan will address the 4 action points as set out in the above recommendation.

Grade 2
(Design)

Action owner:

Andrew Campbell

Due date: end December 2017

Control Objective 2: There are operational plans which are clearly linked to the strategic objectives of the organisation to develop on an international scale.



Yellow

2.1 International Development Resource

The International Strategy and operational plan are fully aligned and include international development objectives, actions, and targets. The International Development Manager is solely responsible for the delivery of international development actions contained within the operational plan, with oversight from the Associate Principal and Executive Director Business Development.

During our review, management advised that the Business Development Team, which incorporates International Development, is currently experiencing resource issues. As a result, there are concerns that the achievement of international objectives may be impacted with target completion dates not being achieved. We noted that the College is currently looking to recruit non-permanent staff to resolve the current resource issue in the short-term; however no long-term international development recruitment plan has been considered.

Risk

There is a risk that the College's strategic and operational plans are too ambitious compared to the available resources creating a risk that the college cannot deliver international development strategic objectives.

Recommendation

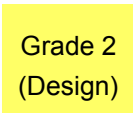
The College should make arrangements to review international development objectives to determine the level of resource needed to successfully deliver objectives within agreed timescales. Once workforce requirements have been identified, the College should look to recruit additional staff to support the delivery of the objectives within agreed timescales. In the short-term, the College should review its strategic and operational plans to determine if these remain appropriate and achievable based on current resources levels, if needed the plans may need to be revised.

Management Action

A review of the whole Business Development Department which includes international will be undertaken. Actions arising from this review will be implemented in AY 2017/18.

Action owner: Andrew Lawson

Due date: 31 July 2018



Grade 2
(Design)

2.2 Lessons learned

The International Strategy requires the College to identify opportunities that will increase its income through direct commercial delivery projects and international student recruitment.

The College recently undertook a commercial delivery project to secure a major contract for the supply of contextualised materials at HC and HND level with the Dubai Department of Tourism, Commerce and Marketing. Despite having a resource model in place for the delivery of the services and agreeing a contract price with the client, the College could not agree on the final terms and conditions of the contract and the contract was lost in the final stages of the process. The failure to secure this contract has had significant resource implications on the College, such as, time spent on project planning and delivery, travel costs, and loss of future commercial income.

We noted that the College reviewed the outcome of the Dubai project, but there is no formal process in place for assessment of all projects so that lessons learned can be used to inform future international development projects.

Risk

There is a risk that the College fails to identify and implement improvement opportunities resulting in inefficiencies not being identified and addressed.

Recommendation

The College should make arrangements to develop a project review process. The process will allow the performance of projects to be assessed and good and poor practice to be identified, and communicated across the College to help aid future projects. Due to the current international development resource limitations (see 2.1), this process will be particularly valuable in assisting the College to identify and pursue projects that it has a good opportunity of securing.

Management Action

A formal process as part of a new Business Lifecycle will be implemented by the Head of Business Development. This will include the need to review lessons learned from bids/ proposals submitted

Grade 2
(Design)

Action owner: Jennifer Tempany

Due date: 31 July 2018

Control Objective 3: Plans contain specific and measurable objectives and targets with lead officers identified for each one.

Green

No weaknesses identified

We confirmed that international strategy objectives and operational plan objectives are fully aligned and meet SMART requirements (specific, measurable, achievable, relevant and timely) requirements. The Associate Principal and Executive Director of Business Development is responsible for the successful delivery of strategic objectives and individual lead officers have been assigned to the actions contained within the supporting operational plan.

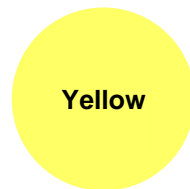
Control Objective 4: There are effective monitoring arrangements in place to assess progress in delivering the international plan.

Green

No weaknesses identified

The Board of Management has delegated responsibility for the oversight of the international strategy to the Strategic and Development Committee (SDC). The SDC is provided with a Business Development Quarterly Report that sets the College's current business development activity, including international delivery. The Report is then provided to the Board of Management, ensuring the Board continues to meet its international strategy oversight responsibilities.

Control Objective 5: There are effective systems in place to carry out UKVI compliance checks.



5.1 UKVI staff procedures

The College has a UKVI procedure that provides a guide for staff in relation to carrying out UKVI student compliance checks. The Associate Principal Access and Student Services is responsible for reviewing and approving the guidance document.

We undertook a review of the procedure and whilst we confirmed that it reflects current legislative requirements, we noted that it hasn't been approved by the Associate Principal Access and Student Services.

Risk

There is a risk that the UKVI procedure policy is not reviewed and approved in a timely manner and is not aligned with current working practices and legislative requirements.

Recommendation

The College should make arrangements to formally review and approve UKVI procedure. Once approved, the UKVI procedure should be issued to all relevant staff and be subject to regular review.

Management Action

The college will implement a formal annual review process for UKVI procedures. This process will include review timescales for any periodic UKVI policy change.

Action owner: Andrew Campbell

Due date: 31 October 2017

Grade 1
(Operation)

5.2 UKVI compliance monitoring process

The College is responsible for ensuring it continues to comply with UKVI legislation. The College's Authorising Officer is responsible for receiving and reviewing UKVI legislation email alerts and for dispersing these to the International Development Manager, International Student Coordinator, and Student Records Manager for action. Legislation notifications are reviewed and assessed by the group to determine if the College needs to take any action. Where action is required, the International Student Coordinator will make arrangements to reflect these changes within current working practices and the UKVI procedure document.

We have noted that compliance monitoring process has not been formally documented. Also, we were unable to confirm the process is operating as expected due to insufficient evidence being retained.

Risk

As UKVI compliance monitoring tasks are not fully documented there is a risk that in the absence of key staff, required tasks may not be completed. This could lead to statutory compliance oversight not being fully effective, increasing the risk that College will not maintain compliance with UKVI legislation.

Recommendation

The College's should make arrangements to formally document the College's UKVI compliance monitoring process, including roles and responsibilities. Also, compliance monitoring evidence should be retained to demonstrate emerging legislation and resultant issues were fully discussed and considered, and that appropriate outcomes were agreed and tracked until completion.

Management Action

The college will create a process map to include roles and responsibilities which clearly sets out the college procedures for overall UKVI compliance including site and partnership requirements.

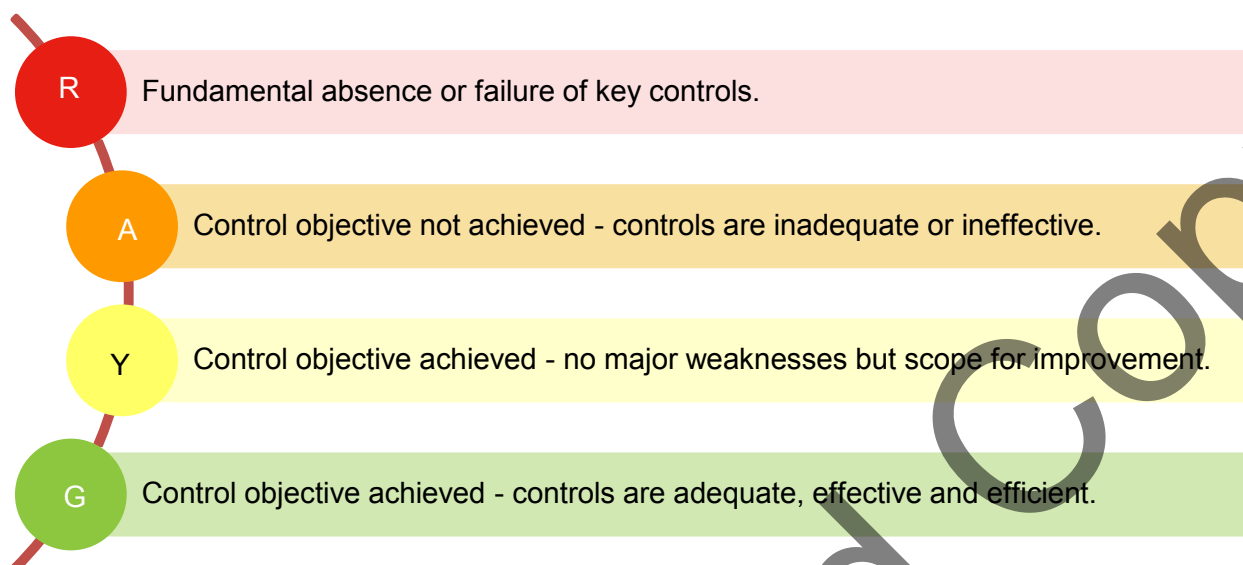
Action owner: Andrew Campbell

Due date: 31 October 2017

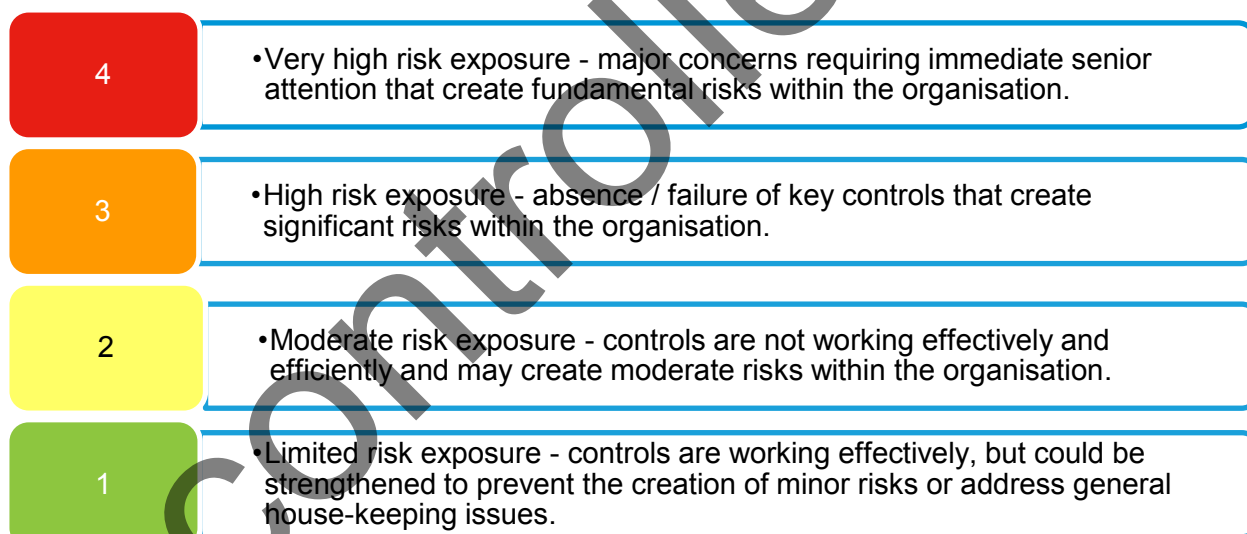
Grade 2
(Design)

Appendix A – Definitions

Control assessments



Management action grades



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Forth Valley College
Internal Audit Report 2016/17
Project Management
(New Campus)

June 2017



Scott-Moncrieff
business advisers and accountants



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Forth Valley College

Internal Audit Report 2016/17

Project Management (New Campus)

Executive Summary

Management Action Plan

1
5

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Audit Sponsor

Ken Thomson, College Principal

Key Contacts

Tom Gorman, Associate Principal & Director of Estates Development

Audit team

*Gary Devlin, Partner
Laura Calder, Audit Manager*

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Executive Summary

Conclusion

We have gained assurance that the controls in place within Forth Valley College for managing and overseeing the new Falkirk Campus reflect good practice and have been well designed.

All documentation and processes are aligned with the Scottish Funding Council's Decision Point Process which ensures the College meets statutory requirements and adheres to the Scottish Funding Council funding arrangements.

Background and scope

Background

In 2014, Forth Valley College (FVC) received confirmation that it would receive a share of Scottish Government (SG) investment funding to develop a new Falkirk Campus. It is anticipated that the project will cost approximately £83m and will be completed by 2019.

An Outline Business Case for the new Falkirk Campus was approved in December 2014, based on the Not for Profit Distribution (NPD) revenue based funding model. In August 2016, the Scottish Government announced the project would change to a capital funding stream, and as a result FVC progressed to a Full Business Case, which was approved by the Scottish Government in December 2016.

The project is currently progressing through the Scottish Funding Council's (SFC) Capital Projects Decision Point Process, with SFC approving the Decision Point 3 report in March 2017 and granting permission for progression to Decision Point 4.

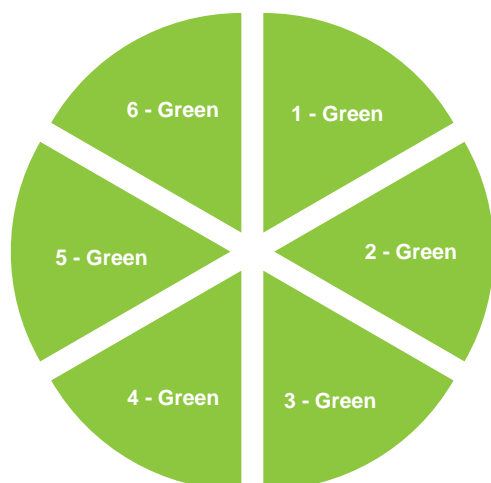
It is essential that robust project management arrangements are in place throughout the duration of the project to ensure its successful and timely delivery within budget.

Scope

We assessed the effectiveness of Forth Valley College's project management arrangements in relation to progress made within the SFC Capital Decision Point Process, to confirm these are robust and appropriate to effectively manage and oversee the new campus project.


Control assessment


The chart below summarises our assessment of the adequacy and effectiveness of the controls in place to meet each of the objectives agreed for this audit.





- 1. Fully documented and approved project management processes are in place and are aligned with best practice.
- 2. A comprehensive and approved business case is in place for the project.
- 3. Roles and responsibilities in relation to the project have been clearly defined and delegated to responsible staff.
- 4. Risks and issues logs are in place and these are actively managed throughout the duration of the project.
- 5. There is regular reporting on project progress, including comprehensive explanations and action plans where delays have been incurred.
- 6. Robust financial reporting is in place to promptly identify areas where there may be potential for over or underspends.

Definitions

- 

Fundamental absence or failure of key controls.
- 

Control objective not achieved - controls are inadequate or ineffective.
- 

Control objective achieved - no major weaknesses but scope for improvement.
- 

Control objective achieved - controls are adequate, effective and efficient.

Key Findings

We have gained assurance Forth Valley College (FVC) has robust and effective controls in place which reflect good practice.

- FVC have developed fully comprehensive business case documents aligned to their vision of 'Making learning work'. A key theme of which is 'providing a superb environment for learning'. Their vision is supported by the Estates Development Strategy, phase 1 and 2 of which, saw two new campuses delivered, one in Alloa in 2011, and a further in Stirling in 2012. Proposals for the new Falkirk Campus Headquarters were built on the successes and lessons learned from these projects, and were prepared in line with the SFC Capital Projects Decision Point Process by a qualified and experienced team and with support from SFC, and the Scottish Futures Trust (SFT).
- A clear governance structure is in place for the project. The Falkirk Campus Project Board (FCPB) has been established to oversee effective delivery of the project, including financial control, project management, and risk management. The FCPB has an approved remit and Terms of Reference in place, and is chaired by a member of FVC Board of Management. The FCPB is supported operationally by the project team which is chaired by the Project Director, FVC's Director of Estates Development.
- Following a competitive tendering process, FVC appointed AECOM to provide specialist Project Management and Technical Advisory services for the project. AECOM are experienced in successfully delivering capital projects of a similar size and scale, and in line with the SFC Decision Point Process. A detailed and comprehensive project programme is in place which clearly sets out the key elements for each phase of the project, to ensure it meets the statutory requirements set by the SFC.
- Robust risk management arrangements are in place for the project, with risks and mitigating actions detailed within the project risk register. Each risk and action has an owner, with the Project Director responsible for ensuring actions are progressed and completed on time. Risks have been categorised by project stage which ensures action taken is aligned with the key milestones set out in the project programme.
- A clear reporting structure is set out within the business case, which ensures clear and comprehensive information is provided to stakeholders in a timely and consistent manner. This includes information on any delays or issues which may impact delivery of the project, and detailed budget and costing information. Reports are subject to detailed discussion and scrutiny across a number of levels within FVC, and the FCPB, and externally by SFC and SFT.

Details of the points noted above, together with information on further good practice is included in the enclosed Management Action Plan.

Impact on risk register

The Forth Valley College strategic risk register (dated May 2017) included the following risks relevant to this review:

- 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.
- There will be inadequate facilities for learners due to lack of capital investment.
- Failure to agree value for Branshill site with current intended purchaser could lead to land sale being cancelled.

Our findings indicate that these risks are appropriate to the project and are managed effectively through the project risk register.

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: Fully documented and approved project management processes are in place and are aligned with best practice.

A green circle containing the word "Green" in white text, indicating a positive status.

Green

No weaknesses identified.

An appropriate mix of controls is in place to achieve this control objective.

The project is subject to the SFC Capital Projects Decision Point Process. The decision point process is a defined route for monitoring a project using key parameters, agreed at the outset. Each specific stage cannot progress to the next without review and approval. The decision point process requires FVC to implement fully documented processes to ensure the project remains on target to meet its aims and objectives and within the cost, quality and budget requirements set.

Project management of the project is provided by AECOM, specialists in delivering large capital projects. AECOM were appointed by FVC following a competitive tendering process, to provide a contract for technical services for the project. The AECOM technical team includes a lead Project Manager and a number of technical sub-consultant appointments. A review of documentation found AECOM's processes are aligned with the decision point process, which ensures the required elements for each stage of approval are met.

AECOM also hold a number of certified accreditations for the services they provide, this includes the ISO 9001 standard for Quality Management Systems for Program and Project Management.

Control Objective 2: A comprehensive and approved business case is in place for the project.

A green circle containing the word "Green" in white text, indicating that the control objective is met.

No weaknesses identified.

An appropriate mix of controls is in place to achieve this control objective.

The SFC Decision Point Process ensures the project is examined and approved at key stages. The Outline Business Case (OBC), Full Business Case (FBC), and Decision Point 3 report (DP3) have all been developed to meet the comprehensive requirements set out within the SFC Decision Point Process guidance.

The formal document for each stage of the business case contains a comprehensive suite of information supplemented by appendices which detail all technical specifications, costs, strategies, risk management and stakeholder engagement arrangements. Each document has been subject to comment and approval by FVC Senior Management Team, FCPB and FVC Board of Management before progressing to approval by the SFC and SG.

The OBC for the new Falkirk Campus project was developed in line with FVC's Estates Strategy and was informed by lessons learned through Post Occupancy Evaluations from the Alloa and Stirling projects. The OBC for the project was approved in December 2014.

In August 2016, following a change to a capital funding stream, FVC developed the Full Business Case (FBC), supported by a full team of technical, financial and legal advisors, as well as SFT and the SFC. The FBC was subsequently approved by the Scottish Government in December 2016.

SFC approved the DP3 report in March 2017, and granted permission for FVC to proceed to Decision point 4 - Pre-construction (DP4).

Proposals for DP4 will be developed and approved in line with the SFC decision point process guidance, with final approval of DP4 expected between 11 August and 1 September 2017.

Control Objective 3: Roles and responsibilities in relation to the project have been clearly defined and delegated to responsible staff.


 Green

No weaknesses identified

An appropriate mix of controls is in place to achieve this control objective.

The SFC Decision Point Process ensures that project management arrangements are clearly defined from the outset. FVC has clearly outlined roles and responsibilities for each individual, team and group within the project structure. This includes key individuals such as the Project Owner (FVC Principal) and the Project Director (FVC Director of Estates Development), together with technical advisors for the project, and the role of the Scottish Government and Scottish Funding Council. The project team is chaired by the Project Director and includes Work Stream leads to ensure the operational needs of the business are reflected in the on-going aims of the project.

The Falkirk Campus Project Board (FCPB) has responsibility for overseeing the project, under delegated authority from FVC Board of Management. An approved remit and Terms of Reference is in place which sets out the purpose, membership, specific duties and levels of authority for FCPB, together with meeting details including frequency, quorum and arrangements for papers. FCPB membership includes representation from FVC Board of Management, FVC senior management, SFT and AECOM. Membership also includes an external co-optee who is experienced in governing and managing similar capital projects.

Control Objective 4: Risks and issues logs are in place and these are actively managed throughout the duration of the project.


 Green

No weaknesses identified

An appropriate mix of controls is in place to achieve this control objective.

As required by the SFC Decision Point Process guidance, a detailed risk analysis and management section is contained within each approval stage of the business plan. This is subject to detailed examination by FVC, SFT and SFC at the approval stage for each decision point.

A risk register and action log is in place which identifies technical construction risks for the project, and risks to the college in terms of financial, resources, reputation and business continuity. The risk register and action log is reviewed, updated and circulated on a monthly basis, and then discussed in detail at project team meetings, and FCPB meetings. A review of meeting minutes shows that emerging and potential risks are discussed at these meetings, with detailed discussion around issues raised.

For each risk identified, the risk register clearly sets out the stage of the contract, description, consequences, risk assessments, mitigating actions planned, progress, review target date and any other commentary. Each individual risk and action has an owner, with the Project Director retaining oversight for monitoring any outstanding actions.



Control Objective 5: There is regular reporting on project progress, including comprehensive explanations and action plans where delays have been incurred.

No weaknesses identified

An appropriate mix of controls is in place to achieve this control objective.

As set out in control objective 3, a clear governance structure has been identified for the project. Terms for project reporting at each level are clearly set out, including who reports to whom, how often, and when papers and minutes should be received.

A detailed and comprehensive suite of information is provided to management and the FCPB by the lead Project Manager at AECOM. This is supplemented by a further report prepared by the Project Director which considers FVC's position on each issue.

A project programme is in place covering the whole duration of the project. The programme is comprehensive, setting out 165 key milestones for the project. The duration in days, start date, finish date and progress across the term of each milestone is tracked via a gantt chart.

Progress towards the project programme is monitored weekly by the Project Director and AECOM's lead Project Manager, and monthly at the project team and FCPB meetings.

Management have been kept informed of any issues which may cause delays in the project delivery. A review of meeting papers found both AECOM and FVC produce detailed reporting and action plans for any issues, such as redesign following withdrawal of the Arts Venue proposals, and relocation of a high voltage power cable.

Control Objective 6: Robust financial reporting is in place to promptly identify areas where there may be potential for over or underspends.

Green

No weaknesses identified

An appropriate mix of controls is in place to achieve this control objective.

The SFC Decision Point Process requires a robust financial reporting structure to be in place, FVC has detailed this within the business case documentation. Project specific information is reported in line with the governance structure.

A detailed review of costs is a standing item on the FCPB monthly agenda. A Value for Money (Cost) progress report is provided by AECOM covering cost progress from the previous month. This sets out any variances and cost movements and detailed reasons for these. This report is supplemented by a progress report to the FCPB from the Project Director which highlights any issues and confirms whether the project remains on budget or not.

Variance analysis reports are prepared on a regular basis for the project. Where over or under spends have been identified, the causes of these are identified and appropriate actions taken. Additionally, amendments which have been made to the budget as the project progresses, are clearly set out, for example amendments as a result of funding change from NPD to capital and any changes expected due to fluctuations in inflation.

Financial reporting for the project is also carried out through existing FVC budget reporting processes. The project budget is included in management accounts reported to the Finance Committee & SMT on a quarterly basis. Due to the stage of the project, the only budget currently monitored by SMT is in relation to technical advisor fees and project team salaries.

FVC Finance team have developed a dashboard for use once the construction phase of the project commences. The information will be uploaded daily from financial ledgers to allow the Project team and Senior Management to monitor costs and budgets on a daily basis, and take action to address any issues as they arise.

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**Forth Valley College
Internal Audit Report
Follow up 2016/17**

September 2017



Scott-Moncrieff
business advisers and accountants

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Forth Valley College

Internal Audit Report

Follow up 2016/17

Introduction and background

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Summary of progress

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Appendix 1 – Action status by report

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Appendix 2 – Summary of outstanding overdue actions

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Introduction and background

Introduction

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

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

Scope

We followed up the actions included in the College's Audit Recommendation Tracker as at August 2017.

The reports covered are set out below:

2014/15	2015/16	2016/17
<ul style="list-style-type: none"> • Business Continuity • Communications & Marketing 	<ul style="list-style-type: none"> • Financial Systems Healthcheck • ICT Healthcheck • Credits 	<ul style="list-style-type: none"> • Budget Setting & Monitoring • Non-Pay Expenditure & Creditors

We used the Audit Recommendation Tracker to obtain information about the latest position on each action and obtained evidence to confirm progress on all actions that were considered complete.

Acknowledgements

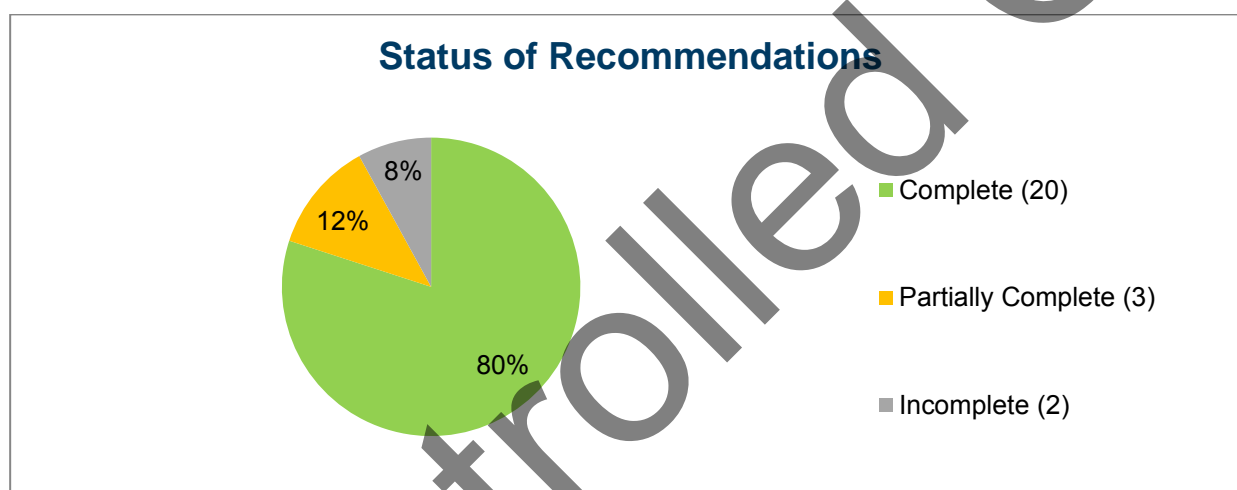
We would like to thank all staff consulted during this review for their assistance and co-operation.

Summary of progress

The table below sets out the movement in actions included on the Audit Recommendation Tracker since the previous internal audit follow up review in June 2016:

	Number of Actions
Open actions brought forward from June 2016	13
New actions added to tracker in 2016/17	12
Total actions to follow up	25
Actions closed during 2015/16	20
Open actions carried forward	5

In our opinion, 20 recommendations (80%) are “complete”, three recommendations (12%) are “partially complete” and two recommendations are incomplete (8%).



Conclusion

The College has made good progress in implementing agreed actions from previous internal audit reviews, with only five recommendations classed as partially complete or incomplete and none of these classed as high risk. Management expect these recommendations should be completed by early 2018.

Further Information

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

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

Appendix 1 – Action status by report

Report title	C	PC	I	NLA	NYD	Total
2014/15 Internal audits						
Business Continuity Planning	1	-	-	-	-	1
Communications and Marketing	1	1	-	-	-	2
2014/15 Sub-total	2	1	-	-	-	3
2015/16 Internal audits						
Financial Systems Healthcheck	3	-	-	-	-	3
ICT Healthcheck	6	-	-	-	-	6
Credits	1	-	-	-	-	1
2015/16 Sub-total	10	-	-	-	-	10
2016/17 Internal audits						
Budget Setting & Monitoring	4	1	-	-	-	5
Non-pay Expenditure & Creditors	4	1	2	-	-	7
2016/17 Sub-total	8	2	2	-	-	12
Total	20	3	2	-	-	25

Key:

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

Summary of outstanding actions

Report	Recommendation	SMT Action Owner	Grade	Original date	Update as at August 2017	Revised date	Status
Communications and Marketing	Formal copyright policy to be implemented and shared with all relevant staff members.	Associate Principal & Executive Director Information Systems & Communications	3	June 2016	Following the decision, ratified by the Board of Management in June with the approval of the budget for 2017/18, to not renew the College's Copyright Licence, staff have set up a copyright working group and the output of this group will inform the content of the policy document.	December 2017	Partially complete
Budget Setting & Monitoring	The College should make arrangements to document budget setting and monitoring processes and communicate these to relevant members of staff, including 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. 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	Head of Finance	2	May 2017	An initial draft of the budget guidance excluding the staffing budget guidance has been prepared. Staffing budget guidance will be completed by the end of October 17.	Oct 2017	Partially Complete

Report	Recommendation	SMT Action Owner	Grade	Original date	Update as at August 2017	Revised date	Status
	practices.						
Non-Pay Expenditures and Creditors	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.	Head of Finance	2	31/08/2017	Due to the resignation of the Finance Manager and this post being vacant at the moment this has not been completed. As the priority is now the year end accounts it is requested to revise the completion date to end December 17	December 2017	Incomplete
Non-Pay Expenditures and Creditors	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.	Head of Finance	2	31/07/2017	There has been a new area created within Sharepoint, when Finance receive an email advising of a new user request or change to the approval matrix this will be saved within the area. The process note is still to be drafted.	Oct 2017	Partially Complete
Non-Pay Expenditures and Creditors	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.	Head of Finance	2	31/07/2017	This has been put on hold until after the Board Effectiveness workshop which will consider delegated authority.	January 2018	Incomplete

Definitions - Management action grades

4	•Very high risk exposure - major concerns requiring immediate senior attention that create fundamental risks within the organisation.
3	•High risk exposure - absence / failure of key controls that create significant risks within the organisation.
2	•Moderate risk exposure - controls are not working effectively and efficiently and may create moderate risks within the organisation.
1	•Limited risk exposure - controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues.

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Forth Valley College
2016/17 Internal Audit Plan
Progress Report

September 2017



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Forth Valley College

Internal Audit 2016/17

Progress Report – September 2017

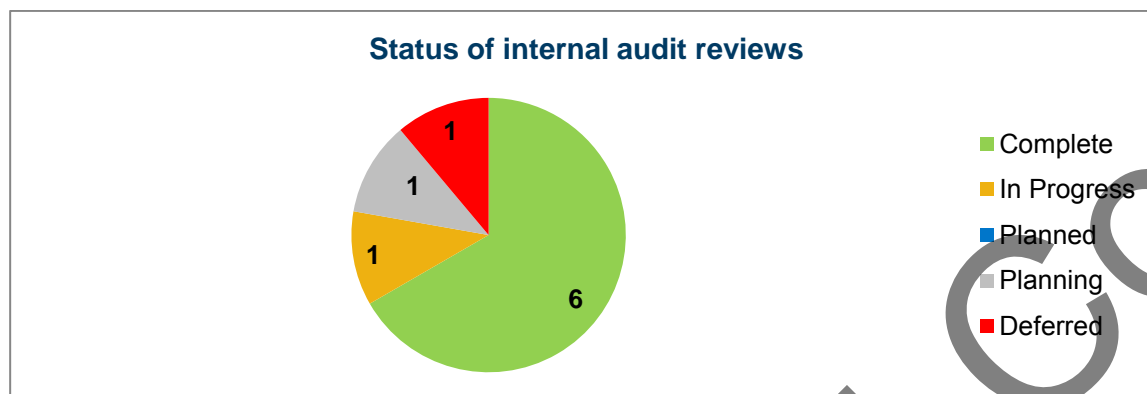
Summary of Progress	1
Audits Completed	3
Appendix 1 – Progress against 2016/17 Internal Audit Plan	6

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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 September 2017, six audits are complete, with the Annual Report in progress and scheduled for the next Audit Committee meeting. The June audit committee was cancelled and no meeting was arranged for August 2017. Three reviews completed since March are therefore being reported to committee in September 2017.

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 have still to confirm a revised date with management. The Risk Workshop is provisionally scheduled for 12 October 2017 and planning for this has begun.

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 November 2017 Audit Committee:

- Annual Report 2016/17
- Annual Internal Audit Plan 2017/18
- Update on risk workshop
- Credits from 2017/18 plan

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

Cathie Wyllie Senior Manager cathie.wyllie@scott-moncrieff.com 0131 473 3500

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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	
International strategy and operations				3	1
Project management					
Follow-up Review	N/A*				

*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

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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.

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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	October 17					
International strategy and operations	Complete	February 17	April 17	September 17	September 17	June 17 cancelled	September 17
Project Management	Complete	April 17	June 17	June 17	June 17	June 17 cancelled	September 17
Credits	Complete	September 16	September 16	October 16	October 16	November 16	November 16
Follow up	Complete	Jun 17	Aug 17	Sept 17	Sept 17	August 17	September 17
Annual report	-	-	July 17 September 17	July 17 September 17	July 17 September 17	August 17 November 17	
Annual Internal Audit Plan 2017/18	-	-	-	-	-	August 17 November 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, with 12 October 17 identified as the potential delivery date.

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1. Purpose

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

2. Recommendation

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

3. Background

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

4. Summary of Changes

The current audit recommendations are detailed in full in Appendix 1. The table below represents a summary of the current position of these recommendations as at 7 September 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 9 March 2017, two reports were laid before the committee. The 11 recommendations from these reports have been added to the tracking document in Appendix 1.

As such there are 13 recommendations in total covered in Appendix 1.

Since the last meeting of the Audit Committee, 8 of the 13 recommendations have reached a stage where the College considers them to be complete. These completed recommendations are highlighted in grey in the appendix.

College staff are requesting extensions to the scheduled completion dates for 5 recommendations. Details are contained in Appendix 1 and revised dates are highlighted in red.

	Grade 4 Very High	Grade 3 High	Grade 2 Moderate	Grade 1 Limited	Total
Live within date	0	0	0	0	0
Live recommendation passed implementation date	0	0	5	0	5
Completed since last report to Committee	0	1	6	1	8

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
1	Communications and Marketing	01/08/2015	Andrew Lawson		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.	Moderate	<p>August 17 - Following the decision, ratified by the Board of Management in June with the approval of the budget for 2017/18, to not renew the College's Copyright Licence, staff have set up a copyright working group and the output of this group will inform the content of the policy document.</p> <p>May 17 - Copyright policy developed and ready for approval, will be taken to Audit and Board for approval.</p> <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 Licencing 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>	31/07/2017	22/12/2017		
2	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.	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)		Board Minute for approval	Yes
3	Non-Pay Expenditures and Creditors	Feb-17	Alison Stewart	Fiona Lovell	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.	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.	Grade 2 (Design)	<p>Aug 17 - The new supplier set up form along with the guidance has been created and saved within the Finance and Procurement area on Sharepoint for all staff to use.</p> <p>May 17 - On target for July 17 deadline. The Finance team is still currently developing an updated document alongside procurement to ensure that the new process does not duplicate any steps and records all the relevant information.</p>	31/07/2017		Examples of form, guidance and two supplier set ups provided	Yes
4	Non-Pay Expenditures and Creditors	Feb-17	Alison Stewart	Fiona Lovell	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.	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.	Grade 3 (Design)	<p>August 17 update - the new supplier form has been uploaded onto SharePoint and is being used by all staff. Finance staff note on the form when the telephone call has taken place to independently verify the bank details both for a new supplier and when there has been a request to change the bank details. The weekly payment run spreadsheet also identifies where there has been a change to the bank detail and this is checked by the Head of Finance before the payment run is authorised.</p> <p>May 17 - The finance team now note on the relevant supplier information that they have verified the supplier details via telephone and it is now checked by the Financial Accountant on a weekly basis to mitigate the risk of fraud. The supplier set up form will be amended by end June 17</p>	30/04/2017		Form and supplier set up form. Copy of the weekly payment run showing where the new bank details have been verified before the payment run was made.	Yes
5	Non-Pay Expenditures and Creditors	Feb-17	Alison Stewart	Fiona Lovell	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 order 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.	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.	Grade 2 (Operation)	<p>August 17 due to the resignation of the Finance Manager and this post being vacant at the moment this has not been completed. As the priority is now the year end accounts it is requested to revise the completion date to end December 17</p> <p>May 17 - Once the Bleep system is fully implemented in August, finance will review the new requisition and receipt of catering supplies process and will seek access to be able to have full view of the ordering and receipting process</p>	31/08/2017	22/12/2017		
6	Non-Pay Expenditures and Creditors	Feb-17	Alison Stewart	Louise Burnett	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.	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.	Grade 2 (Operation)	<p>Aug 2017 there has been a new area created within Sharepoint, when Finance receive an email advising of a new user request or change to the approval matrix this will be saved within the area. The process note is still to be drafted</p> <p>May 17 - Work has not yet started on this but still intend for this to be done by the target date</p>	31/07/2017	31/10/2017		
7	Non-Pay Expenditures and Creditors	Feb-17	Alison Stewart	Fiona Lovell	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.	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.	Grade 2 (Design)	<p>May 17 - This process is now in operation,</p>	31/03/2017		Checklist examples	Yes
8	Non-Pay Expenditures and Creditors	Feb-17	Alison Stewart	Irene Andrew	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.	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.	Grade 2 (Operation)	<p>August 17 - this has been put on hold until after the Board Effectiveness workshop which will consider delegated authority.</p> <p>May 17 - An initial draft of the template has been prepared and is with the Director of Finance for review. Once the layout is agreed the template will be populated with the staff members details and limits and circulated for comment</p>	31/07/2017	31/01/2018		

9	Budget Setting and Monitoring	Feb-17	Alison Stewart	Irene Andrew	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.	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.	Grade 2 (Design)	August 2017 update - An initial draft of the budget guidance excluding the staffing budget guidance has been prepared. Staffing budget guidance will be completed by the end of October 17. May 17 - The budget timetable and plan was developed in preparation of the 17/18 budget setting process but a more detailed budget guidance document will be prepared once the budgets setting process is complete.	30/04/2017	31/10/2017		
10	Budget Setting and Monitoring	Feb-17	Alison Stewart	Louise Burnett	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.	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.	Grade 2 (Design)	Aug 17 - We now have an audit log set up within the Payroll Drive (See Hyperlink) confirmation from Heads is saved within the Payroll folder (see Hyperlink) and notes from meetings are filed May 17 - Notes of the pay budget meeting have been produced and the detail will be typed up by the target date and evidence of responses from Heads of Teaching/Service re the correctness of the information has been saved for confirmation	01/08/2017		H:\Payroll\Payroll Budget\Budget 2017-18\Confirmation H:\Payroll\Payroll Budget\Budget 2017-18\Audit Log.xlsx	Yes
11	Budget Setting and Monitoring	Feb-17	Alison Stewart	Irene Andrew	FVC should ensure that BH formally agree and approve proposed budgets prior to their inclusion within the full annual budget.	E-mails are currently sent to each budget holder with the proposed final budget/forecast 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.	Grade 2 (Design)	Budgets were formally approved by all budget holders and a spreadsheet prepared to document the receipt of the confirmation. Budget guidance also refers to obtaining that confirmation. Copy of an email from EICE and from IT confirming budgets are attached along with a link to the spreadsheet which documented the budget process. Budgets are also saved on Sharepoint for Budget holders to access directly. May 17 - 17/18 budget allocations will not be approved until after the June Finance Committee so suggest to revise the completion date to end June 17	30/04/2017		Copy of an email from EICE and from IT confirming budgets are attached along with a link to the spreadsheet which documented the budget process. Budgets are also saved on Sharepoint for Budget holders to access directly.	Yes
12	Budget Setting and Monitoring	Feb-17	Alison Stewart	Fiona Lovell	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.	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	Grade 2 (Design)	Aug 17 - Month end checklist prepared for the monthly monitoring report May 17 - A checklist for the monthly budget monitoring report has been produced and has been tested for the April 17 results; the checklist was updated by the Senior Finance Assistant when producing the April reports and also by the Financial Accountant before these were uploaded to the SharePoint site; This checklist will be produced each month going forward; a copy of the template is attached; Over the next few weeks the checklist will be updated to evidence the review of the Director of Finance, SMT, FC and Board for the April results report. Accordingly the target date has been revised to end June 2017 to allow for that to be completed.	31/03/2017		Month end checklists	Yes
13	Budget Setting and Monitoring	Feb-17	Alison Stewart	Fiona Lovell	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.	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.	Grade 2 (Operation)	May 17 - This process is now in operation	31/03/2017		Sharepoint screen shots for ASMME and HR and relevant Finance documents to evidence notes made with regards to variances.	Yes

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1. Purpose

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

2. Recommendation

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

3. Background

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

The Risk Register is due for a full refresh following input by Board members at the 12 October 2017 Risk Workshop session.

4. Changes to the Risk Register

A new risk (ID 6) has been added to reflect the upcoming implementation of the new General Data Protection Regulations (GDPR) in May 2018. GDPR is significantly more comprehensive than the current Data Protection Act 1998 and will require a full review of all College data and systems.

A new risk (ID No 11) has been added to reflect the new system of self-evaluation being introduced to the sector by Education Scotland.

The score for the SDS Foundation Apprenticeship risk (ID No 9) has been increased to reflect lower than anticipated recruitment levels.

The score for the Barclays Banking Covenants (ID No 12) has been reduced owing to the agreement in principal of a new covenant which would make future breaches unlikely.

It is proposed to remove risk No's 18 and 19. No 18 because there have been no developments relating to this risk for over 2 years and No 19 as the sale of Branshill has gone through, thereby making this risk redundant.

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

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	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	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>Aug17 The first 25% of the lecturer pay deal has been processed. In addition, the matching process for promoted posts has begun. Negotiations will begin soon regarding the terms and conditions. It has been suggested that the cost of living pay claim by EIS of £1000 flat cash will be rejected by the NJNC with the potential of a freeze on cost of living increases until the new salary ranges are completed. This has a potential risk of further strike action across the sector</p> <p>May 17 EIS strike action now suspended. Negotiated offer still to be agreed and the impact on students in terms of completion and progression, while plans are in place, is still to be fully managed. The College is also entering into negotiations with the Scottish Funding Council to secure additional funding to support the extra costs of the deal to the College. Score increased until these issues rectified.</p> <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 destruction 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</p>	HR	P	APHROE	VH	VH	25	VH	VH	25	↕	Mar-16
3	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>Aug17 Unison pay deal has been accepted however, there remains a risk going forward of affordability. The Employers Association continue to seek clarity from Scottish Government regarding additional payment to meet the short fall in colleges overall budget</p> <p>May 17. No further update the position remains the same</p> <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</p> <p>National Recognised Procedure Agreement signed by all colleges and a pay offer has been communicated to both unions which has subsequently been rejected and both unions are considering industrial action.</p> <p>July 2015.</p> <p>National Bargaining Process is in the process of being signed by all colleges. This will enable the pay negotiations to move forward and take place at a National Level . The outcome of negotiations will determine the next stage . FVC has budget in place to meet the suggested level of increase for staff</p> <p>May 2015</p> <p>Discussions continue with National Bargaining Committee and Scottish Government no further information as been received</p> <p>March 2015 - First draft of Recognised Procedural Agreement (RPA) discussed</p> <p>November 2014 - No significant changes</p>	HR	P	APHROE	VH	H	20	VH	H	20	↕	Jun-14

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Forth Valley College Strategic Risk Register

4	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>Aug 17 Very little change with this situation opportunities are being explored</p> <p>May 17 - no further update</p> <p>Feb 17 - 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. Relunched 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	APHROE	VH	VH	25	VH	H	20		Nov-15
5	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>Aug 17 - Following the June Board meeting, the Principal wrote to SFC outlining College concerns</p> <p>May 17 - Final allocations were announced in May 2017 with additional funding for Childcare . No further update on review of ELS funding. The Principal is taking up issue of historical efficiencies with SFC</p> <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
6	Strategic	implementation of the new General Data Protection Regulations (GDPR)by the EU and any subsequent UK legislation will impact on College data management practices	<ul style="list-style-type: none"> Significant changes to College practices to ensure GDPR compliance Breach of GDPR is a significantly higher risk than is current under the Data Protection Act 1998 	Task group being set up to review all College data systems and updating all practices and consents to ensure compliance	<p>Aug 17 - Activity has begun on compliance, with Business Development updating all contract templates to reflect strengthened privacy statements. Staff training will also be develop and included in staff development sessions</p>	SDC	APEDIS	APEDIS	VH	H	20	VH	H	20		New
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>Aug No further update</p> <p>May 17 - Recruitment to date for MA places appears to be unaffected by the levy.</p> <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	APHROE	H	H	16	H	H	16		Nov-16
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>August 2017 - DP4 document approved by Board of Management on 10 August and submitted to SFC and Scottish Ministers for approval.</p> <p>April 17 - DP3 approved by SFC on 24/3/17, Tender documents issued 3/4/17.</p> <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>	B	APEDED	APEDED	VH	VH	25	M	VH	15		Nov-14 score reduced from 20 to 15 Added - 01/08/2013

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9	Finance	SDS funding for Foundation Apprenticeships is insufficient to cover college costs and prevents the college from delivering on this DYW target. The college is unable to deliver on the Scottish Government's targets for Foundation Apprenticeship (FA) delivery	Reputational damage (schools, LAs, SDS, SFC); College finds itself running Foundation Apprenticeships with lower than viable group sizes SDS funding is insufficient to cover college costs; challenges in recruitment leave the college with lower than viable FA group sizes; reputational damage (schools, LAs, SDS, SFC, SG) if college is unable to upscale FA delivery	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; close partnership with senior LA education managers to ensure joint ownership of FA targets and full support for recruitment and delivery.	<p>Aug 2017 - recruitment numbers for 2017-2019 FAs are low. Decision taken to run with small cohorts to ensure that FVC is making every effort to build this provision and steps are currently being taken to review staffing hours in view of small cohorts. SDS tender now open for 2018-2020 FAs and work is ongoing with senior LA education managers to ensure that there is full commitment to these programmes and LAs take ownership of providing appropriate young people for recruitment.</p> <p>May 2017 - No further update expected until June 2017</p> <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	VH	M	15	↑	Nov-16
10	Curriculum	That low applicant levels for integrated degree programmes will impact on the viability of the course and may lead to funded places being withdrawn by partner universities.	Failure to recruit can impact upon associated student funding income.	Close monitoring of applicant levels throughout the UCAS and college application cycles. Targeting marketing activity currently taking place to highlight the Heriot Watt Chemical Engineering programme. Agreement made with university partners around redistribution of funded associate student places to other courses/disciplines	<p>August 2017: UoS recruitment positive this year. HWU recruitment poor across Engineering this year in spite of targeted marketing. Currently negotiating redistribution of Associate Student places to Business.</p>	F	APEDL&T	APEDL&T	M	M	9	M	M	9	↔	May-17
11	Strategic	reputational damage may arise to the sector from the new Education Scotland self evaluation system	Consistency of grading across the sector could lead to reputational damage both to the College if other colleges score themselves higher, and to the sector if scorings are rejected or proven to be fabricated	College will engage positively with Education Scotland and also advocate for consistency in scoring via College's Scotland/SQA and other quality forums		SDC	APEDL&T	APEDL&T	M	M	9	M	M	9		New - Aug 17
12	Governance	That the College will be in breach of the covenants relating to the £4.5m term loan facility with Barclay's bank.	Could require immediate repayment or seek to renegotiate facility on less favourable terms	<ul style="list-style-type: none"> Barclays have been kept informed through the year on the implications of ONS and the possibility of a breach of covenants. 	<p>August 17 - New Covenant has been agreed in principal with Barclays and with lawyers for review. Unlikely that breach will occur in future.</p> <p>May 17 - SFC indicated to Barclays they would not provide guarantee and suggested they would not support unconsented borrowings. The Principal & ED Finance raised this with SFC's Chief Executive in March 17. Awaiting a further response from SFC.</p> <p>Feb 17 - Barclays have confirmed there is no breach for 2015/16. However, they are moving towards renegotiating the terms of the loan if SFC/SG will not provide a guarantee. Barclays are meeting SC to discuss further early March. FVC have received informal assurance from SFC that this can be worked around.</p> <p>November 2016 - No further update</p> <p>Sept 16 - Barclays still working towards removing covenants and have spoken with SFC. If covenants remain in place they will need to be re-negotiated due to FRS 102 treatment of government grants.</p> <p>May 16 - Covenants were not breached at 31 July 15 and are not expected to be breached at July 16. Barclays still looking to remove covenants but making slow progress. Implementation of FRS 102 at July 16 could result in fluctuating surpluses / deficits due to treatment of non government grants which in turn could impact on covenants. Further meeting scheduled with Barclays in June 16.</p> <p>March 2016 - The College waiting to hear from Barclays on this matter.</p> <p>November 2015 No further update at this time</p> <p>August 15 Meeting held with Barclays in July 15. Chris Hearn, Head of Education in Barclays is progressing the removal of covenants.</p> <p>May 2015 Meeting set up with Barclays to discuss further. College is likely to breach covenant again at 31 July 2015 due to donation to FVC Foundation.</p> <p>March 2015 The accounts have now been submitted to Barclays. AS met Barclays in February and they are still reviewing their position</p> <p>November 2014</p>	F	APEDF	APEDF	VH	H	20	L	H	8	↓	March 2015 - Score increased from 15 to 20
13	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>August 17 - No change</p> <p>May 17 - SFC approval received to accrue a donation to FVC foundation at March 2017. Good ongoing relationships being maintained with the Foundation.</p> <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	↔	

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14	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>Aug 17 - No further update</p> <p>May 17 - Jisc review of Infrastructure undertaken, with no key issues identified. Recent widespread ransom ware attack did not impact the College owing to robust systems including anti-virus and intrusion detection systems.</p> <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</p> <p>No further update</p> <p>August 2015</p> <p>An additional high-speed internet connection was installed in May to provide resilience</p> <p>May 2015</p> <ul style="list-style-type: none"> An additional internet connection to provide resilience should there be any disruption to our main connection has been purchased and will be configured and tested this month. <p>March 2015</p> <ul style="list-style-type: none"> We are planning to install an additional internet connection to provide resilience should there be any disruption to our main connection. <p>November 2014</p> <ul style="list-style-type: none"> No Further Update <p>May 2014</p> <ul style="list-style-type: none"> IT services participating as pilot department for Business Continuity planning processes 	F	APEDIS	APEDIS	L	VH	10	L	H	8		Jun-14
15	HR	Financial restrictions limit the ability to fund pay increases	<ul style="list-style-type: none"> Low staff morale Inability to attract and/or retain key staff 	<ul style="list-style-type: none"> Implementation of alternative benefits (i.e. additional holidays, salary sacrifice schemes, season ticket loan for travel, Edenred Staff Benefits system) Clear communication with staff and engagement with Unions on funding restrictions 	<p>Aug 17, Both Unions pay deal are now accepted with payments made in July for lecturing staff and August for support staff. There remains an issue regarding the sustainability of the payments and additional funding is being sought from the Scottish Government</p> <p>May 17 No further update the position remains the same</p> <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>	HR	APEDHROE	APHROE	H	H	16	L	M	6		Nov-14 Score reduced from 12 to 6 (April 2014 score increased from 9 to 12) (January 2014 Score reduced) (21 November 2013 increased) August 2013
16	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>August 17 - BC plan remains up to date. Staff are also currently examining tying the plan into College MIS data to ensure currency of information supporting the BC plan</p> <p>May 17 No further update</p> <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 	A	P	APEDF	L	VH	10	L	M	6		Nov-13

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17	Strategic	Failure to deliver upon targets within Outcome Agreement impact upon the College	<ul style="list-style-type: none"> Impact on future financial settlements Reputational damage Potential removal of Board members 	<ul style="list-style-type: none"> KPI reporting to relevant committees to ensure appropriate monitoring occurs Robust internal monitoring processes to ensure KPI achievement Regular engagement with SFC on progress and expectations 	<p>Aug 17 - Outcome Agreement for 2017/20 approved at June Board meeting.</p> <p>May 17 - Final Outcome Agreement for 2017/18 being prepared for Board approval in June. Ongoing strike action has the potential to impact upon student achievement and thereafter on PI's within the Outcome Agreement.</p> <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 2015 - The College continues to monitor progress against all targets</p> <p>November 2014 • Draft Outcome Agreement for 2015/17 going to Strategic Development Committee on November 20th.</p> <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 College and SFC Regional Outcome Agreement manager. Software to produce KPI reports tested</p>	SDC	APEDIS	APEDIS	L	VH	10	L	M	6	↔	Aug-13
18	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>May 17 - As there has been no updates on this risk for a number of years it is proposed to remove this risk</p> <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</p> <p>No further developments at this time</p> <p>July 2015</p> <p>No further update at this time</p> <p>May 2015</p> <p>No further information received regarding this</p> <p>March 2015 - No update at this time</p>	HR	APEDHROE	APEDHROE	H	H	16	VL	M	3	↓	Nov-14
19	Estates	Failure to agree value for Branshill site with current intended purchaser could lead to land sale being cancelled	The FBC has assumptions based upon market valuations for the value of the land and failure to reach this would impact on the affordability of the Falkirk Campus	Currently in negotiations with the current intended purchaser on the value of the land. Should the minimum desire value not be achieved, the College will look to proactively market the land to other potential buyers	This risk is now redundant with sale of Branshill - proposing removal	B	APEDED	APEDED	L	H	8	VL	VL	1	↓	May-17

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