

Boardroom, Falkirk Campus at 5pm

AGENDA

1. Declarations of interest
2. Apologies

FOR APPROVAL

3. Minutes of meeting of 14 September 2017
4. Matters Arising
 - a) A/17/005 External Audit Plan 2017/18
 - b) A/17/009 Risk Management
5. Annual Report and Financial Statements 2016/17
(Joint item with Finance Committee) Alison Stewart
6. Draft External Audit Annual Report to the Board of Management
(Joint item with Finance Committee) – To Follow Ernst and Young
7. Internal Audit Plan 2017/18 Scott Moncrieff
(Elements of this paper are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

FOR DISCUSSION

8. Preparing for GDPR David Allison
 9. Presentation of Internal Audit Reports Scott Moncrieff
 - a) Review of the 2016/17 Credits Return
 10. Internal Audit Annual Report 2016/17 Scott Moncrieff
 11. Progress Report on Audit Recommendations Stephen Jarvie
 12. Risk Management Ken Thomson
(Elements of this paper 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.)
 13. Risk Management Next Steps Alison Stewart
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14. Review of Risk
15. Any other competent business

For Information

SQA Systems Verification Audit

(Elements of this paper 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.)

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Boardroom, Falkirk Campus (commencing at 4.30pm)

Present: Mrs Lorna Dougall (Chair)
Mrs Trudi Craggs
Mrs Beth Hamilton

In Attendance: Mrs Alison Stewart, Associate Principal and Executive Director Finance
Mr Stephen Jarvie, Corporate Governance and Planning Officer
Mr Gary Devlin, Scott Moncrieff
Ms Cathie Willie, Scott Moncrieff
Mr Keith McPherson, Ernst Young

A/17/002 Declarations of Interest

None

A/17/002 Apologies for Absence

Mr Colin Alexander

A/17/003 Minute of Meeting of 9 March 2017

The Minute of 9 March 2017 was approved as accurate.

A/17/004 Matters Arising

a) A/16/028 Non-Pay audit report

The Associate Principal and Executive Director Finance noted that, at the last meeting, members had suggested that the College look at putting in place PO's to cover items of expenditure such as utilities. She noted that expenditure was already reviewed on a monthly basis and the finance system needed to ensure PO's and invoices match. As such it was not considered that the suggested change to practice would add any further value to the process.

Members agreed with the explanation given and it was agreed that this Internal Audit recommendation would not be progressed.

b) A/16/028 Budget setting and Monitoring

The Chair confirmed that the supporting documentation had been put in place and the relevant recommendation was now considered to be complete.

c) A/16/031 Risk Management

Members had requested that Brexit be added to the risk register. The Chair confirmed that this was now in the Strategic Risk register.

d) A/16/032 Risk Management Scope

The Chair noted that this item would be considered later in the agenda.

A/17/005 External Audit Plan 2017/18

Keith MacPherson, Ernst Young, presented members with the draft External Audit Plan for 2017/18.

He noted that this would normally be considered for approval at the June meeting but as that meeting had been cancelled it was being brought to this meeting for consideration and approval.

He highlighted the main points within the plan and asked members whether they had any queries.

Members noted that the materiality figures were different in differing parts of the plan. It was agreed the plan would be updated to ensure the correct figure is used throughout.

- a) Members approved the External Audit Plan 2017/18

A/17/006 Presentation of Internal Audit Reports

Gary Devlin, Scott Moncrieff, presented the International Strategy and Operations report. He noted that this was a good report with only a few minor findings, which were all low risk/areas of good practice.

Members queried whether the compliance monitoring recommendation should be low risk, given that this is an area with a high potential impact.

Mr Devlin noted that the activity itself was proceeding well, with well informed staff. The reason for the recommendation was that there were not fully developed procedures for this activity should there be a change in staffing.

Mr Devlin also presented the report on Project Management (New Campus).

He noted that this was a major project for the College and that the report confirmed that all controls were in place as measured against SFC good practice advice.

The Chair noted that the Falkirk Campus Project Board should be commended for the setup of this project and asked that the outcome of the report be reported back to them.

Cathie Wyllie, Scott Moncrieff, presented the Follow Up report, noting that there had been good progress with the completion of recommendations.

Gary Devlin also noted that the number of recommendations requiring review was decreasing which was a positive position for the College to be in.

- a) Members noted the content of the report

A/17/007 Internal Audit Plan Progress Report

Cathie Wyllie presented an overview of progress to date against the plan.

- a) Members noted the content of the report

A/17/008 Progress Report on Audit Recommendations

The Corporate Governance and Planning Officer presented an update on progress against audit recommendations. He highlighted that some recommendations were requesting an extension to their scheduled completion dates and outlined the reasons for each.

- a) Members noted the content of the report

A/17/009 Risk Management

The Associate Principal and Executive Director Finance presented members an update on the College Strategic Risk Register. She confirmed that the General Data Protection Regulations (GDPR) had been added as a risk, along with a risk in relation to the new Education Scotland self-evaluation system.

She also outlined other changes to the risk register as mentioned in the cover paper.

She confirmed that the full risk register would be updated following the 12 October Board risk workshop.

Members noted that there were a number of risks where, even after mitigation, the score is still red.

The Associate Principal and Executive Director Finance noted that these related to issues out with the direct control of the College and that the register could be split in the future to reflect which risks the College can mitigate against.

- a) Members noted the content of the report

A/17/010 Risk Management Scope Update (Verbal)

The Chair updated members on proposals for the composition of the Board risk workshop. This would include the issuing of a survey electronically to members in advance of the session by Scott Moncrieff. This survey would cover member's views on their roles and responsibilities.

Gary Devlin reported that the session on the day would include Board member participation and the collation of live results on Board risk appetite via the use of electronic voting.

The Corporate Governance and Planning Officer asked that an electronic version of all material be provided so that these could be circulated to members who are unable to attend the session.

- a) Members noted the content of the update

A/17/011 Review of Risk

No new risks identified

A/17/012 Any Other Competent Business

None

1. Purpose

To present to members the Annual Report and Financial Statements for the year to 31 July 2017.

2. Recommendation

Members consider the financial position of the College for the year ended 31 July 2017 and approve the Annual Report and Financial Statements for the year ended 31 July 2017.

3. Background

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

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

The SPFM and FReM both require additional disclosures.

4. Key Considerations

The adoption of the Financial Reporting standard (FRS) 102 and the 2015 SORP combined with the government accounting restrictions on the ability to retain cash surpluses due to resource budgeting restrictions means it is becoming increasingly difficult to present the College's financial position in a way which informs readers of the true underlying financial sustainability of the College.

The key consideration for members is the long term financial sustainability of the College. This is referred to within the Annual Report and Financial Statements as the College continuing to operate on a "going concern" basis. Under the current reporting regime previous indicators such as reporting an operating surplus and having a strong Balance Sheet with net assets are no longer achievable. This does not however mean that the College is financially unstable.

The key measure going forward is the College's ability to generate cash from its day to day operational activities and that it can meet its liabilities as they fall due. The impact of non cash technical accounting adjustments while they are relevant to some extent should be excluded when assessing the College's financial strength.

The Financial Performance section of the Performance Report provides a detailed review of the College's financial performance for the year ended 31 July 2017 and its financial position at 31 July 2017. The key points to note are

- The College generated an underlying operational surplus of £736k against the original budget, excluding non-cash adjustments, the estates development cost and the loan payment.
- The net liability position is distorted due to the technical accounting adjustments in relation to the treatment of government capital grants and pension liabilities. Also, the impact of reclassification where surplus cash has been donated to an arm's length foundation or spent to support the estates development programme impacts on the net liabilities.
- A £2m grant, was received in-year from Glasgow Kelvin College and used to purchase the additional land at Middlefield, Falkirk and covered some of the 2016/17 New Falkirk estates development costs.
- As a result of receiving the above mentioned £2m grant earlier than planned, the College delivered an increased operational surplus and approval was sought from SFC to donate surplus funds to Forth Valley College Foundation.
- The external auditors are content there are no going concern issues as the underlying financial position has been clearly demonstrated.

5. Financial Implications

SFC guidance states that for the financial period ended 31 July 2017 Colleges are permitted to report deficits equivalent to the net depreciation figure and FRS 17 pension charges and FRS 102 adjustments. The reported financial position falls within the guidelines.

Reporting a deficit does have implications however, and to counter any queries or concerns by the users of the Financial Statements, SFC have issued a statement of assurance for Colleges to incorporate into their Financial Statements for the financial period ended 31 July 2017. This statement stated the deficit should be viewed as a "technical" deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. The full Statement is in Note 36 of the Accounts.

6. Banking Covenants

A new covenant has been agreed with Barclays linked to the resource outturn. The College has met this covenant for 2016/17.

7. Equalities

Assessment in Place? – N/a

8. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		x
Low	x	
Very Low		

Due to the adoption of FRS 102 in terms of the accounting treatment of certain items and the associated presentational changes, the college's underlying financial health is being masked. There is a risk that those not familiar with the technical aspects of Financial Statements will misinterpret the state of the College's financial health. In mitigation of this it needs to be stressed that both the Board of Management, SFC and the external auditors are in agreement that there is no going concern issues.

Risk Owner – Alison Stewart

Action Owner – Irene Andrew

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

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FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2017

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The financial statements were approved and authorised for issue on 7 December 2017.

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PROFESSIONAL ADVISERS

External Auditors:

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EB

Internal Auditors:

Scott Moncrieff
Exchange Place
3 Semple Street
Edinburgh
EH3 8BL

Vat Advisers:

RSM
First Floor
Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Campbell Dallas
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Bankers:

Barclays Bank
120 Bothwell Street
Glasgow
G2 7JT

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2YB

Solicitors:

MacRoberts
Capella
60 York Street
Glasgow
G2 4TB

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

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

PERFORMANCE REPORT

OVERVIEW

Principal and Chief Executive's statement

In 2016/17, thanks to the hard work of our staff and students, the College has continued to live up to its mission of "Making Learning Work".

The year has not been without its challenges. The impact of externally driven National Bargaining process on delivery and our continued inability to retain surpluses owing to reclassification as a public body, have underlined the need for careful management of College resource to minimise the impact on our students.

In order to support our aspirations for the College, our commercial and apprenticeship activity has continued to play a vital role in the life of the College and the development of these and new markets have remained a key priority for the College. We are grateful for the continued support from existing stakeholders and welcome the opportunity to work with new partners locally, nationally and internationally to secure the benefits of new apprenticeship schemes such as Foundation Apprenticeships.

The College has continued to make headway with our aspirations to deliver a new Falkirk headquarters campus to the standard of our Alloa and Stirling campuses. 2016/17 saw continued positive progress towards the realisation of the new Campus. In August 2017, our Board of Management approved the final Decision Point report for submission to the Scottish Funding Council and Scottish Government, with final approval received on 4 October 2017. The College also undertook a comprehensive tendering process and identified a preferred contractor, with the contract for the main building being awarded to Balfour Beatty on 11 October 2017.

The College continued to embed and celebrate creative learning throughout our curriculum. There has been significant engagement with lecturing staff and a real sense of positive motion to embedding this throughout the College.

The College also continued to demonstrate that it was the place to be for STEM learning. I am justifiably proud of our outstanding success rates particularly in relation to our STEM provision. They demonstrate our passion for driving the STEM agenda forward and the vital role that Forth Valley College is playing in delivering the quality skills and training required for Scotland's future economic success.

It has also been an excellent year with rewards and recognition from the Scottish Training Federation, College Development Network, Scottish Qualifications Authority (SVQ) Star Awards and by Skills Development Scotland for Modern Apprenticeships.

Overall I am incredibly pleased with how we have met the challenges facing us and have continued to deliver for students, our staff and other College stakeholders.

Dr Ken Thomson

Principal and Chief Executive

7 December 2017

Vision, purpose and activities

Legal Status

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

The Financial Statements cover all activities of the College.

Mission Statement

The College Mission Statement is:

Making Learning Work

College Vision

The College Vision is:

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

Strategic Themes

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

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

Performance Summary

During 2016/17 the College continued to progress our vision of 'Making Learning Work'.

Creating a superb environment for learning – We have continued to invest in our estates ensuring we offer the best possible learning environment for our students. The College submitted a Decision Point 4 report to the Scottish Funding Council and Scottish Government for the final approval to appoint a Main Contractor in September 2017. Approval was received on 4 October 2017 and the main contractor started on site on 23 October 2017.

The project remains on programme and within budget and extensive internal consultation has also occurred along with public events and meetings with key external stakeholders.

Throughout the process, governance arrangements have been in place with a specialist Falkirk Campus Project Board established to oversee progress. The Falkirk Campus Project Board comprises members of the Board of Management, a dedicated College Project Team, along with representation from College staff and the Scottish Futures Trust.

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

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

In 2016/2017 we continued our Curriculum Review process to ensure that our future curriculum developments continue to meet the needs of the employers of Forth Valley and beyond and to take full account of national priorities, such as the Scottish Government’s Youth Employment Strategy and the latest available information about regional skills needs.

In 2016/2017 the College further developed its cutting edge Creative Learning initiative, with numerous initiatives across the college through which staff were supported to work collaboratively with colleagues, across departmental boundaries, to design and facilitate innovative and value-added learning experiences for their students.

We continued to operate our successful “Listening to Learners” focus group process, through which over 3,000 students contributed their views and helped to shape learning within their programmes of study. Satisfaction levels remain very high across all of the factors included on the focus group agendas. In the 2016/2017 National Student Satisfaction and Engagement Survey required by SFC, 95% of Forth Valley students reported that they were overall satisfied with their college experience.

Instilling an energy and passion for our people, celebrating success and innovation – Staff development processes have been revamped and have proved to be successful in their innovative approach in engaging staff and creating a platform of ownership and pride in the delivery of learning and teaching as well as increasing the knowledge base, skills and industrial experience of employees. The staff development theme of Creative Learning develops into its next stage of innovation and has seen staff throughout the organisation embrace this in their practice. The Ambassador role within the College has also moved onto the next stage with an interactive web page and blog which captures the benefits of representing Forth Valley College at a wide range of national and international events. This also gives more opportunities for staff to represent the College at a wide range of events.

The total response rate for our second cultural survey was 340 completed surveys, which is around 54% of the college establishment. This figure is a slight drop of around 2.3% from the previous survey. Overall engagement of the cultural survey was extremely positive - achieving over 80% engagement across all 9 sections. Discussions are now in place to provide an action plan which will highlight key targets from the survey and focus on improvements.

Forth Valley College has officially been accredited as a UK Living Wage Employer and has also been awarded The Scottish Business Pledge.

Leading as a business that is a champion for governance, financial control and balanced risk taking – The Board of Management approved the updated Code of Good Governance for Scotland’s Colleges in December 2016. The College continues to work within this framework. During the year the College completed a recruitment process for new Board members and the re-appointment of 5 existing Board members in line with the Sector Board Appointments: 2014 Ministerial Guidance. The new appointments of 2 non-executive members were approved by Scottish Ministers in December 2016 and the re-appointment of the 5 existing members was approved in March 2017. A formal induction process has been completed by the new members. The Scottish Government lead on the appointment of a new Chair of the Board of Management following the resignation of the existing Chair in February 2017.

A full report on the College’s financial performance is included within the Performance Analysis section of this report. Overall the College’s financial health continues to be strong which is demonstrated by the ability to generate significant levels of cash surplus on the day to day operational activities of the College. In 2016/17 this has been used to support our estates development programme for a new Falkirk campus. As an arms-length public body the College is not expected to retain reserves for future investment and is required to balance its Resource Budget.

Enhancing our position as the business and community partner of choice – Strong employer and stakeholder relationships are key to ensuring we maintain our position as a partner of choice. One of the highlights this year

was the employer ambassador model developed to promote work based learning with 12 Key Employers to mutually champion Modern Apprenticeships through extensive CPD opportunities, organised school events and international business exchanges.

With an SDS contract now above £1m and an achievement rate of 84% we are continuing to maintain our position as a leading Modern Apprenticeship (MA) provider in the sector and continue to grow MA provision across 7 specific disciplines to satisfy industry requirements. Additionally, we have developed our Vocational Qualification (VQ) delivery direct to employers and are expanding this activity in a number of areas. Focusing on Clackmannanshire and Stirling we have mapped out our customer base allowing us to identify areas for growth across MA, SVQ and commercial provision, ensuring that we are meeting the training needs of our local community. This is particularly evident in Hospitality and Care SVQ and MA provision. We continue to explore and capture opportunities to extend our stand alone SVQ provision within the Care and Hospitality sectors. This allows us to continue to grow additional income streams. The introduction of electronic portfolios for VQ delivery will only enhance this in the coming year.

The global downturn in oil and gas has affected many of our partners over the last 18 months however from January 2017 we have seen signs of recovery within the sector. This is particularly evident in the steady increase uptake of numbers in CompEx. During this competitive time we continue to partner with a number of key partners. One of these is the Engineering Construction Industry Training Board (ECITB) where through adapting and evolving our modes of delivery we introduced the successful pre apprenticeship programme alongside the Modern Apprenticeship programme to ensure talent is available as they emerge into the recovery phase for their sector. To date 100% of those successfully completing the pre apprenticeship programme have progressed onto employment within the oil and gas sector.

Partnership is fundamental to achieving the College's vision of Making Learning Work both nationally and internationally. The college continues to engage with partners including Scottish Development International to assist in raising the colleges profile in regions and sectors aligned with our training and skills capability. Furthermore, the college is active in pursuing partnerships to enhance our position as a partner of choice and we're currently developing bespoke partnerships including national and international projects with Glasgow Caledonian University, Heriot Watt University and University of Aberdeen.

The college has also increased engagement in international mobility projects with Construction, Access & Progression, Care Health & Sport and Hospitality & Salon Services departments all engage in European student mobility or Erasmus Plus 'key strategic partnership' projects which include a number of European partner institutions from Spain, Netherlands, Sweden, China, Germany and Malta.

All the relationships and activities with our key employers and stakeholders have generated a tangible benefit to the College, supporting best practice and contributing towards the college's financial sustainability.

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

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

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

During last session we piloted the use of Microsoft Surface devices, and for the current session this pilot is being extended to all teaching staff within our Stirling Campus, with the vision to enable staff to work flexibly and have more control of the IT device that they are using for delivering learning, to enable the device to be bespoke to the member of staff.

Principal Risks and Uncertainties

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

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

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

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

- Failure to successfully exit from the current contractual obligations for the telecoms array on the West Block will negatively impact on College finances and estates development
- Strike action arising from National Bargaining negotiations will impact on the learning and teaching provision for students
- National bargaining will impact on the salary structure and terms and conditions of both support and teaching staff
- The current economic environment including Brexit will impact of the College's ability to generate commercial income
- Uncertainty over future SFC funding levels which impacts on curriculum planning and financial sustainability
- Implementation of the new General Data Protection Regulations (GDPR) by the EU and any subsequent UK legislation will impact on College data management practices.

Going concern

The net liability position reported in these Financial statements is due to the adoption of Financial Reporting Standard (FRS)102 which resulted in the reclassification of Capital Government Grants previously treated as Reserves to Liabilities due greater than one year. The net liabilities include a Pension Provision for early retirements of £7.3m and Pension Liability of £19.2m for College's share of the Falkirk Council Local Government Pension Scheme (LGPS). To the extent that the pension deficit is not met from the College's other sources of income, it may only be met by future grants or Grant In Aid from the Scottish Funding Council. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need. The Board of Management of Forth Valley College has no reason to believe that future support will not be forthcoming. Given the above it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these annual accounts.

PERFORMANCE ANALYSIS

Performance Indicators

The College has adopted the core set of performance indicators which were developed by the Colleges' Finance Community of Practice. The table below details performance in 2016/17 and 2015/16.

		Year Ended 31 July 2017	Year Ended 31 July 2016
Operating deficit as % of total income: deficit on continuing activities after depreciation of assets at valuation and loss of revaluation of land and buildings, and before disposal of assets and tax expressed as percentage of total income.		(2.1%)	(6.2%)
Non SFC Income as % of total income: total of non-SFC income expressed as a percentage of total income.		32.0%	30.8%
Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year.		0.76:1	0.65:1
Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days.		29	11
Staff turnover: FTE staff on a permanent contract of employment that leave for whatever reason during the year divided by the total FTE permanent staff at the college at the period end.		6%	4%
Working days lost through sickness absence: working days lost per staff FTE through sickness absence divided by the total FTEs employed at the institution at the period end (expressed as percentage).		3%	2%
Credits per staff FTE: actual Credits delivered in the year per FES return divided by total of FTEs involved in delivery of Credits.		323	329
		Year Ended 31 July 2017	Year Ended 31 July 2016
Performance against Credits: actual Credits delivered in-year divided by target Credits.		100%	100%
Student outcomes: total enrolments for students completing programme with a national qualification aim, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	73%	70%
	FE Part time	92%	91%
	HE Full time	70%	75%
	HE Part time	85%	88%
Student retention: measures number of enrolments for which the student has completed the programme, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	77%	75%
	FE Part time	96%	95%
	HE Full time	82%	83%
	HE Part time	94%	92%
Early student retention: measures the number of enrolments for which the student has reached the 25% date for funding purposes, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	93%	96%
	FE Part time	99%	99%
	HE Full time	97%	98%
	HE Part time	99%	99%

Current & Future Developments

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

A continued specific focus for curriculum development during 2016/2017 was the Developing the Young Workforce agenda and the associated Scottish Government Youth Employment Strategy, which set out seven year plans for schools, colleges, apprenticeships, employers and equality.

One target within the Strategy is to increase the percentage of school pupils achieving vocational qualifications at SCQF level 5 or above. In pursuit of this aim, the College continued to develop and expand its portfolio of qualifications at SCQF levels 5-7 for senior phase school pupils from our three partner local authorities. This included newly developed Foundation Apprenticeships in Social Services and Healthcare; Social Services Children and Young People; and Financial Services and Engineering.

In terms of learning and teaching, during 2017/18 we will maintain our strong focus on developing a culture of creativity in learning, using a lively and engaging Creative Learning Conference for staff in August 2017 as a catalyst for all staff to develop personal objectives for creative learning which will be formalised and monitored through our PRD process throughout the year. In 2016/17 we will also build on the success of our current Learning Strategy: Empowering Learners and develop this into a new, future-focused Creative Learning and Technology Strategy for 2018 - 2022, ensuring that we are fully prepared to maximise the benefits to learning and teaching that our new Falkirk Campus will bring.

As a key enabler of our new Creative Learning and Technology Strategy, during last session we piloted the use of Microsoft Surface devices, and for the current session this pilot is being extended to all teaching staff within our Stirling Campus, with the vision to enable staff to work flexibly and have more control of the IT device that they are using for delivering learning, to enable the device to be bespoke to the member of staff.

In terms of curriculum, we will continue to rigorously review our future portfolio to ensure that it fully reflects Skills Development Scotland's (SDS) regional skills plans, maximises employer engagement and delivers on our Outcome Agreement targets. This will include further development of vocational provision for senior phase school pupils, including further SDS funded Foundation Apprenticeships. We will also continue to work closely with our Higher Education Institute (HEI) partners to maximise success and progression on our existing integrated degree programmes and to develop additional articulation agreements for Higher National (HN) graduates.

Internationally we are connecting with the University of Stirling and Glasgow Caledonian University to offer a 2 plus 2 degree programme to international students in Biological Sciences and Engineering. The international students will be students of the university for the 4 year period with the college delivering years 1 and 2. This model will be based on our highly successful integrated degree programmes and other courses will be explored as an option for international students.

We have introduced an E-Portfolio project, One-File, to initially offer modern apprentices an electronic system for monitoring and assessing vocational qualifications. This has been piloted in construction, engineering and business development, and will be rolled out to cover all VQ activity throughout the coming session.

As we continue to develop and strengthen our employer relationships we have initiated the development of key systems to ensure data is recorded and maintained, and can provide KPIs for our key areas of delivery. For example our employer engagement system will support how we are engaging with employers and maintain key information and data about the employers and stakeholders we are working with. This will also be supported by an employer portal to provide employers with essential data on their employees in relation to attendance, progress and behaviours when attending College.

Financial Performance

The finances of Forth Valley College are regulated by the Financial Memorandum between the Board of Management and the Scottish Funding Council (SFC) under which the Principal is designated as Accounting Officer, responsible to the Chief Executive of the SFC for the stewardship of the College's finances and assets.

The reclassification of the College as an arm's length public body, effective from 1 April 2014, means the College is also regulated by the Financial Reporting Memorandum (FRm) and also by the Scottish Public Finance Manual (SPFM).

The financial statements have been prepared to comply with the Accounts Direction issued by SFC, the FRm and the revised Statement of Recommended Practice: Accounting for Further and Higher Education which was issued in July 2015.

The College's financial objectives are:

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

Underlying Operating position

The following table provides the underlying operating position for Academic Year 2016/17:

	Actual Year Ended 31 July 2017 £000	Actual Year Ended 31 July 2016 £000
Deficit before other gains and losses	(742)	(2,085)
Add back:		
Depreciation (net of deferred capital grant release)	621	608
Impairment	415	0
FRS 102 SWAP Rate valuation movement	(257)	441
Non-cash pension adjustments	1,089	1,037
Donation to Arms-length Foundation	579	0
Estates development costs	1,805	1,739
	3,510	1,740
Less:		
Government grant for estates development costs	497	0
Other Government grant from Glasgow Kelvin College	2,000	0
Non-Government capital grants (e.g. ALF capital grant)	131	370
Revenue funding allocated to loan repayments and other capital items	146	370
	2,774	370
Underlying operating surplus	736	1,370

The underlying operating surplus of £736k demonstrates that the college is operating sustainably within its funding allocation.

In October 2014 the Scottish Government announced funding for a new Falkirk campus through Scottish Future's Trust NPD (Not for Profit Distribution) programme. In April 2016 the College received confirmation from Scottish Government that the funding route was being changed to Capital Grant. The estates development costs expensed through the Statement of Comprehensive Income have been identified separately and relate to professional advisors fees in the preparation of the College's Full Business Case for the new campus.

SFC issued assurance to the College that deficits which arise from non-cash transactions should not be interpreted as a challenge to the College's financial sustainability and these should be treated as a "technical" deficit. Audit Scotland accepts that a deficit arising from the use of cash funding originally provided for non-cash depreciation does not indicate an underlying financial sustainability concern.

Balance Sheet

As per FReM guidelines, and as a result of the formal Ministerial approval gained for the construction of the new Falkirk campus on the Middlefield site, a valuation was sought for the existing Falkirk campus on Grangemouth Road, which resulted in the buildings being impaired by £13.2m, £12.8m of which was covered by the revaluation reserve and £0.4m charged to the Statement of Comprehensive Income for 2016/17.

Resource Outturn for the year ended 31 March 2017

A consequence of the college reclassification is that the College is required to report on its Resource Outturn to Scottish Government which is based on the government's financial year end of 31 March.

There are differences between the government accounting rules used for the Resource Outturn and the financial reporting accounting requirements used for these Financial Statements. One significant difference is the treatment of non-cash costs. Adherence to central government rules leaves the College unable to access accumulated cash reserves without the appropriate budget cover having been authorised from the Scottish Government. Any under-utilisation of allocated budget cover results in cash effectively being frozen. In order to minimise frozen cash in the College sector during the financial period being reported, the SFC granted Colleges additional budget cover up to the level of net depreciation at 31 March 17 (Scottish Government's financial year end). The net depreciation for the College was £608k. SFC authorisation was received to utilise the cash for the loan repayment and to make a donation to Forth Valley College Foundation. This prevented that cash becoming inaccessible to the College.

Spend of the College's cash budget for priorities, and impact on the operating position, is detailed below:

	31 July 2017	31 July 2016
	£000	£000
Revenue		
Estates Development Costs - New Falkirk Campus	0	470
Donation to ALF	462	0
Total impact on operating position	<u>462</u>	<u>470</u>
Capital		
Loan payments	146	143
Total Capital	<u>146</u>	<u>143</u>
Total cash budget for priorities spend	<u>608</u>	<u>613</u>

A summary of the Resource Outturn reported to SFC and Scottish Government is noted below.

Resource Outturn 2016/17	RDEL Year Ended 31 Mar 2017 £000	CDEL Year Ended 31 Mar 2017 £000
Total Income	(25,504)	(403)
Revenue Expenditure	<u>25,358</u>	<u>403</u>
Underspend on Resource Budget	<u>(146)</u>	<u>0</u>
Ringfenced RDEL		
Depreciation	<u>608</u>	
AME Expenditure	<u>4,614</u>	

The RDEL underspend of £146k is equivalent to the annual loan repayment the College has to make in relation to existing borrowings entered into prior to the reclassification as an arm's length public body. Although the repayments utilise cash they do not score against the resource outturn.

The CDEL budget was fully utilised.

Creditor Payment Performance

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

Standard creditor terms are set on our finance system to be 30 days and can be amended to adhere to supplier terms if authorised by Finance Team Management. Invoices are paid on a weekly basis by the due date and only if they are authorised for payment on the finance system. The average number of days taken to pay suppliers in the financial period being reported was 28 days (2015/16 - 28 days).

Sustainability Report

The College recognises that the changing climate will have far reaching effects on Scotland's economy, people and environment. Consequently, the commitment to carbon reduction remains a key strategic objective for the College, within the College mission statement of Making Learning Work.

Our vision is to lead by example in all our activities and to ensure that learners are aware of the impact their actions will have, on the environment. This commitment is supported by the College Green Sustainability Statement that is approved annually by the Chairman of the Board of Management and our College Principal.

The College has an established Sustainability Committee which performs a strategic function to set, and measure sustainability progress throughout the college. The Committee representatives agree a series of performance indicators annually, which are monitored and progressed. The Committee is led by the Associate Principal and Executive Director - Learning and Teaching.

A significant area of measurement is the College Carbon Management Plan (CMP) which was developed as a result of the College signing the Universities and Colleges Climate Commitment for Scotland (UCCCFs) in partnership with the EAUC (Environmental Association of Universities and Colleges). The CMP reflects all carbon associated with waste, fleet travel and utilities at each site. The College's estate has altered considerably since the CMP baseline year of 2008/09, with the opening of our new campus in Alloa (2011), which received an "Excellent" rating award

for the (Building Research Establishment Environmental Assessment Method) BREEAM, and new campus in Stirling (2012) which was awarded a "Very Good" Rating. The College remains on target to reduce total carbon dioxide (tCO₂) levels by 25% from the baseline figure of 2,873.62 tCO₂ by the year 2020. The figures are calculated annually, each November, in line with the Public Sector Climate Change Duties (2016) submission to Sustainable Scotland Network (SSN). Our current progress (November 2016) illustrated a 20.63% reduction in carbon from our 2008 baseline.

The College has targeted the majority of projects that have a positive carbon reduction with the lowest capital investment, however it is becoming increasingly challenging to identify further reductions without significant capital expense. The most significant project with low carbon benefits will be the fruition of the new Falkirk Campus, planned for completion in October 2019. The new Campus has been designed with an Energy Performance Certificate rating of B and a target of Very Good for the BREEAM (2014) award.

The College supports the mandatory reporting of targets made by the Scottish Government from 2016, using a specific template created by Sustainable Scotland Network (SSN) in association with the EAUC and Keep Scotland Beautiful. The College is committed to continually improve carbon reduction and monitors this annually with the review of the Carbon Management Plan and SSN reporting.

Dr Ken Thomson
Principal and Chief Executive
7 December 2017

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Board of Management Report

Membership of the Board of Management

The Post 16 Education (Scotland) Act 2013 requires that the board of a regional College should consist of no fewer than 15, nor more than 18 members. The Board of Management members who held office during the year and up to the date of signing these financial statements were as follows:

Mr H Hall, Chair	Regional Chair	Resigned February 2017
Mr Ross Martin	Regional Chair	Appointed August 2017
Mrs A Mearns, Vice Chair	Senior Independent Member / Non-executive member	Re-appointed March 2017
Dr K Thomson	Principal	
Mr C Alexander	Non-Executive member	Re-appointed March 2017
Mrs F Campbell	Non-Executive member	Re-appointed March 2017
Mr A Carver	Non-Executive member	Re-appointed March 2017
Ms T Craggs	Non-Executive member	Appointed November 2016
Ms L Dougall	Non-Executive member	
Mr D Flynn	Non-Executive member	Appointed November 2016
Ms B Hamilton	Non- Executive member	Re-appointed March 2017
Mrs C Jack	Non-Executive member	
Mr L McCabe	Non-Executive member	
Mr K Richardson	Non-Executive member	
Mr S Tolson	Non-Executive member	
Ms A Winchester	Non-Executive member	Resigned November 2016
Mr A Buchan	Student	
Ms Amy Scobbie	Student	Elected June 2017
Ms Karen Williams	Student	Resigned December 2016
Ms Pamela Duncan	Staff	Elected August 2016
Mr S Harrison	Staff	Elected August 2016

Membership of the Senior Management Team

The SMT is responsible for the day to day management of Forth Valley College's activities and operations and consists of:

Dr K Thomson	Principal
Mr D Allison	Associate Principal & Executive Director Information Services
Mrs F Brown	Associate Principal and Executive Director Curriculum & Quality
Mr T Gorman	Associate Principal and Executive Director Estates Development
Mr A Lawson	Associate Principal and Executive Director HR & Organisational Development
Mrs A Stewart	Associate Principal and Executive Director Finance
Mrs C Walker (to April 2017)	Associate Principal and Executive Director Business Development

Conflicts of Interest procedures

Forth Valley College has comprehensive procedures for dealing with potential conflicts of interest. These include holding, and updating at least annually, a Register of Board Members Interests. The register is available to any member of the public who wishes to examine it and is available on the college website, <http://www.forthvalley.ac.uk>. Interests that must be registered, in terms of the name and nature of the

organisation in which the interest is held, include: remuneration, related undertakings, contracts, houses, land and buildings, shares and securities, and non-financial interests. Declarations by Board members of any conflicts of interest are recorded in the minutes of the appropriate Board meetings.

Personal data related incidents

Section 417 of the Companies Act 2006 requires that organisations report on personal data related incidents. In 2016/17, the College had no reported personal data incidents.

Dr Ken Thomson

Principal and Chief Executive

7 December 2017

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Statement of The Board of Management's Responsibilities

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

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period. These financial statements comply with the Accounts Direction issued by the Scottish Funding Council.

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

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

The Board of Management has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee
- a professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

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

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

Auditor

The Auditor General for Scotland has appointed Ernst & Young to undertake the audit for the year ended 31 July 2017.

Disclosure of information to auditors

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

Approved by order of the members of the Board on 7 December 2017 and signed on its behalf by:

Ross Martin
Chair

Governance Statement

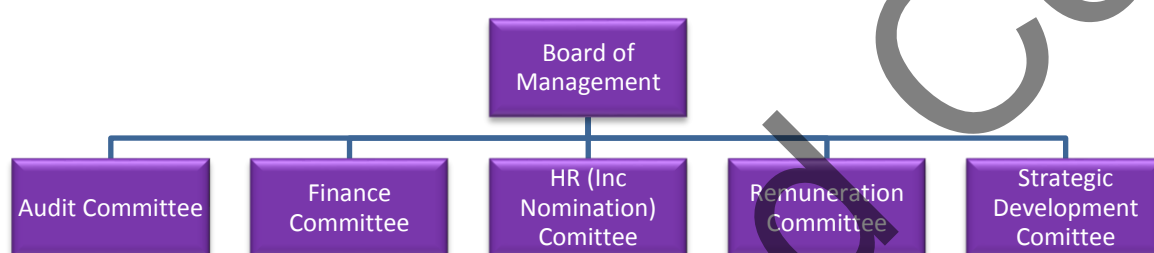
Introduction

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

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in Forth Valley College in the year to 31 July 2017 and reports the Board's assessment of the effectiveness of these arrangements.

Governance Structure

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



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

Board of Management Committees

Audit Committee

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

Finance Committee

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

HR Committee (Inc. Nomination Committee)

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

Remuneration Committee

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

Strategic Development Committee

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

Board of Management Members

Hugh Hall resigned as chair on 28 February 2017. Scottish Government approved the appointment of the vice-chair as acting chair until Scottish Ministers undertook a recruitment exercise to appoint a new Chair of the Board. Ross Martin was appointed as Chair on 1 August 2017.

During 2016/17 one non-executive Board member resigned and a recruitment process in line with the 2014 Ministerial guidance was undertaken. Following this process, the recommendations of the Board of Management were communicated to Scottish Ministers who approved the recommendation. This also resulted in the College maintaining, for the non-executive positions available, a 50-50 gender balance.

During the year 5 non-executive members became eligible for re-appointment. The Board approved the proposed re-appointments and sought Ministerial approval which was granted.

Membership now consists of 18 members as follows:

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

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

Members of the Board have a collective responsibility for the proper conduct of the College's affairs. Members have full and timely access to all relevant information to enable them to perform their roles effectively. Members' roles and responsibilities are described in the Code of Good Governance for Scotland's Colleges and the Guide for Board Members in the College Sector.

Board Effectiveness

The Board of Management has adopted the Code of Good Governance for Scotland's Colleges. The code outlines the activity to be undertaken by a Board. The Board of Management has an effective mix of skills in place, supplemented by a comprehensive induction process which is further enhanced by Board training activities such as the provision of equalities training.

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

An externally conducted effectiveness review was undertaken in December 2016, with the outcome being considered by the Board and then the report was published on the College's website.

Attendance

The Board of Management normally meets formally four times per year and has a number of committees which are formally constituted with terms of reference. During 2016/17 one meeting of the Audit Committee and one meeting of the Finance Committee were cancelled.

	Status	Date of Appointment/Re-Appointment	Date of Retiral/Resignation (If Applicable)	Board of Management (Three Meetings)	Audit Committee (Three Meetings)	Finance Committee (Three Meetings)	HR (Inc. Nomination) Committee (Three Meetings)	Remuneration Committee (One Meeting)	Strategic Development Committee (Four Meetings)
Number of Meetings				4	3	3	3	1	4
Mr H Hall, Chair	Regional Chair	03/03/14	28/02/17	2				1	
Mr Ross Martin	Regional Chair	01/08/17							
Mrs A Mearns, Vice Chair	Senior Non-Exec	26/03/17		3			3	1	4
Dr K Thomson	Principal	01/08/13		3					
Mr C Alexander	Non-Exec	26/03/17		2	2				
Mrs F Campbell	Non-Exec	26/03/17		4			3		3
Mr A Carver	Non-Exec	26/03/17		2		2			1
Mrs T Craggs	Non-Exec	06/12/16		3	1	1			
Ms L Dougall	Non-Exec	26/03/15		4	3			1	3
Mr D Flynn	Non-Exec	06/12/16		1			2		1
Ms B Hamilton	Non-Exec	26/03/17		3	1		3	1	
Mrs C Jack	Non-Exec	02/03/15		2		3			2
Mr L McCabe	Non-Exec	02/03/15		4		3		1	2
Mr K Richardson	Non-Exec	02/03/15		2		1			
Mr S Tolson	Non-Exec	26/03/15		2			1		
Ms A Winchester	Non-Exec	26/03/15	06/11/16	1	1				
Mr A Buchan	Student	12/06/17		3					4
Ms A Scobbie	Student	12/06/17							
Ms K Williams	Student	26/06/16	14/12/16	1					1
Mrs P Duncan	Staff	05/09/16		4		3			
Mr S Harrison	Staff	05/09/16		3					3

Assessment of corporate governance

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

One exception to this is in relation to the role of a Secretary to the Board. The Code of Good Governance states; "The board secretary may be a member of the senior management team in their board secretary capacity, but they cannot hold any other senior management team position at the same time".

The Board of Management recognises the importance of the Board Secretary being able to report directly to the Chair independently of the Principal in order to prevent any conflicts of interests, however believe that this can be achieved without the requirement to appoint a Board Secretary without other Senior Management Team responsibilities. The Board of Management have appointed the Associate Principal and Executive Director of Finance as Secretary to the Board along with the Corporate Governance & Planning Officer as Deputy Secretary to the Board, both of whom will report directly to the Chair in relation to the Board Secretary duties. The Board of Management believes any risk of non-disclosure or non-compliance not being reported to the Board of Management due to a conflict of interest is mitigated by the appointment of two individuals with direct reporting to the Chair. The Board of Management considers that governance is strengthened rather than weakened by the Associate Principal and Executive Director of Finance having a dual role within the Senior Management Team. This arrangement is not unusual in either the public or the private sector, indeed a similar practice is adopted by the Scottish Funding Council.

Estates Strategy

The Forth Valley College agreed Estates strategy comprises a vision for three new campuses. The first in Alloa, the second in Stirling and a third in Falkirk. A significant investment has already taken place in phases 1 and 2 of this strategy with Alloa and Stirling successfully completing on programme and within budget in 2011 and 2012 respectively. The new Falkirk Campus is planned to open in October 2019.

Significant progress has been made toward the realisation of the new Falkirk campus, with the approval of the Full Business Case in November 2016 and the submission of the final Decision Point 4 report to the Scottish Funding Council and Scottish Government, with approval received on 4 October 2017. Following this approval, the appointment of the main contractor Balfour Beatty occurred on 11 October 2017.

The new campus plans include servicing the current Falkirk Campus curriculum and will accommodate over 11,000 students of which almost 2,000 will be full time. The proposed New Falkirk Campus will be located on the cleared 10.87 acre Middlefield Campus site and an additional section of land (4.8 acres) to the East of this. The new facility will be 20,720 sqm and will incorporate state of the art and flexible teaching accommodation, as well as low carbon initiatives, such as Photovoltaics, a Ground Source Heat Pump system, Combined Heat and Power boilers, along with other sustainable functions required to meet the Building Research Establishment Environmental Assessment Method (BREEAM) standard.

Risk Management

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

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

The Principal is responsible for the maintenance of the College strategic risk register and for ensuring appropriate risk mitigation actions are implemented to address significant risks to College operations and strategic objectives. Senior Management Team members are responsible for establishing controls to mitigate identified risks wherever possible. This information is included on the Strategic Risk Register in summary form.

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

risk to the College have their own specific risk register. It is under this approach that an estates risk register was established to support the Falkirk campus project.

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

Internal Audit

The College has an internal audit service, the work of which concentrates on areas of key activities determined by an analysis of the areas of greatest risk, input from Senior Management Team and areas of significant change to operational systems/practices and in accordance with the annual internal audit plan approved by the Audit Committee. The internal auditors report to the Principal and to the Audit Committee on a regular basis and have direct access to the Chair of the Audit Committee. The internal auditors have issued an annual report which gives an opinion of the adequacy, reliability and effectiveness of the College’s internal control systems. On the basis of the work undertaken during the period the auditors have expressed an opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

Internal Control

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

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

In particular it includes:

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

Assessment of the effectiveness of internal controls

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

For the period to 31 July 2017, the Internal Auditors reported completion of all reviews in the Audit Plan except for a Risk Workshop which was held in October 2017. Internal Audit was of the opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

The external auditors have given an unqualified audit opinion on the accounts for the period to 31 July 2017 and on the regularity of transactions reflected in the accounts. No further significant issues have been identified as part of their audit process.

On the basis of the assurances provided from the sources of assurance outlined above, I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the period ended 31 July 2017 and up to the date of approval of the annual report and financial statements.

Going Concern

The Board of Management believes that pension liabilities resulting in a net liability in the Balance Sheet can be met as these fall due from future funding. The Board of Management has no reason to believe that future support from Scottish Funding Council will not be forthcoming and on that basis these financial statements have been prepared on a going concern basis.

Approved by order of the members of the Board on 7 December 2017 and signed on its behalf by:

Ross Martin

Chair

Dr Ken Thomson

Principal and Chief Executive

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REMUNERATION AND STAFF REPORT

Remuneration Report

This report outlines the remuneration policy of Forth Valley College for the Board of Management and the Senior Management Team (SMT), and provides details of members remuneration for the year ended 31 July 2017.

Board of Management

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

In February 2017, Hugh Hall resigned his position as Chair of the Board of Management. A new Chair, Ross Martin, was appointed in August 2017 by Scottish Ministers. The level of remuneration for the Chair is set by Scottish Government who informs Forth Valley College on an annual basis of any increase to be awarded.

Senior Management Team

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

The Principal and Chief Executive Officer and other SMT members are on standard Forth Valley College contracts of employment. Their contracts provide for a notice period of 3 months. For 2016/17 there was no bonus scheme in operation in Forth Valley College.

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

In April 2017, the Associate Principal and Executive Director Business Development left her post. Following consideration, it was decided not to fill this vacancy within the Senior Management Team, realising a saving for the College.

Remuneration Committee

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

The membership of the Remuneration Committee is made up of the Chair of the Board of Management plus the Chairs of each of the Board Sub Committees. All members have completed the mandatory online College Development Network Remuneration Committee training.

Senior Management Team Remuneration

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

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

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

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

SMT members are all members of either the Scottish Teachers' Superannuation Scheme (STSS) or the Local Government Pension Scheme (LGPS). As ordinary members, they contribute a rate of pensionable salary dependant on salary. In the financial period being reported the rates were between 9.2% to 12% and Forth Valley College contributed 17.2% of the employees' pensionable salary to the SPPA and 17.9% to the LGPS along with an additional flat fee for past pension costs. These schemes are defined benefit schemes. The LGPS scheme provides benefits at a normal retirement age of 65 for all LGPS benefits paid prior to 1 April 2015. For all LGPS benefits paid after 1 April 2015 and for STSS, benefits are provided at the state pension age. The pension benefits consist of an annual pension, based on a final pensionable salary calculation up to 31 March 2015 and a career average pensionable salary with effect from 1 April 2015. For members who joined before 1 April 2007 for STSS and 1 April 2009 for LGPS a tax free lump sum will be paid automatically.

Remuneration of the Principal and other Senior Management Team who served during the year to 31 July 2017, including salary, pension benefits and other allowances was:

	Year Ended 31 July 2017			Year Ended 31 July 2016		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£000	£000	£000	£000	£000	£000
Ken Thomson	120 - 125	80 - 85	205 - 210	115 - 120	55 - 60	170 - 175
Andy Lawson	100 - 105	55 - 60	160 - 165	95 - 100	35 - 40	135 - 140
Tom Gorman	95 - 100	50 - 55	145 - 150	90 - 95	50 - 55	140 - 145
Alison Stewart	85 - 90	50 - 55	135 - 140	80 - 85	30 - 35	110 - 115
David Allison	80 - 85	75 - 80	155 - 160	75 - 80	35 - 40	110 - 115
Colette Walker	65 - 70	10 - 15	75 - 80	75 - 80	30 - 35	110 - 115
Fiona Brown	70 - 75	50 - 55	125 - 130	65 - 70	25 - 30	95 - 100

Salary

Salary information includes gross salary, overtime and allowances to the extent that they are subject to UK taxation. This report is based on accrued payments made by the College and thus recorded in these accounts.

Chair Remuneration

For the year to July 2017 the Chairman was entitled to claim remuneration of £200 for every 7.5 hours up to a maximum total fee of £20,800. The Chair is not entitled to a pension in respect of their office.

Median Pay Multiples

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

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£	£
Annualised remuneration of the highest paid member of the Senior Management Team	123,792	116,115
Median Remuneration of Forth Valley College Employees	33,894	30,042
Remuneration Ratio	1 : 3.65	1 : 3.87

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

Including severance payments, no employee (2016: no employees) received remuneration in excess of the highest paid member of the Senior Management Team.

Pension Benefits

Pension benefits are provided to the Senior Management Team on the same basis as all other staff. The accrued retirement benefits of the Senior Management Team for the year to 31 July 2017 are:

	Accrued Pension at pension age as at 31 July 2017 and related lump sum	Real increase in Pension and related lump sum at pension age	Cash Equivalent Transfer Value		
			At 31 July 2017	At 31 July 2016	Increase net of members contributions
			£000	£000	£000
Ken Thomson	45 - 50 plus lump sum of 145 - 150	2.5 - 5.0 plus lump sum of 12.5 - 15	1,050	932	102
Andy Lawson	30 - 35 plus lump sum of 100 - 105	2.5 - 5.0 plus lump sum of 7.5 - 10.0	826	748	66
Tom Gorman	15 - 20 plus lump sum of 20 - 25	2.5 - 5.0 plus lump sum of 0 - 2.5	389	334	46
Alison Stewart	10 - 15 plus lump sum of 0 - 5	2.5 - 5.0 plus lump sum of 0 - 2.5	167	135	24
David Allison	25 - 30 plus lump sum of 50 - 55	2.5 - 5.0 plus lump sum of 2.5 - 5.0	439	387	44
Colette Walker	0 - 5 plus lump sum of 0 - 5	0 - 2.5 plus lump sum of 0 - 2.5	54	37	11
Fiona Brown	20 - 25 plus lump sum of 60 - 65	2.5 - 5.0 plus lump sum of 7.5 - 10.0	477	405	64

The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a point in time. The value of the accrued pension benefits has been calculated on the basis of the age

at which the person will first become entitled to receive pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlements into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

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

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

Real Increases in CETV

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

Staff Report

As at 31 July 2017 there were 625 staff in post. The split across gender and business area is detailed in the table below.

Employees	Male	Female	Total
Senior Management Team	4	2	6
Heads of Teaching / Service	7	8	15
Academic Staff	149	142	291
Support Staff	113	200	313
	<u>273</u>	<u>352</u>	<u>625</u>

The following table shows the number of inward seconded and agency staff employed by the College during the year:

	Year Ended 31 July 2017	Year Ended 31 July 2017	Year Ended 31 July 2017	Period Ended 31 July 2016
Seconded and Agency Staff	Inward secondees	Agency staff	Inward secondees and agency staff	Total of inward secondees and agency staff
	£000	£000	£000	£000
Total costs	91	89	180	135
Number of staff				
Academic/ Teaching Departments & Services	2	2	2	2
Administration and Central Services	<u>2</u>	<u>12</u>	<u>14</u>	<u>10</u>
	<u>2</u>	<u>14</u>	<u>16</u>	<u>12</u>

Attendance Management

Although the College recognises that employees need to be properly supported during absences, our priority is to meet our operational objectives. As a result, we take distinct steps to balance the needs of the individual with the needs of the organisation to effectively manage sickness absence. To achieve this balance, working with our

Occupational Health advisors, we take a positive and pro-active approach to attendance management. We also offer a range of services that staff can access to help them with their own wellbeing.

These include:

- advising all employees and line managers of their roles and responsibilities in managing absence through appropriate training, guidance and support
- monitoring and analysing absence and providing useful Management Information
- supporting employees with regular short-term absence to improve their level of attendance
- assisting employees on long-term absence to return to work successfully via individually tailored return to work plans
- allowing staff to self-refer to our Occupational Health Advisor on a confidential basis
- offering sessions to staff to help them with their own wellbeing at work, including those on managing stress or mindfulness
- providing access to a confidential Employee Assistance scheme to provide advice or counselling when dealing with issues of a personal, financial or legal matter.

In 2016/17, an average of 8 days (including leavers) was lost per staff member compared to 9.87 days from 2015/16. The 2016/17 average equates to 3% overall absence rate for the year.

Equality, Diversity and Inclusion

FVC is committed to ensuring that all staff and students can work or study in an environment that is free from discrimination, harassment and victimisation and that everyone can progress equally.

We are guided by the Equality Act 2010 which sets out our responsibilities to:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity
- promote good relations

This is important for all staff and students. In particular, we ensure equality in regards to protected characteristics.

We comply with the Equality Act by demonstrating our activities through a range of reports and information: Equality Mainstreaming report; Equality Outcomes progress report; Equalities Policy and Gender Pay Gap & Equal Pay information. We are committed to achieving our Equality Outcomes and strive to embed actions for equality in our strategic and operational planning processes.

FVC also now has an Access and Inclusion Strategy, part of our current Regional Outcome Agreement with the Scottish Funding Council. This outlines our broad range of support available for students and identifies areas for enhancement. In July 2017, we also published our three-year Gender Action Plan, which outlined our aims in relation to gender representation in College programmes. SFC will monitor these and implementation plans will be in place for AY 2017/18 to devolve responsibility for the actions across College.

The reports outlined above are at: <https://www.forthvalley.ac.uk/about-us/equality-diversity/>

Compensation for loss of office

No compensation was paid during 2016/17.

Dr Ken Thomson
Principal and Chief Executive
7 December 2017

AUDIT REPORT

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

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Forth Valley College for the year ended 31 July 2017 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2017 and of its deficit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK), our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income**Opinion on regularity**

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

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements**Opinions on other prescribed matters**

We are required by the Auditor General for Scotland to express an opinion on the following matters.

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the college and its environment obtained in the course of the audit, we have not identified material misstatements in the Performance Report or Governance Statement.

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- adequate accounting records have not been kept, or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records, or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Stephen Reid, (for and on behalf of Ernst & Young LLP)

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EB
7 December 2017

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 July 2017¹

INCOME	Note	Year Ended	Year Ended
		31 July 2017	31 July 2016
		£000	£000
Scottish Funding Council grants	2	23,809	23,188
Tuition fees and education contracts	3	7,746	8,214
Other grant income	4	2,082	281
Other operating income	5	1,251	1,455
Investment income	6	6	14
Donation from FVC Foundation	4	131	370
Total Income		35,025	33,522
EXPENDITURE			
Staff costs	8	23,864	23,467
Pension provision charge	10	384	547
Other operating expenses	11	6,236	6,543
Estates Development Costs		1,805	1,739
Depreciation (including impairment)	15	2,566	2,194
Interest and other finance costs	12	333	1,117
Donation to FVC Foundation	13	579	0
Total Expenditure		35,767	35,607
Deficit before other comprehensive income		(742)	(2,085)
Other comprehensive income			
Actuarial loss in respect of pension scheme		(1,322)	(2,498)
Unrealised deficit on revaluation of land and buildings	15	(12,768)	(1,650)
Total comprehensive income for the year		(14,832)	(6,233)
Represented by:			
Unrestricted comprehensive income for the year		(1,562)	(4,081)
Revaluation reserve comprehensive income for the year		(13,270)	(2,152)
		(14,832)	(6,233)

All items of income and expenditure are in respect of continuing activities.

¹ The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 36 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves for the year ended 31 July 2017

	Income and expenditure account Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2015	(17,076)	20,715	3,639
Deficit from the income and expenditure statement	(2,085)		(2,085)
Other comprehensive income	(2,498)	(1,650)	(4,148)
Transfers between revaluation and income and expenditure reserve	502	(502)	0
Total comprehensive income for the period	<u>(4,081)</u>	<u>(2,152)</u>	<u>(6,233)</u>
Balance at 1 August 2016	(21,158)	18,563	(2,595)
Deficit from the income and expenditure statement	(742)		(742)
Other comprehensive income	(1,322)	(12,768)	(14,090)
Transfers between revaluation and income and expenditure reserve	502	(502)	0
Total comprehensive income for the year	<u>(1,562)</u>	<u>(13,270)</u>	<u>(14,832)</u>
Balance at 31 July 2017	<u>(22,720)</u>	<u>5,293</u>	<u>(17,427)</u>

Balance Sheet as at 31 July 2017

	Note	As at 31 July 2017 £000	As at 31 July 2016 £000
Non Current Assets			
Tangible fixed assets	15	43,722	57,405
Current assets			
Stocks		25	30
Trade debtors and other receivables	16	1,703	1,620
Cash at bank and in hand	21	2,610	926
Total current assets		<u>4,338</u>	2,576
Less: Creditors - amounts falling due within one year	17	5,735	3,936
Net current liabilities		<u>(1,397)</u>	<u>(1,360)</u>
Total assets less current liabilities		42,325	56,045
Creditors - amounts falling due after more than one year	18	33,220	34,519
Provisions			
STSS early retirement provision	19	7,305	7,317
LGPS pension provision	19, 23	19,227	16,804
		<u>26,532</u>	<u>24,121</u>
Total Net Liabilities		<u>(17,427)</u>	<u>(2,595)</u>
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		(22,720)	(21,158)
Revaluation reserve		5,293	18,563
Total Reserves		<u>(17,427)</u>	<u>(2,595)</u>

The financial statements on pages 33 to 53 were approved by the Board of Management on 7 December 2017 and were signed on its behalf on that date by:

Ross Martin
Chairman

Dr Ken Thomson
Principal and Chief Executive

Cash Flow Statement for the year ended 31 July 2017

	Note	Year Ended 31 July 2017 £000	Year Ended 31 July 2016 £000
Cash flow from operating activities			
Deficit for the year		(742)	(2,085)
Adjustment for non-cash items			
Depreciation	15	2,566	2,194
Decrease/(Increase) in stock		5	(3)
Increase in debtors	16	(83)	(211)
Increase/(Decrease) in creditors	17, 18	1,748	(324)
(Decrease)/Increase in pension provision	19	(12)	148
Pension Costs	23	689	399
Adjustment for investing or financing activities			
Investment income	6	(6)	(14)
Interest payable	12	333	1,117
Capital grant income	2	(1,530)	(1,586)
Net cash inflow/(outflow) from operating activities		2,968	(365)
Cash flows from investing activities			
Capital grants receipts		690	155
Investment income	6	6	14
Payments made to acquire fixed assets	15	(1,651)	(155)
		(955)	14
Cash flows from financing activities			
Interest paid	12	(178)	(186)
Repayments of amounts borrowed		(151)	(146)
		(329)	(332)
Increase/(Decrease) in cash and cash equivalents in the year		1,684	(683)
Cash and cash equivalents at beginning of the year		926	1,609
Cash and cash equivalents at end of the year		2,610	926

Notes to the Financial Statements

1. Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2015/16 Government Financial Reporting Model (FRM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

Basis of accounting

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

The financial statements do not include the income and expenditure of the Students' Union as the College does not exert control or dominant influence over policy decisions.

Going Concern

The Board of Forth Valley College has no reason to believe that future funding will not be forthcoming. It has accordingly been considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

FRS 102

The accounts have been prepared incorporating the requirements of the accounting standard FRS 102.

Recognition of income

Income

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

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

Grant Funding

Government revenue grants including Funding Council block grants are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital Grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Tangible fixed assets

In line with FReM all tangible assets must be carried at fair value.

Land and Buildings

Land and buildings are measured using the revaluation model and accordingly, assets are revalued to fair value. Where appropriate Depreciated Replacement cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The land at Branshill, Alloa and the Middlefield site have been valued on the basis of Open Market value.

The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. In line with the FReM this will be supplemented by an interim professional valuation in year 3. Depreciation and impairment losses are subsequently charged on the revalued amount.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

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

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives. The expected useful life of buildings can vary from 20 to 50 years as determined by professional opinion and valuation.

Equipment

Equipment costing less than £10k per individual item or grouped items is written off to the Statement of Comprehensive Income in the year of acquisition. All other equipment and vehicles are capitalised and depreciated in accordance with the depreciation policy.

Depreciation

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

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

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Leased assets

Finance Leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The lease rentals are treated as consisting of capital and interest. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding.

Operating Leases

Leases not meeting the criteria of a finance lease are treated as an operating lease. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Revaluation reserve

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

Stocks

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash and cash equivalents

Cash and cash equivalents include sums on short-term deposits with recognised banks, building societies and government securities.

Taxation

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the College has a present or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Agency arrangements

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure.

Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Retirement benefits

The two principal pension schemes for the College are the Local Government Pension Scheme (LGPS) and the Scottish Teachers' Superannuation Scheme (STSS).

Local Government Pension Scheme (LGPS)

The LGPS is a pension scheme providing benefits based on final pensionable pay, prior to 1 April 2015 and a career average scheme from 1 April 2015. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the Statement of Comprehensive Income represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme (STSS)

The College participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the year.

Pension Provision

The College has made provision for the enhanced pensions, payable to former employees who have taken early retirement, for which it is liable. This provision is calculated based on the actuarial tables which take account of the enhancement payable, the age, sex and marital status of the former employee. The annual cost of the enhancement is funded from the provision. The provision is made in accordance with FRS 102 and any movements are adjusted through the Statement of Comprehensive Income.

Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
2 Scottish Funding grants		
FE recurrent grant (including fee waiver)	20,143	19,767
Childcare funds	552	646
SFC deferred income	1,530	1,586
Scottish Funding Council maintenance grant	961	393
Other Scottish Funding Council grants	623	796
Total	23,809	23,188
3 Tuition fees and education contracts		
Further education fees - UK & EU Students	114	130
Higher education fees	1,554	1,532
Skills Development Scotland Income	1,075	993
Education contracts	1,751	1,900
Other contracts	3,252	3,659
	7,746	8,214
4 Other grant income		
Forth Valley College Foundation	131	370
Other grants	2,082	281
Total	2,213	651
5 Other operating income		
Residences, catering and conferences	767	908
Other income-generating activities	95	93
Other income	389	454
Total	1,251	1,455
6 Investment income		
Other interest receivable	6	14
7 Donations		
There were no donations during 2016/17.		

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
8 Staff costs		
Salaries	18,408	18,614
Social security costs	1,744	1,485
Other pension costs (including FRS 102 adjustment of £689k); (2015/16: £399k)	3,712	3,368
Total	23,864	23,467
Academic/ Teaching Departments	14,420	14,330
Academic/ Teaching Services	3,252	3,156
Administration and Central Services	3,870	3,307
Premises	668	628
Other expenditure	443	356
Catering and Residences	356	411
Modern Apprentice Trainees	855	1,279
Total	23,864	23,467

Compensation for loss of office payable to a senior post-holder:

No senior post holder left office during the year.

The average number of full time equivalent employees, including higher paid employees, during the period was:

	No.	No.
Senior management	7	7
Academic/ Teaching Departments	267	262
Academic/ Teaching services, Admin and central services	246	232
Premises	12	13
Catering	18	18
Modern Apprentice Trainees	56	108
Total	606	640
Analysed as:		
Staff on permanent contracts	571	606
Staff on temporary contracts	35	34
	606	640

The number of staff, including senior post-holders and the Principal, having responsibility for planning, directing and controlling the activities of the College, and who received emoluments including benefits in kind where appropriate, excluding pension contributions, were as follows:

	2017	2017	2016	2016
	Senior post-holder No.	Other members of staff No.	Senior post-holder No.	Other members of staff No.
£50,001 to £60,000 per annum	0	8	0	8
£60,001 to £70,000 per annum	1	2	1	1
£70,001 to £80,000 per annum	1	0	2	0
£80,001 to £90,000 per annum	2	0	1	0
£90,001 to £100,000 per annum	1	0	2	0
£100,001 to £110,000 per annum	1	0	0	0
£110,001 to £120,000 per annum	0	0	1	0
£120,001 to £130,000 per annum	1	0	0	0

	Year Ended 31 July 2017	Year Ended 31 July 2016
9 Senior post-holders' emoluments	No.	No.

The number of senior post-holders that form the senior management team, including the Principal

7

7

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries and benefits	634	611
Employer's Pension contributions	111	107
Total emoluments	745	718

The above emoluments include amounts payable to the Principal, the highest paid senior post-holder, of:

Salary	124	116
Benefits in kind	0	0
	<u>124</u>	<u>116</u>

Pension contributions	<u>21</u>	<u>20</u>
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The Principal and two other senior post-holders were members of the Scottish Public Pensions Agency and the other four senior post-holders were members of the Local Government Pension Scheme. All pension contributions were paid at the same rate as for other members of staff.

The Chair of the Board of Management was entitled to claim remuneration of £21k in the financial period, £19k of which was paid to Hugh Hall following his resignation in February 2017 and £2k was accrued for fees to the end of July 2017. Other members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
10 Pension Provision Charge		
Increase due to revaluation of pension liability	214	296
Interest	170	251
	<u>384</u>	<u>547</u>

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
11 Other operating expenses		
Teaching departments	1,518	1,676
Administration and central services	1,368	1,331
Premises costs	1,356	1,288
Planned maintenance	325	299
Other employee related costs	388	420
Agency staff costs	89	70
Other income generating activities	229	321
Residences, catering and conferences	412	491
Childcare	551	647
Total	6,236	6,543
Other operating costs include:		
Auditors' remuneration		
- external audit of the financial statements	32	26
- internal audit services	14	17
- external auditors other services	0	4
Hire machinery - operating leases	81	126
Hire of premises - operating leases	56	70
	183	243
12 Interest and other finance costs		
Loan interest	178	186
Decrease in fair value of derivatives	(257)	441
Pension finance costs (note 23)	412	490
Total	333	1,117
13 Forth Valley College Foundation		
Donation to Forth Valley College Foundation	579	0

14 Taxation

The Board does not consider that the College was liable for any corporation tax arising out of its activities during the period.

15 Tangible Fixed Assets

Land and buildings were revalued at 31 July 2015 by DM Hall, Chartered Surveyors, in the capacity of independent valuer and in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. As the majority of the College's buildings are specialised buildings, open market value is not an appropriate basis of valuation. Accordingly, Land and buildings are valued on the basis of depreciated replacement cost with the exception of the land at Branshill, Alloa and the Middlefield site at Falkirk, which are valued on the basis of Open Market value. Land is not depreciated and buildings are depreciated over their estimated life as identified by the valuer.

On 4 October 2017, final Ministerial approval was granted for the construction of the new Falkirk campus on the Middlefield site. Accordingly, a valuation was sought for the existing Falkirk campus on Grangemouth Road, which resulted in the buildings being impaired by £13.2m, £12.8m of which was covered by the revaluation reserve and £0.4m charged to the Statement of Comprehensive Income for 2016/17.

	Land and Buildings	Plant and Equipment	Total
	£000	£000	£000
Cost or valuation			
At 1 August 2016	58,446	4,838	63,284
Revaluation	(12,768)	0	(12,768)
Additions	1,167	484	1,651
At 31 July 2017	46,845	5,322	52,167
Depreciation			
At 1 August 2016	1,759	4,120	5,879
Charge for the year	1,772	379	2,151
Impairment	415		415
At 31 July 2017	3,946	4,499	8,445
 Net Book Values at 31 July 2016	 <u>56,687</u>	 <u>718</u>	 <u>57,405</u>
 Net Book Value at 31 July 2017	 <u>42,899</u>	 <u>823</u>	 <u>43,722</u>

Land and buildings with a net book value of £42m have been funded from either local authority sources or from Scottish Funding Council capital grants. These assets may not be disposed of without the prior approval of the Scottish Funding Council and the College may have to return all or part of the sale proceeds to the Scottish Funding Council.

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
16 Trade debtors and other receivables		
Amounts falling due within one year:		
Trade debtors - net of provision for doubtful debts	572	448
Prepayments and accrued income	1,131	1,172
	<u>1,703</u>	<u>1,620</u>
 17 Creditors: Amounts falling due within one year		
Trade creditors	633	251
Other taxation and social security	521	505
Accruals and deferred income	2,440	1,498
Loan Repayment	160	151
Other creditors	520	112
Deferred capital grant	1,461	1,419
	<u>5,735</u>	<u>3,936</u>
 Deferred income		
Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:		
Grant income	115	66
Other income	214	218
	<u>329</u>	<u>284</u>

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
18 Creditors: Amounts falling due after one year		
Deferred Income		
Secured/Unsecured Loan	3,904	4,064
Deferred capital grant	28,730	29,612
Interest rate swap	586	843
	<u>33,220</u>	<u>34,519</u>
Analysis of secured and unsecured loans		
Repayable within one year	160	151
Repayable between one and two years	167	160
Repayable between two and five years	553	574
Repayable over five years	3,184	3,331
	<u>4,064</u>	<u>4,216</u>

The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011/12. The College has an interest rates swap at 31 July 2017 of £4.1m (July 16: £4.2m) at a fixed rate of 4.3% which terminates on 30 July 2029. In the 12 month period to 31 July 2017, the College repaid £151k (2016: £146k) of the loan principal.

	STSS Early Retirement	LGPS Pension	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000	£000	£000
19 Provisions for liabilities and charges				
At 1 August 2016	7,317	16,804	24,121	20,585
Utilised in year	(396)	(1,479)	(1,875)	(1,800)
Additions in 2016/17		2,168	2,168	1,801
Revaluation adjustment	214	1,322	1,536	2,794
Interest charged	170	412	582	741
At 31 July 2017	<u>7,305</u>	<u>19,227</u>	<u>26,532</u>	<u>24,121</u>

The STSS early retirement provision above is in respect of future pension liabilities arising from early retirees. The value of the provision is based on a valuation at 31 July 2017 performed by Hymans Robertson, an independent firm of actuaries.

The LGPS pension provision relates to the liability under the College's membership of the Local Government Pension Scheme. Further details are provided at note 23.

20 Restricted Reserves

The college has no restricted reserves as at 31 July 2017

	As at 31 July 2016	Cash	As at 31 July 2017
	£000	£000	£000
21 Cash and cash equivalents			
Cash and cash equivalents	926	1,684	<u>2,610</u>

	Equipment	Property	Year Ended 31 July 2017 Total	Year Ended 31 July 2016 Total
	£000	£000	£000	£000
22 Lease commitments				
Payable during the year	81	56	137	196
Future minimum lease payments due:				
Not later than 1 year	85	23	108	109
Later than 1 year and not later than 5 years	247	0	247	267
Later than 5 years	0	0	0	0
Total lease payments due	332	23	355	376

23 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS).

	Year Ended 31 July 2017 Total	Year Ended 31 July 2016 Total
	£000	£000
The total pension costs for the institution was :		
Contribution to STSS	1,572	1,567
Contribution to LGPS	1,451	1,402
Pension costs (as a result of FRS 102)	689	399
Total pension cost (Note 8)	3,712	3,368
Employer contribution rates		
STSS	17.2%	17.2%
LGPS	17.9%	17.9%

The Scottish Teachers' Superannuation Scheme

Forth Valley College participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The valuation as at 31 March 2016 will set contribution rates from 1 April 2019.

Forth Valley College has no liability for other employer's obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Forth Valley College is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate from 1 April 2015 was 14.9% of pensionable pay. This increased to 17.2% from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employer's pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employer's contribution rate.

The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2015 were £350.7million as per the Scottish Public Pensions Agency website. Forth Valley College's level of participation in the scheme is 0.5% based on the proportion of the employer contributions paid in 2016/17.

The Local Government Pension Scheme

The Falkirk Council Pension Fund for non-academic employees is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 July 2017 was £1,886k of which employer's contributions totalled £1,451k and employee's contributions totalled £435k. The agreed contribution rates are 17.9% for employers and between 5.5% and 12% for employees.

The following information is based upon a full actuarial valuation of the fund at 31 March 2014 by a qualified independent actuary, rolled forward to 31 July 2016 using approximation methods which allow for changes in financial assumptions, additional benefits, cash flows and actual pension increase orders.

Principal Actuarial assumptions

Life expectancy is based on the Vita Curves mortality tables with some adjustments. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male years	Female years
Current pensioners	22.1 years	23.8 years
Future pensioners	24.3 years	26.3 years
	As at 31 July 2017	As at 31 July 2016
Pension increase rate	2.5%	1.9%
Salary increase rate	4.0%	3.4%
Discount rate	2.7%	2.4%

The assets of the scheme and the expected rates of return were:

	Split of investments 31 July 2017	Split of investments 31 July 2016
Equities	65%	65%
Bonds	23%	24%
Property	6%	7%
Cash	6%	4%

The following information is in relation to the Statement of Comprehensive Income:

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
Comprehensive Income and Expenditure Statement		
Current service cost	2,168	1,801
Interest cost	1,216	1,527
Interest income on plan assets	(804)	(1,037)
Total	2,580	2,291
Reconciliation of present value of defined benefit obligations		
Opening defined benefit obligations	49,874	41,748
Current service cost	2,168	1,801
Interest cost	1,216	1,527
Contributions by members	435	422
Remeasurements		
- change in financial assumptions	3,782	5,687
- other experience	9	(459)
Benefits paid	(934)	(824)
Unfunded benefits paid	(28)	(28)
Closing defined benefits obligation	56,522	49,874
Reconciliation of the movements in the fair value of the plan assets		
Opening fair value of the plan assets	33,070	28,331
Interest income on plan assets	804	1,037
Remeasurements		
- return on plan assets excluding the amount included in the net interest	2,469	2,730
Contributions by members	435	422
Contributions by employer	1,451	1,374
Contributions in respect of unfunded benefits	28	28
Benefits paid	(934)	(824)
Unfunded benefits paid	(28)	(28)
Closing fair value of the plan assets	37,295	33,070
The underlying net liability for retirement benefits attributable to the College at 31 July	19,227	16,804

Analysis of projected amount to be charged to operating result for the year to 31 July 2018

	Year Ended 31 July 2018
	£000
Projected current service cost	2,375
Interest on obligation	1,743
Interest income on plan assets	(1,020)
Total	3,098

24 Related Party Transactions

The College's board members are the trustees for charitable law purposes. Due to the nature of the College's operations and the composition of its Board of Management being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

During the period under review, transactions with bodies in which a member of the Board of Management has an interest and which, in aggregate, exceeded £5k are noted below:

Member	Organisation	Contract	College Sales	College Purchases
			£000	£000
Mr K Thomson	Historic Environment Scotland	Educational	61	0
Mr K Thomson	Ceteris	Educational	0	7
Mr C Alexander	BP Oil Exploration Ltd	Educational	445	0
Ms T Craggs	Historic Environment Scotland	Educational	61	0
Miss L Dougall	University of Strathclyde	Educational	49	0
Mr L McCabe	University of Stirling	Educational	1,179	8
Mr L McCabe	APUC	Educational	0	84

At 31 July 2017 the following balances existed which were greater than £5k, for the organisations noted above:

Organisation	Due to the College	Due from the College
	£000	£000
University of Stirling	97	0
BP Oil Exploration	26	0
	<u>123</u>	<u>0</u>

The College had transactions during the year, or worked in partnership with, the following bodies in which members of the Board of Management hold, or held, official positions.

Member	Organisation	Post
Miss L Dougall	University of Strathclyde	Faculty Manager
Mrs C Jack	Scottish Power Energy Networks	Head of Delivery (Central & Fife)
Mr L McCabe	University of Stirling	Director of Finance
Mr L McCabe	Advanced Procurement for Universities and Colleges	Director of APUC Ltd
Ms T Craggs	Historic Environment Scotland	Board Member
Mr C Alexander	BP Oil Exploration Ltd	Reliability and Maintenance Manager
Mr K Thomson	Historic Environment Scotland	Board Member
Mr K Thomson	Ceteris	Board Member

25 Financial Instruments

Financial assets and liabilities are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the assumption that the fair value of trade and other receivables (note 16) and trade creditors (note 17) is taken to be the invoiced or billed amount.

Liquidity risk – The College uses an interest rate swap to adjust interest rate exposure in order to guarantee fixed interest payments for a bank loan (note where payments are variable and hence exposed to interest rate movements). The swap has a fixed rate of 4.3% and the fair value as at July 2017 was £586K (2016: £843k). The swap is due to terminate on 30 July 2029. The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011/12. In the year to 31 July 2017 the college repaid £151k of the loan principal. A covenant was arranged as part of the original loan agreement.

	FE Bursary	EMA's	Other	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000	£000	£000	£000
26 FE Bursary and other Student Support Funds					
Balance brought forward	0	0	0	0	252
Allocation received in year	3,202	211	249	3,662	3,199
	<u>3,202</u>	<u>211</u>	<u>249</u>	<u>3,662</u>	<u>3,451</u>
Expenditure	(2,960)	(211)	(236)	(3,407)	(3,451)
Balance carried forward	<u>242</u>	<u>0</u>	<u>13</u>	<u>255</u>	<u>0</u>
Represented by:					
Repayable to Funding Council as Clawback	242	0	13	255	0
	<u>242</u>	<u>0</u>	<u>13</u>	<u>255</u>	<u>0</u>

FE Bursary and Student Support Fund grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
27 Childcare Funds		
Balance brought forward	0	13
Allocation received in year	625	633
	<u>625</u>	<u>646</u>
Expenditure	(551)	(646)
Balance carried forward	<u>74</u>	<u>0</u>
Represented by:		
Repayable to Funding Council as Clawback	74	0
	<u>74</u>	<u>0</u>

Childcare Fund transactions are included within the College Income & Expenditure account in accordance with the Accounts Direction issued by the Scottish Funding Council.

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
28 HE Discretionary		
Balance brought forward	1	1
Allocation received in year	157	127
	<u>158</u>	<u>128</u>
Expenditure	(153)	(126)
Repayable to SAAS as Clawback	(5)	(1)
Balance carried forward	<u>0</u>	<u>1</u>
Represented by:		
Repayable to SAAS as Clawback	5	1
	<u>5</u>	<u>1</u>

33 Capital Commitments

As a result of the approval of the New Falkirk Campus, there is a contracted capital commitment of £65m for the construction works for the New Campus for which no provision has been made.

34 Contingent Liabilities

The college has no contingent liabilities at 31 July 2017

35 Post Balance Sheet Events

Scottish Ministers approved the development of the New Falkirk Campus on the 4 October 2017. The existing Falkirk campus has been impaired to reflect the decision made to dispose of the asset in 2 years' time on the completion of the New Falkirk campus.

36 Non-cash allocation

Deficit before other gains and losses	(742)	(2,085)
Non-cash allocation for depreciation (net of deferred capital grant)	608	613
Operating deficit on Central Government accounting basis	(134)	(1,472)

Following reclassification, colleges received additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) in order to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the college recorded an operating deficit of £742k for the year ended 31 July 2017. After taking account of the Government non-cash budget, the college shows an "adjusted" deficit of £134k on a Central Government accounting basis.

37 Accounting estimates and judgements

During financial year 2017/18 there will be formal revaluations obtained for the following areas which may cause material adjustments to the carrying values, but which are non-cash items:

- Interest rate risk - the College is exposed to interest rate movements on the loan and as a result entered into a swap arrangement when the loan was agreed. As a complex financial instrument the swap is being accounted for at fair value at each year end. In the current market environment the fair value of the swap agreement is a liability to the College, as assessed by the bank and confirmed as reasonable through an independent assessment. The interest rate swap fair value was a liability at 31 July 2017 but if the LIBOR interest rates and other market factors change going forward there is the potential for the fair value of the swap to be assessed as an asset for the College rather than a liability, or for the liability to increase
- LGPS Pension liability - the College's participation in the Local Government Pension Scheme requires the funding of liabilities that may stretch out 60-70 years based on the working lives of active members and period during which pensions are in payment. During these periods there will be diverse economic cycles, varying levels of investment return and changes in mortality rates. The key assumptions that impact on the net pension liability in future are set out within note 23
- STSS Early Retirement provision. The College has a provision for staff who had early retirement. The amount of this liability varies based on a number of factors, but most significantly on the discount rate applied by the actuary. The key assumptions used in the valuation are the same as for the LGPS (as set out in note 23).

The following are other areas where there is significant estimates or judgements which affect the financial statements:

- Depreciation - depreciation rates have been set for the Falkirk, Alloa and Stirling campuses based on the recommendations of estimated useful lives by valuers.
- LGPS - Cash payments - all of the factors set out above regarding the LGPS could impact on the College's Cash flow position as they could require the actuary to set a revised employer contribution rate having undertaken the three yearly valuation of the pension fund. Whilst there is always an element of uncertainty as to the extent of any change in the contribution rate, the actuary is obliged to have regard to the Fund's Funding Strategy which is to take a prudent long term view of liabilities and maintain as constant an employer contribution rate as possible.

Appendix 1 Accounts Direction from Scottish Funding Council

1. It is the Scottish Funding Council's direction that colleges comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
2. Colleges must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (for assigned colleges).
3. Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2016/17 (FReM) where applicable.
4. Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2017.
5. The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body
6. Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
30 June 2017

Forth Valley College

Year ended 31 July 2017

Annual Audit Report - draft

Audit Committee – 23 November 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. We undertake our audit in accordance with the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

This report is for the benefit of the College and is made available to the Auditor General 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.

Purpose of this report

In accordance with section 21 of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland appointed EY as the external auditor of Forth Valley College (the College) for the five year period 2016/17 to 2020/21. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise our key findings and conclusions from our audit work. It is addressed to both the members of the College and the Auditor General for Scotland, and presented to both College management and those charged with governance, identified as being the Board and the College's Audit Committee. It will be published on Audit Scotland's website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the College. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Scope and responsibilities

The Code sets out the responsibilities of both the College and the auditor. We provided details of these in our Annual Audit Plan, which was presented to the Audit Committee on 14 September 2017. We summarise the responsibilities of the College in Appendix A.

Our Annual Audit Plan also provided you with an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £450,000 and a Tolerable Error of £325,000. We reassessed this using the actual year-end figures, to confirm that the materiality remained appropriate for the audit. No adjustment was made to materiality amounts communicated in our Annual Audit Plan. The threshold for reporting audit differences was £20,000.

Audit opinion

We [have issued] an unqualified opinion that the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council (SFC) of the state of the affairs of the College as at 31 July 2017 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Key contacts

Stephen Reid, Partner
sreid2@uk.ey.com

Keith Macpherson, Head of GPS Audit, Scotland
kmacpherson@uk.ey.com

Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EB

Acknowledgement

We would like to thank all members of the College's management and staff who have been involved in our work for their co-operation and assistance during our audit work.

Accounting and audit matters – our reporting on the College's financial statements

Preparation of financial statements

- The draft financial statements presented for audit were of good quality and required minimal adjustments to comply with the SORP disclosure requirements.
- There were no adjusted audit differences identified to bring to your attention. There are no unadjusted audit differences.

Significant risks

- Our testing has not identified any material misstatements from revenue and expenditure recognition. Overall our audit work did not identify any material issues to indicate any misreporting of the College's financial position based on manipulation of revenue or expenditure transactions.
- We have reviewed the documentation around the one-off significant transaction involving a £2 million donation from Glasgow Kelvin College. We are satisfied that this has been appropriately accounted for in the financial statements.
- We have not identified any material weaknesses in the design and implementation of controls tested as part of our audit, or evidence of material management override through inappropriate judgements being applied.

Other inherent risks

- We are satisfied that management has adequate arrangements to ensure that property, plant and equipment is appropriately valued within the financial statements. Recognising the approval to proceed with the new Falkirk campus building, valuation of the existing assets was commissioned and a total reduction in value of £13.2 million identified, £0.4 million of which was charged to the deficit as an impairment below cost.
- The FPF defined pension scheme liabilities were estimated using actuarial assumptions which we consider to be reasonable. We have undertaken appropriate testing of underlying data to support the calculation of the liability.

Other matters and reporting requirements

- Our testing on opening balances was completed satisfactorily. We have no matters to bring to your attention in respect of our work on the qualitative aspects of the financial statements.
- In respect of our responsibility to report on the regularity of transactions, we have concluded that in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.
- In respect of our 'Opinions on other prescribed matters', which includes the Performance Report, the auditable part of the remuneration report and the Governance Statement we have concluded that our opinion is unqualified. We have not identified any other matters on which we are required to report by exception.

Wider scope audit dimensions – our judgements and conclusions on the College's arrangements continued

Financial Management

- The College reported a deficit of £0.7 million for the year (2015/16: £2.1 million). Following revaluation losses of £12.8 million and actuarial losses of £1.3 million, the College reported a total comprehensive loss for the year of £14.8 million (2016: £6.2 million deficit). Within the Performance Report, the College uses the suggested format from the SFC to reconcile the reported deficit to the underlying surplus/deficit position. On this basis, the underlying position is a surplus of £0.7 million (2015/16: £1.4 million surplus).
- The College has well established financial management arrangements, and we are satisfied that these are adequate for the management of its financial activities.

Financial sustainability

- We have concluded that achieving financial sustainability continues to represent a significant challenge for the College. Financial planning is constrained by the requirement to deliver in year resource targets. The College is working through the implications of the national pay bargaining settlement and how that affects its longer term financial forecasts.
- Development of the new Falkirk campus is a key project for the College and will involve significant senior management time. The interaction of the funding model with the costs, and allocation of different sources of income against the build costs, will need to be tracked carefully going forward.

Governance and transparency

- We have concluded that the College has established appropriate arrangements to demonstrate good governance and transparency in its operational activity.
- There is a commitment to transparency, with the conduct and detail of business of the College made available on the website.
- The independent Board effectiveness review reported positively in respect of the governance arrangements and the operation of the Board.

Value for Money

- The College has approved its Strategic Plan for the period 2017-22 and identified how it intends to deliver on the plan, and the overarching mission, through a series of enabling strategies.
- The College reports on its website in terms of annual performance, with key indicators included in the financial statements. There is scope to consider more information in terms of how performance compares to the targets the College sets itself in these areas.

Appendices

We have confirmed our independence to act as auditor of the College. Auditor remuneration of £22,470 was agreed with management.

**1. Financial
statements and
accounting**

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1. Financial statements and accounting



The College's annual financial statements enables the Board to demonstrate accountability for its resources and its performance in the use of those resources during the year. They are prepared in accordance with applicable law and UK Generally Accepted Accounting Practice.

Audit opinion

In respect of the financial statements, we report on the truth and fairness in accordance with the requirements of the Further and Higher Education (Scotland) 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), and United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The detailed form and content of our audit report, plus the requirements underpinning the report, are contained in the Audit Scotland guidance at http://www.audit-scotland.gov.uk/uploads/docs/um/tgn_2017-7_further_education.pdf (Appendix 1).

We [issued] an unqualified opinion based on the satisfactory completion of our work.

Financial statements preparation

As part of our oversight of the Board's financial reporting process, we report on our consideration of the quality of working papers and supporting documentation prepared predominantly by the finance team to support the audit.

The financial statements were prepared in accordance with the 2015 Statement of Recommended Practice for Further and Higher Education (SORP) alongside the Government Financial Reporting Manual (FRM) 2016/17.

The draft financial statements presented for audit were of good quality and required minimal adjustments to comply with the SORP disclosure requirements.

Materiality

We planned our procedures using a materiality of £450,000. We reassessed this using the actual year-end figures, to ensure that our level of materiality remained appropriate. We did not change our assessment of materiality as a result of this reassessment. Our Tolerable Error for the audit was £325,000 and the threshold for reporting audit differences was £20,000. We also identified areas where misstatement at a lower level than materiality might influence the reader of the financial statements and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits - we applied a materiality of £1,000 based on the potential sensitivity of these disclosures.
- Related party transactions - we considered the nature of these disclosures individually.

Audit differences

There were no adjusted audit differences identified to bring to your attention.

There are no unadjusted audit differences.

Our Audit Plan identified key areas of focus for our audit of the College's financial statements, including significant risks. This report sets out the results of our audit procedures plus relevant observations, including our views on areas which might be conservative, and where there may be potential risk and / or exposure.

Significant risk – risk of fraud in revenue recognition

What is the risk?

Under ISA 240 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.

We rebutted the presumed revenue recognition risk in relation to SFC core funding to the College. This was based on the fact that the funding is clearly allocated for delivery of activity within the financial year. Prior year College returns to the SFC have demonstrated that it has delivered on student credits (formerly SUMs) with no history of material clawback from the SFC. As there has been no history of issues or concerns raised through internal audit review of the College's data return for funding (FES) to the SFC, we considered the risk over potential clawback due to inaccurate data as low. 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. We also recognise the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10.

Results of audit procedures

We undertook the following procedures as part of our audit:

- Reviewed and tested revenue and expenditure recognition policies against the relevant accounting standards and the SORP. We also considered any accounting estimates on revenue or expenditure recognition for any evidence of bias.
- Developed a testing strategy in respect of material revenue and expenditure streams. For tuition fees and education contracts, we performed analytical review and substantive testing across a sample of contracts to ensure appropriate recognition. For SFC and other funding body grant income we reviewed all material grant funding recognised in the year for any indicators of either claw-back or that the terms and conditions of the financial memorandum have not been complied with in all material respects. In doing so, we considered the work of internal audit in respect of the College's FES return. We considered the conclusions of internal audit and their opinion on the return as providing additional assurance that there would be no potential reclaim of SFC funding paid to the College. For other income, we performed analytical review and substantive testing over a sample of transactions to gain assurance.
- We performed focused additional testing around transactions posted at the year end to gain comfort that key items are recorded in the correct accounting period. In particular we focused on any transactions incurred after 31 July, but included in the 2016/17 financial ledger.
- Reviewed and tested a sample of debtor balances at the year end, including material balances. We undertook an assessment of aged balances held on the balance sheet at year end including investigation of unusual items, such as those past payment due date.

There are no matters to raise with you as a result of the work performed.

Significant Risk, fraud in income and expenditure recognition – what have we concluded?

- Our testing has not identified any material misstatements from revenue and expenditure recognition. Overall our audit work did not identify any material issues to indicate any misreporting of the College's financial position based on manipulation of revenue or expenditure transactions.

Significant risk – management override

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Results of audit procedures

Test the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements

We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify any unusual journal types or amounts based on our identified risk areas for the audit. We then tested a sample of these journals, understood their purpose and agreed and corroborated them to supporting documentation.

Review accounting estimates for evidence of management bias, including management's retrospective consideration of prior year estimates

We identified and considered the appropriateness of key accounting estimates, including provisions, and their susceptibility to bias. Management has disclosed their consideration of the critical accounting judgements and key estimates in the financial statements. We have reviewed these and agree with the detail of the assessment performed.

Evaluate the business rationale for any significant unusual transactions

With the exception of the donation received from Glasgow Kelvin College (reported later), and the accounting transactions relating to that donation, we did not identify any significant unusual transactions.

We have not identified any material weaknesses in the design and implementation of control arrangements tested as part of our audit, or evidence of material management override through inappropriate judgements being applied.

Significant risk, Management override – what have we concluded?

- We have not identified any material weaknesses in the design and implementation of controls tested as part of our audit, or evidence of material management override through inappropriate judgements being applied.

Significant risk – donation from Glasgow Kelvin College

What is the risk?

In March 2017, the College received a £2 million donation from Glasgow Kelvin College. The purpose of the donation, made 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.

As an unusual and non-routine transaction, management had discussed this with us at the time of receipt to ensure the accounting for the transaction was correct while making consideration of the interaction between resource accounting and financial statements reporting under the SORP.

Results of audit procedures

We have already provided management with our view on the accounting for this significant unusual transaction, in accordance with the accounting policies adopted by the College on transition to FRS 102. We identified an issue with the accounting as initially proposed to and by the College whereby, as a central government body, the donation from Glasgow Kelvin College should be accounted for in accordance with the College's accounting policy on government grants, as opposed to treating the income as a donation from a third-party charity.

As a result, management identified and entered into a sequence of transactions to enable recognition of the donation in 2016/17 in line with the purpose and restriction associated with it. This ensured that the cash was not 'frozen' for resource accounting purposes.

We have obtained evidence that the donation was applied to purchase the land at Middlefield which supports the new campus development. The balance of the donation was used to support estates development costs associated with the campus project.

As a result of the latter, the College had a resource underspend for which approval was sought and obtained from the Scottish Funding Council to enable donation of the underspend to the Forth Valley College Foundation. This donation totalled £579,000.

Management entered into correspondence with the Scottish Funding Council in respect of the above transactions, seeking Board and SFC approval as required. We are satisfied therefore that there was an appropriate audit trail in respect of the transaction and its consequences.

Significant risk, donation from Glasgow Kelvin College – what have we concluded?

- We have reviewed the documentation around the one-off significant transaction involving a £2 million donation from Glasgow Kelvin College. We are satisfied that this has been appropriately accounted for in the financial statements.

Other inherent risks

Valuation of property, plant and equipment

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.

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.

With the approval of the full business case for the significant planned investment in the Falkirk Campus, management 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.

Results of audit procedures

In response to the inherent risk we performed the following audit procedures:

- We agreed the carrying value of assets held to source data and enquired of management as to the procedures used to establish whether the source data is complete.
- We reviewed the basis of asset valuations and performed an assessment of the reasonableness of the assumptions and methods used, including their compliance with the SORP and FReM.
- Considered the appropriateness of the timing of when management's specialist carried out the work and whether the substance of the specialist's findings are properly reflected in the financial statements.

The valuation of land in relation to the sites affected by the Falkirk Campus development took into account the restricted useful economic life of the related assets, recognising that they will be disposed of on completion and transfer to the new building.

This resulted in a reduction in value of £13.2 million, £12.8 million of which was recognised against the revaluation reserve through other comprehensive income with the balance of £0.4 million charged to the deficit as an impairment below cost of the asset.

We are satisfied that management has undertaken sufficient procedures to gain assurance that property, plant and equipment is held at an appropriate value as at the reporting date. A full interim professional valuation will be undertaken in 2017/18.

Other inherent risk, valuation of property, plant and equipment – what have we concluded?

- We are satisfied that management has adequate arrangements to ensure that property, plant and equipment is appropriately valued within the financial statements. Recognising the approval to proceed with the new Falkirk campus building, valuation of the existing assets was commissioned and a total reduction in value of £13.2 million identified, £0.4 million of which was charged to the deficit as an impairment below cost.

Other inherent risks

Valuation of pension liabilities

The College participates in two pension schemes; the Falkirk Council 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.

FPF is accounted for as a defined benefit scheme. The net pension liabilities on the balance sheet arising from participation in the scheme were £19.2 million as at 31 July 2017.

Results of audit procedures

In response to the identified inherent risk we:

- Obtained actuarial reports at the year end date for the FPF scheme and considered the reasonableness and consistency of assumptions underpinning such reports, in light of guidance available ensuring compliance with funding agreements.
- Utilised our in-house actuaries to assess the reasonableness of key assumptions such as discount rate, inflation and expected market return.
- Performed substantive testing on the verification of the pension assets and audited the calculation of the College's valuation and disclosure in the financial statements.

In respect of the provision for future early retirement obligations, we reviewed the College's calculation of the provision as at 31 July 2017, including the reasonableness of management's assumptions and the accuracy of amounts calculated. We performed substantive testing to gain assurance over the underlying data used to calculate the provision.

Other inherent risk, valuation of pension liabilities – what have we concluded?

- The FPF defined pension scheme liabilities were estimated using actuarial assumptions which we consider to be reasonable. We have undertaken appropriate testing of underlying data to support the calculation of the liability.

In accordance with Audit Scotland requirements, our independent auditor's report also covers the key narrative statements such as the Performance Report, the Accountability Report and the Remuneration and Staff Report which the College is required to include within its Annual Report and Accounts.

Other reporting requirements

Performance Report

In accordance with the Code, we review the information contained within the Performance Report and confirm that this is consistent with the information reported within the financial statements. As a new responsibility in 2016/17, under the Code, Audit Scotland requires us to also express an opinion on whether the Performance Report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We are satisfied that the information with the Performance Report is consistent with the financial statements and has been prepared in accordance with applicable requirements.

Accountability Report, including the Governance Statement

Audit Scotland requires us to read the information in the annual governance statement and express an opinion on whether Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council. We are satisfied that the information with the Governance Statement is consistent with the financial statements and has been prepared in accordance with applicable requirements.

Remuneration and staff reports

Auditors are required by the Code to audit the disclosures of remuneration and pension benefit, pay bands, and exit packages and express a separate opinion within their independent auditor's report on whether they have been properly prepared in accordance with the Regulations. We are satisfied that auditable part of the remuneration and staff report has been properly prepared in accordance with regulations.

Regularity opinion

The Board of Management is responsible for ensuring the regularity of expenditure and income. Auditors are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000. In our opinion, in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Other audit matters – opening balances

International Standard on Auditing (UK) 510: *Initial audit engagements – opening balances* requires auditors to obtain sufficient, appropriate audit evidence that opening balances do not contain misstatements that materially affect the financial statements. The standard also requires auditors to verify that appropriate accounting policies are reflected in the opening balances and that they have been consistently applied in the current period's financial statements.

The results of our procedures were satisfactory and we have no matters to report to you in respect of this.

Other reporting requirements – what have we concluded?

- We reviewed the other information presented within the financial statements and provided management with minor comments to enhance the content, structure and presentation of these. These were amended by management.
- In respect of our 'Opinions on other prescribed matters', which includes the management commentary, the auditable part of the remuneration report, and the annual governance statement, our opinion is unqualified.
- We have not identified any other matters on which we are required to report by exception.

**2. Wider scope
audit**

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2. Wider scope audit



In accordance with the Code, we provide judgements and conclusions in respect of our work on the four audit dimensions of public sector audit: financial management; financial sustainability; governance and transparency; value for money.

Wider scope audit risks

The Code requires us to undertake work in respect of each of the four dimensions on an annual basis. The Code also 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 to 'Wider Scope Audit Focus Areas'.

In our Annual Audit Plan we did not identify any areas of wider scope audit focus in the current year. We have however, undertaken routine work in respect of each of the audit dimensions, by considering the evidence available to us through various aspects of our work.

Financial management

The College reported a deficit of £0.7 million for the year (2015/16: £2.1 million). Following revaluation losses of £12.8 million and actuarial losses of £1.3 million, the College reported a total comprehensive loss for the year of £14.8 million (2016: £6.2 million deficit). Within the Performance Report, the College uses the suggested format from the SFC to reconcile the reported deficit to the underlying surplus / deficit position. On this basis, the underlying position is a surplus of £0.7 million (2015/16: £1.4 million surplus). The College uses this measure to demonstrate that it is operating sustainably.

The College also reported that it had operated within its resource limits for the year ended 31 March 2017, reporting essentially a breakeven position against its revenue resource limit of £25.5 million and its capital resource limit of £0.4 million. The only difference on the revenue outturn position was the £146,000 used for annual loan repayments which the College was committed to before reclassification as a public body, as these do not score against the resource outturn.

Performance against budget

After deduction of the one-off and unusual nature of the donation from Glasgow Kelvin College, the performance during the year was broadly in line with original budget forecast.

Funding aspect	Budget - £m	Actual - £m	Variance - £m
Income	31.718	34.894	3.176
Expenditure*	(31.714)	(33.000)	(1.286)
Total surplus (before tax)	0.04	1.894	1.890

*Includes net non-operational expenditure

Capital Expenditure

During 2016/17 the College spent £1.6 million on capital additions. This was primarily in relation to the ongoing Falkirk Campus development, including purchase of the land at the Middlefield site.

2. Wider scope audit

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial management (continued)

Monitoring of expenditure

Financial performance is monitored through monthly management accounts comprising an income and expenditure account, student support funds statement and a balance sheet. The reporting pack also includes an update on major capital projects. Financial performance is monitored by the Principal and senior management team. Performance is monitored and scrutinised by the finance and general purposes committee and the Board.

We reviewed the financial information monitored by senior management, committees and the Board and we are satisfied that the information is sufficiently detailed, including explanation of material variances to provide meaningful information to allow scrutiny and challenge of performance.

Colleges are classified as central government bodies and therefore are now required to operate within a resource limit which is measured annually at the end of March. Monitoring performance against two distinct measures is a challenge. It will continue to be important that management ensure that the Board are aware of the impact of key decisions on both outturn financial performance as well as ability to meet resource limits.

Internal control

It is the responsibility of the College to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility, as auditor, is to consider whether the College has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Our first year audit has been predominantly substantive in nature, and therefore we have not tested the operating effectiveness of key controls. We have reviewed the high level procedures management have with respect to internal control.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any such matters to report to you.

Internal audit

The College has an internal audit service, who report to the Principal and the audit committee with direct access to the chair of the audit committee. On the basis of the work undertaken during the period the auditors have expressed an opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

As part of their work for the year, internal audit reviewed the budget setting and monitoring arrangements within the College, as well as controls around non-pay expenditure. In respect of our wider scope work, these reports demonstrated that, in the main, the College has no major weaknesses although internal audit made some lower grade recommendations for improvement.

Financial management - what have we concluded?

- The College reported a deficit of £0.7 million for the year (2015/16: £2.1 million). Following revaluation losses of £12.8 million and actuarial losses of £1.3 million, the College reported a total comprehensive loss for the year of £14.8 million (2016: £6.2 million deficit). Within the Performance Report, the College uses the suggested format from the SFC to reconcile the reported deficit to the underlying surplus/deficit position. On this basis, the underlying position is a surplus of £0.7 million (2015/16: £1.4 million surplus).
- The College has well established financial management arrangements, and we are satisfied that these are adequate for the management of its financial activities.

Financial sustainability is focused on the medium to longer term financial viability, and considers how effectively an audited body is planning to deliver its services over the medium term.

Financial sustainability

Financial sustainability interprets auditors' requirements under ISA 570 *Going concern* and looks forward to the medium (two to five years) and longer-term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Audit Scotland's sector report: Scotland's colleges 2016, highlighted that between 2011 and 2015/16 the Scottish Government funding to the sector reduced by 18 % in real terms. While the College's core funding has remained relatively stable in the current year of £23.8 million (2016: £23.2 million) management recognise that savings will be required in future years with envisaged constraints on future public sector resources. This requires an ability to transform and deliver significant recurring efficiency savings, while at the same time ensuring that the impact on core delivery is minimised.

Financial performance

The College reported a deficit of £0.7 million for the year (2015/16: £2.1 million). Following revaluation losses of £12.8 million and actuarial losses of £1.3 million, the College reported a total comprehensive loss for the year of £14.8 million (2016: £6.2 million deficit). Within the Performance Report, the College uses the suggested format from the SFC to reconcile the reported deficit to the underlying surplus/deficit position. On this basis, the underlying position is a surplus of £0.7 million (2015/16: £1.4 million surplus). The College uses this measure to demonstrate that it is operating sustainably.

An important part of ongoing financial assurance is regular updates to the Board on monitoring of expenditure against budget and the forecast outturn for the year. Financial performance is scrutinised by the senior management team, the finance and general purposes committee and the Board.

Financial planning

The College has approved its 2017/18 budget, with an operating surplus of £174,000 set. The key pressure within the budget is the higher salary costs on the back of the national pay bargaining settlement. Overall staff costs are forecast to increase by £1.2 million, or 5%, but already represent close to 80% of total operating expenditure (excluding depreciation).

Cost pressure analysis by management has identified that agreement within the national pay settlement such that the College is not able to increase its contact time from the current 22 hours to the nationally agreed 23 hours adversely impacts their ability to restructure course delivery to achieve efficiencies.

An increase in SFC grant income is included in 2017/18 forecasts, however when the wider pressures on costs, in addition to national pay bargaining are considered, such as annual increments, pension increases, apprenticeship levy costs and inflationary pressures, the increased funding will not be sufficient to cover these pressures.

The downward revaluation of the Falkirk Campus has reduced the College's net depreciation cash, from £608,000 to £141,000. Within the funding model agreed with SFC for the new campus was the assumption that the College would meet estates costs of £400,000 per year through use of net depreciation. This is now not available to the College and so they will be required to generate an increased surplus if this funding model is to be met. Delivery of the new campus is the major item on the College's strategy, and construction started in October 2017. This will bring additional challenges through the course of the build in terms of the capacity of management during what will be a challenging period.

Financial sustainability – what have we concluded?

- We have concluded that achieving financial sustainability continues to represent a significant challenge for the College. Financial planning is constrained by the requirement to deliver in year resource targets. The College is working through the implications of the national pay bargaining settlement and how that affects its longer term financial forecasts.
- Development of the new Falkirk campus is a key project for the College and will involve significant senior management time. The interaction of the funding model with the costs, and allocation of different sources of income against the build costs, will need to be tracked carefully going forward.

2. Wider scope audit

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial and performance information.

Governance and transparency

The Board and management of the College are responsible for establishing robust governance arrangements. This includes ensuring effective systems of internal control, including arrangements to safeguard public money, and compliance with applicable laws and regulations. While we have not identified any significant risks in relation to the College's governance arrangements through our audit planning, we consider the adequacy and effectiveness of the College's governance arrangements as part of our audit work.

Governance arrangements

The College has in place key requirements for good governance. We have reviewed Board minutes and papers and found these to set out clearly the matters considered and discussed. The Board undertook its effectiveness review during the year which concluded positively overall on the governance systems and processes, the calibre and mix of board members and the partnership working between staff and board members. Some areas for continued review and scope for improvement were identified. In particular, the College is considering the role and business of the strategic development committee and its interaction with the Board. In line with transparency, the effectiveness review is available on the College website.

The Governance Statement sets out the arrangements the College has put in place to comply with the Code of Good Governance for Scotland's Colleges. No significant areas of non-compliance were identified and disclosed. This is in line with our understanding of arrangements.

Effective risk management

The risk management policy outlines the approach to risk management, the roles and responsibilities of the Board, the senior management team, and other key parties. It also outlines the key risk management processes and identifies the main reporting arrangements.

The College's internal auditors facilitated a risk workshop for members of the Board and the senior management team in October 2017. This will be used to enhance the College's approach to risk, and risk appetite, during 2017/18.

Transparency

The College publicises Board and standing committee agendas, minutes and papers on their website on a timely basis. It is clear that the College endeavours to make as much information available as possible, redacting for example certain financial information only where it would be considered to be reserved under freedom of information requests.

Governance and transparency – what have we concluded?

- We have concluded that the College has established appropriate arrangements to demonstrate good governance and transparency in its operational activity.
- There is a commitment to transparency, with the conduct and detail of business of the College made available on the website.
- The independent Board effectiveness review reported positively in respect of the governance arrangements and the operation of the Board.

Value for money is concerned with using resources effectively and continually improving services. This includes consideration of whether resources are being used effectively and how performance and outcomes are monitored.

Strategic planning

The College approved its new strategic plan for 2017-22 during the year. The plan continued the mission of the College of 'Making Learning Work', with six key objectives comprising the vision. These objectives are delivered through six aligned strategies:

- Creating a superb learning environment – Estates Strategy
- Cultivating a vibrant learning organisation – Creative Learning and Technologies Strategy
- Instilling an energy and passion for our people – People Strategy
- Leading as a business that is a champion for governance – Code of Good Governance / Financial Strategy
- Enhancing our position as the business – Commercial, International, Fundraising Strategies
- Delivering a whole system approach – Creative Learning and Technologies Strategy

Performance reporting

The College publishes its performance information annually on its website as well as including key measures within the financial statements and Board and committee papers published on the website. While there is a range of sources of performance information, including the financial statements, and KPI information, there is an opportunity to enhance the current performance information contained within the financial statements to provide a view of how performance compares to targets, and how those targets are expected to change over the period of the strategic plan.

Value for money – what have we concluded?

- The College has approved its Strategic Plan for the period 2017-22 and identified how it intends to deliver on the plan, and the overarching mission, through a series of enabling strategies.
- The College reports on its website in terms of annual performance, with key indicators included in the financial statements. There is scope to consider more information in terms of how performance compares to the targets the College sets itself in these areas.

Appendices

- A. College responsibilities
- B. Required communications with the Audit Committee
- C. Auditor independence
- D. Management representations

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A. College's responsibilities



The Code of Audit Practice summarises the responsibilities on all audited bodies falling within the public sector audit framework. We summarise these on this page.

Responsibilities of audited bodies

Corporate governance	Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.
Financial statements and related reports	<p>Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:</p> <ul style="list-style-type: none"> • preparing 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. • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures. • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority. • maintaining proper accounting records. • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body. <p>Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.</p> <p>Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
Standards of conduct / prevention and detection of fraud and error	Audited bodies are responsible for establishing arrangements 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 by putting proper arrangements in place.
Financial position	<p>Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • such financial monitoring and reporting arrangements as may be specified • compliance with any statutory financial requirements and achievement of financial targets • balances and reserves, including strategies about levels and their future use • how they plan to deal with uncertainty in the medium and longer term • the impact of planned future policies and foreseeable developments on their financial position.
Best Value	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.

B. Required communications



There are certain additional communications that we must provide to the Audit Committee, in accordance with ISA (UK) 260 and other auditing standards, which are set out below.

Required communication - what is reported?	Our reporting to you
<p>Terms of engagement</p> <p>Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process • Findings and issues around the opening balance on initial audits 	<p>This Annual Audit Report.</p>
<p>Going concern</p> <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 	<p>No conditions or events were identified, either individually or together to raise any doubt about the College's ability to continue for the 12 months from the date of our report.</p>
<p>Fraud</p> <ul style="list-style-type: none"> • Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the College • Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. <p>► A discussion of any other matters related to fraud, relevant to Audit Committee responsibility.</p>	<p>This Annual Audit Report.</p>

B. Required communications (cont.)



Required communication - What is reported?	Our reporting to you
<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 • Significant corrected misstatements, in writing 	<p>This Annual Audit Report.</p>
<p>Significant deficiencies in internal controls identified during the audit</p> <ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	<p>This Annual Audit Report</p> <p>No significant deficiencies were identified in the course of our audit which required immediate communication to the Audit Committee.</p>
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the College's related parties including, where 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/or regulations • Difficulty in identifying the party that ultimately controls the entity 	<p>We have no matters to report.</p>
<p>Subsequent events</p> <ul style="list-style-type: none"> • Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p>Other information</p> <ul style="list-style-type: none"> • Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	<p>We have no matters to report.</p>
<p>External confirmations</p> <ul style="list-style-type: none"> • Management's refusal for us to request confirmations • We were unable to obtain relevant and reliable audit evidence from other procedures. 	<p>We have received all requested confirmations.</p>
<p>Consideration of laws and / or regulations</p> <ul style="list-style-type: none"> • Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" • Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee. 	<p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.</p>
<p>Independence</p> <ul style="list-style-type: none"> • Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. 	<p>This Annual Audit Report – Appendix C</p>

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the College.

What we are required to communicate?

Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:

- The principal threats
- Safeguards adopted and their effectiveness
- An overall assessment of threats and safeguards
- Information on the firm's general policies and processes for maintaining objectivity and independence
- Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards.

Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan.

We complied with the Financial Reporting Council's Ethical Standards and the requirements of Audit Scotland's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the College Audit Committee on 21 November 2017.

Summary of fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 July 2017.

Our audit fee was agreed with management at the time of our Audit Plan. There are no changes to those fees.

Auditor remuneration	£22,470
Fixed costs *	£2,440
Total audit fees	£24,910

* Fixed costs, which are determined by Audit Scotland, comprise £1,280 pooled costs, £1,160 contribution to Audit Scotland's costs.

ISA (UK) 580: *Written representations*, requires the auditor to obtain written representation that management, including those charged with governance, has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant, their fair presentation.

Ernst & Young LLP

Atria One

144 Morrison Street,

Edinburgh, EH3 8EB

[Date]

This letter of representations is provided in connection with your audit of the financial statements of Forth Valley College ("the College") for the year ended 31 July 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the College financial position as of 31 July 2017 and of its income and expenditure for the year then ended in accordance with applicable law and the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We understand that the purpose of your audit of our consolidated financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with applicable law and the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.
2. We acknowledge, as members of management of the College, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the College and its group in accordance with applicable law and the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the College, we believe that the College has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law and the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the College's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the College.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

D. Information Provided and Completeness of Information and Transactions (continued)

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Board of Management of the College and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meetings.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the College's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the College has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. As disclosed in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements

or notes thereto.

G. Going concern

1. We have not identified any material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Remuneration Report, the Performance Report, the Annual Governance statement and the Statement of Responsibilities.
2. The disclosures within the Performance Report and Governance Statement reflects our understanding of the financial and non-financial performance of the College over the reporting year, is consistent with the financial statements and has been prepared in accordance with Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council
3. The information given in the Governance Statement for the financial year for which the financial statements are prepared reflects the College's governance framework, is consistent with the financial statements and that report has been prepared in accordance with the financial statements.
4. The information contained in the auditable part of the Remuneration Report has been prepared in accordance with Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

I. Regularity

1. We confirm that in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers

Yours faithfully,

Principal

Chair of the Board of Management of the College

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1. Purpose

To present the draft Internal Audit Plan for the 2017/18 period from Scott Moncrieff for approval by the Audit Committee.

2. Recommendation

That members approve the attached audit plan.

3. Financial Implications

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

4. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not applicable

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

5. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		X
Low	X	
Very Low		

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

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

Risk Owner – Alison Stewart

Action Owner – Stephen Jarvie

6. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes No

Health and Safety – Yes No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

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Forth Valley College
Annual Internal Audit Plan
2017-18

November 2017



Scott-Moncrieff
business advisers and accountants

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Forth Valley College

Internal Audit Plan 2017-18

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Introduction

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

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

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

Internal Audit Plan

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

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

This document addresses these requirements by setting out a detailed plan for 2017/18 in the context of the previously agreed three-year Internal Audit Plan for the period 2015 to 2018.

Audit Committee action

The Audit Committee has previously approved the 2017/18 Internal Audit Plan, which formed part of the 2015-18 Internal Audit Plan. We have reviewed and updated the plan for 2017/18 to take account of any changes in the College's risk profile.

The Audit Committee is asked to review the proposed audits for 2017/18 and consider whether they adequately address the key risks faced by the College.

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

Internal audit approach

Supporting the Governance Statement

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

Risk based internal auditing

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

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

Audit needs assessment

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

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

Our audit needs assessment involved the following activities:

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

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

For 2017/18 we have made the following changes to the previous strategic plan.

- 3 days for a high-level financial ledger audit have been removed, risk here can be covered by external audit activity,
- 6 days for a Governance review have been removed, risk here is covered through external audit activity and internal self-assessment,
- 1 day has been removed from the Student Experience review time allocation (8 to 7 days)
- The 10 days removed from the plan have been re-targeted to a review of Information Governance and GDPR readiness (8 days), to address one of the new risks on the risk register at August 2017, and
- 2 days have been added to the Payroll audit to allow 6 days. This is a more accurate reflection of the time required for this review.

Liaison with external audit

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

Best value

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

Delivering the internal audit plan

Internal Audit Charter

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

Assignment planning

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

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

Audit reporting

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

Confirmation of independence

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

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

Internal Audit Team Contacts

Gary Devlin



Chief Audit Executive

email: gary.devlin@scott-moncrieff.com

telephone: 0131 473 3500

Cathie Wylie



ISenior Manager

email: cathie.wylie@scott-moncrieff.com

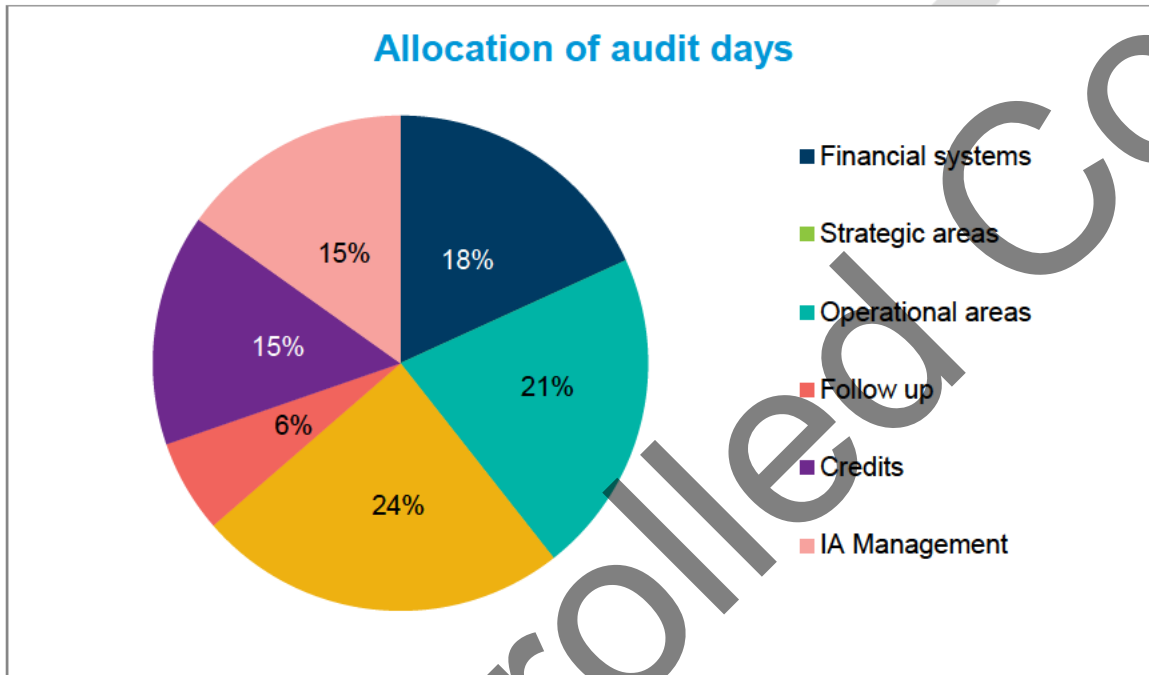
telephone: 0131 473 3500

Proposed Internal Audit Plan

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

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

The table below demonstrates how the total internal audit days for 2017/18 are allocated across each area of audit activity.



Appendix 1 – Internal Audit Plan 2015-18

Audit area	2015/16 Plan days	2016/17 Plan days	2017/18 Plan days	Risk Reg Ref	Notes
A. Finance and financial management reviews					
A.1 Treasury and cash management	3			3, 4, 7, 12, 13	Review of processes in place for treasury and cash management, including receipt and recording of income and monitoring of bank accounts.
A2. Budget setting and monitoring		5		3, 4, 7, 8, 9, 11, 12, 13, 15	Review of overall budgeting framework, i.e. how the budgets are initially generated, authorised and rolled out, how performance against budget is monitored and reported, how budget variances are dealt with, including clarity of budget holder responsibilities.
A3. Income and debtors	3			3, 4, 7, 12, 13	Review of processes in place for identifying income, raising invoices and receiving/recording income and the approach to debtor management, including ensuring funds due are received and accounted for appropriately.
A4. Non-pay expenditure and creditors		3		3, 4, 13,	To ensure all payments are for valid and approved creditor accounts for goods and services actually received. Ensure payments are correct and accurately accounted for. Ensure VAT regulations complied with.
A5. Payroll and expenses			6	3, 4 11, 13	To evaluate and test the controls in place over payroll, including standing changes to payroll data. Will also include testing of expense claims.
A7. Financial return	3			3, 4, 13	A review to provide assurance over the annual financial return to SFC.

Audit area	2015/16 Plan days	2016/17 Plan days	2017/18 Plan days	Risk Reg Ref	Notes
TOTAL A – Key Financial Systems	9	8	6		
B. Strategic and Governance reviews					
B1. Risk management		1		<i>All risks</i>	Review of procedures for risk identification, assessment, mitigation and reporting across the College (strategic and operational).
B3. Risk workshop		4		<i>All risks</i>	Work carried forward from 2015/16. To facilitate a workshop with SMT and Heads of Service to discuss risk, review and score existing risks, and identify any new risks.
TOTAL B – Strategic / Governance	2	5	-		
C. Operational reviews					
C1. International strategy and operations		5			To review the College's international strategy and operations, including UKVI compliance.
C2. Project management (new campus)		5		1, 8	We will review the arrangements in place for project management with a focus on the campus development.
C3. Health and safety	6			<i>Compliance risks</i>	We will review arrangements in place for complying with Health and Safety regulations and College Policies on Health and Safety.
C4. Student experience			7	2	To review internal controls and governance over an aspect of the student experience, e.g. student feedback processes.
TOTAL C – Operational	6	10	7		
D. Additional Audit Services					
D1. Credits audit	5	5	5	5	Standard review in line with issued guidance.

Audit area	2015/16 Plan days	2016/17 Plan days	2017/18 Plan days	Risk Reg Ref	Notes
D2. IT healthcheck / GDPR readiness	6		8	6,10, 14, 16, 17	2015/16. To perform a healthcheck review of key controls over key IT systems, including business continuity planning. 2017/18. To perform a review of Information Governance and GDPR readiness ahead of changes in data protection legislation coming into force in May 2018
TOTAL D – Additional Audit Services	11	5	13		
E. Internal audit management					
Follow-up of prior recommendations	2	2	2		To assess progress in implementing previous internal audit recommendations.
Audit management, Audit Committees, external audit liaison, annual planning, annual audit report	3	3	3		Includes initial planning meetings, documentation review and audit needs assessment in 2015/16.
Management support / contingency days	2	2	2		To respond to additional management request as required and contingency to enable plan flexibility.
TOTAL E – Internal audit management	7	7	7		
TOTAL ANNUAL DAYS IN IA PLAN	35	35	33		

Appendix 2 – Strategic Risk Register

The table below shows how each risk in the Strategic Risk Register (as presented to the August 2017 Audit Committee) is covered in the Internal Audit Plan.

Risk ref	Area	Brief Description	Initial Risk Score		Residual Risk Score		Latest position (at August 2017)	Internal audit reviews
			L x I	Score	L x I	Score		
1	Estates	[REDACTED]	VH x VH	25	VH x VH	25	Work progressing with specialist agents on mitigation	C1. International strategy C2. Project management
2	Strategic	Strike action arising from National Bargaining negotiations will impact on the learning and teaching provision for students.	VH x VH	25	VH x VH	25	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	C4. Student experience
3	Finance	National bargaining will impact on the salary structure and terms and conditions of both support and teaching staff.	VH x H	20	VH x H	20	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	A. Finance reviews
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.	VH x VH	25	VH x H	20	Very little change with this situation opportunities are being explored	A. Finance reviews

5	Strategic	Uncertainty over SFC allocation levels for the College will impact on the curriculum planning process.	H x H	16	VH x H	20	Following the June Board meeting, the Principal wrote to SFC outlining College concerns	D1. wSUMs audit
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.	VH x H	20	VH x H	20	Activity has begun on compliance, with Business Development updating all contract templates to reflect strengthened privacy statements. Staff training will also be developed and included in staff development sessions	D2. IT healthcheck
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.	H x H	16	H x H	16	No further update at this time	A. Finance Reviews
8	Estates	There will be inadequate facilities for learners due to lack of capital investment.	VH x VH	25	M x VH	15	DP4 document approved by Board of Management on 10 August and submitted to SFC and Scottish Ministers for approval..	A2. Budget setting and monitoring C2. Project management
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.	H x M	12	VH x M	15	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.	A. Finance Reviews

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	M x M	9	M x M	9	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.	
11	Strategic	Reputational Damage may arise to the sector from the new Education Scotland self-evaluation system	M x M	9	M x M	9	College will engage positively with Education Scotland and also advocate for consistency in scoring via College's Scotland/SQA and other quality forums	C4. Student Experience
12	Governance	That the College will be in breach of the covenants relating to the £4.5m term loan facility with Barclay's bank.	VH x H	20	L x H	8	New Covenant has been agreed in principal with Barclays and with lawyers for review. Unlikely that breach will occur in future.	A. Finance reviews B2. Corporate governance
13	Finance	Government accounting rules restrict Colleges ability to use available resource at the Board's discretion.	H x VH	20	L x H	8	No further update at this time.	A. Finance reviews
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.	L x VH	10	L x H	8	No further update at this time.	D2. IT healthcheck
15	HR	Financial restrictions limit the ability to fund pay increases.	H x H	16	L x M	6	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	A2. Budget setting and monitoring A5. Payroll and expenses
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.	L x VH	10	L x M	6	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	D2. IT healthcheck
17	Strategic	Failure to deliver upon targets within Outcome Agreement impact upon the College.	L x VH	10	L x M	6	Outcome Agreement for 2017/20 approved at June Board meeting.	D1. Credits

Appendix 3 – Audit timetable

Ref and name of report	Audit sponsor	Start audit	Complete fieldwork	Draft report	Mgmt response	Final report	Audit C'ttee
A5. Payroll and expenses	Vice Principal Finance and Corporate Affairs	Jan 2018	Jan 2018	Feb 2018	Feb 2018	March 2018	March 2018
C4. Student Experience	Depute Principal and Chief Operating Officer	Feb 2018	Feb 2018	Mar 2018	Mar 2018	Apr 2018	Jun 2018
D1. Credits	Vive Principal Information Systems and Communications	Aug 2017	Aug 2017	Sept 2017	Sept 2017	Oct 2017	Dec 2017
D2. Information Governance - GDPR readiness	Vive Principal Information Systems and Communications	Feb 2018	Feb 2018	Mar 2018	Mar 2018	Apr 2018	Jun 2018
Follow Up	Vice Principal Finance and Corporate Affairs	June 2018	June 2018	July 2018	July 2018	Aug 2018	Aug 2018
Annual Internal Audit Report	N/A	-	-	July 2018	July 2018	Aug 2018	Aug 2018

Appendix 4 – Audit Universe

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

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

Appendix 5 - Internal Audit Charter

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

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

Aim

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

Role

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

Professionalism

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

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

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

Authority

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

Accountability

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

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

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

Independence and objectivity

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

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

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

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

Scope and responsibility

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

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

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

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

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

Annual internal audit plan

The audit year runs from 1 August to 31 July.

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

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

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

Assignment Planning and Conduct

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

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

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

Reporting and Monitoring

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

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

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

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

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

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

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

Audit Committee

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

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

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

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

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

Periodic Assessment

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

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

Review of Charter

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

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

1. Purpose

To raise awareness of the impact of the upcoming changes to Data Protection Law, and for members to discuss the proposed approach to ensuring compliance with the new regulations.

2. Recommendations

That members discuss the impact of the new regulations, and the proposed approach to ensuring compliance.

3. Background

There are changes coming to Data Protection Law, with the introduction of the General Data Protection Regulation (GDPR) replacing the current Data Protection Act on 25th May 2018. The Regulation is directly applicable in all EU Member States, and despite Brexit, the UK Government has made a commitment to enacting legislation akin to the GDPR, once the UK leaves the EU.

The primary objective of the GDPR is to give citizens and residents control of their personal data. The College will need to comply with GDPR by 25th May 2018, with fines for non-compliance of up to 20,000,000 EUR or 4% of turnover, whichever is greater. There will be costs incurred by the College, both financial and staff time, in preparing for GDPR, and there is potential for on-going costs in relation to the College's requirement to appoint a Data Protection Officer. GDPR will need to be considered wherever the College collects, stores, processes and shares personal data, whether this is digital or paper.

4. Key Considerations

The main implications for the College under GDPR are as follows:

Privacy by Design

Privacy by Design will require that data protection is designed into the development of all College processes and Systems. We must ensure that personal data is only processed when necessary for each specific purpose. This requires that all subsequent processing and sharing of the data complies with the Regulations.

Consent/Privacy notices

The College has a number of statutory/lawful conditions for processing personal data eg SDS Datahub, FES return, awarding bodies etc, where consent is not required, however these will all need to be verified in light of GDPR. Where the college relies on individuals' consent as the sole lawful basis to process personal data that consent must be a freely given, specific, informed, verifiable and unambiguous indication of the individuals wishes. Consent must be obtained through a positive opt-in rather than assumed via silence, pre-ticked boxes or inactivity. Consent must also be separate from other terms and conditions and simple ways must be provided for people to withdraw consent. Consent for children may need to be provided by the child's parent or custodian.

Privacy notices in every instance where we collect personal data will need to be re-written and strengthened (even where consent is not required), and we need to keep accurate and up to date records of consent, including how consent was obtained. Similarly, all existing data sharing agreements will need to be re-assessed taking account of GDPR.

Responsibility and accountability

The College must provide a clear retention time for personal data and contact information across all of its systems.

Employing a Data Protection Officer

The College will be required to employ, or employ the services of a Data Protection Officer (DPO). This can be a College employee but the individual is required to be allowed to operate independently and report to the highest management level, and their professional duties must be compatible with the duties of the DPO ie they cannot be a data owner.

Through APUC, the University and Colleges Shared Service (UCSS) are exploring the demand from Colleges and Universities to provide a specialist DPO service as a shared service. UCSS has developed an outline of the shared service, including costs, and this could be considered by the College. A further paper will be required on this topic.

Reporting data breaches

The College will be required to notify data breaches to the Information Commissioner's Office (ICO) within 72 hours of becoming aware of a breach where the breach involves personal data likely to result in a risk to the rights and freedoms of data subjects (individuals).

The College will be required to notify data subjects (individuals) of a data breach without undue delay unless the College has implemented appropriate security measures in relation to the personal data (eg anonymisation), the College has taken subsequent measures to ensure high risks to subjects is no longer likely to happen, or it would involve disproportionate effort (which would normally result in a public communication where data subjects are informed).

Right to erasure

Data subjects (individuals) will have the right to request erasure of any personal data related to them on a number of grounds. This means that the individual's personal information would be required to be removed from all systems (including email).

Data portability

There will be a requirement that individuals will be able to transfer their personal data from one electronic processing system to and into another, with this information provided in a structured and commonly used format.

The right to rectification

The College must allow users to rectify any anomalies in personal data stored. This is currently handled through the My Info tool for students, and through regular data checks by HR for staff.

Data Protection Impact Assessments

The College will be required to undertake Data Protection Impact Assessments where processing is high risk. This could include any profiling ie predictive/learning analytics.

International data transfers

The College must ensure that all data transfers containing personal data are within the European Economic Area (EEA).

Subject Access Requests

The amount of information that individuals can access through Subject Access Requests under GDPR has increased. The College will have one month to respond, and can no longer charge a fee for this information.

Preparing for GDPR

To prepare the College for GDPR it's proposed to establish a GDPR Project Board to cover the main areas of College activity where personal data is collected and processed. It's envisaged that there will be separate work-streams for each area or system where personal data is collected with data owners taking responsibility for their own area, with the primary role of the Project Board being to offer support and governance to provide:

- Consistency of approach;
- Sharing of best practice and knowledge;
- Minimisation of legal and training costs;
- Assurance of compliance across all areas where we collect, process and share personal data.

The main tasks/outputs of the Project Board will be to:

- Undertake a review/audit of where personal data is collected, stored, processed and shared within/outwith the College;
 - Establish a top-level project plan of work needing to be undertaken to ensure compliance, and to allow effective deployment of staff as an example;
 - Monitor progress of ongoing work against milestones;
 - Develop a communications plan;
 - Develop a training and awareness raising plan.
-

The proposed membership of the Project Board is as follows:

Name	Area(s)
David Allison	SMT
James Aston	Project Manager/Information Systems
Veronica Leonard	Business Development
Stephen Jarvie	Corporate Governance
Pamela Duncan	Student Records
Gill Donald	HR
Graeme Robertson	IT
Rob McDermott	Curriculum & Quality
Louise Burnett	Student Funding/Finance
Mhairi Shillinglaw	Equalities & Learning Services
Lyndsay Condie	Website
Bob Armstrong	HODs/Department activity
Vivien Gallacher	CMs/Department activity

There will be other areas within the College where personal data is stored, and as such one of the first jobs of the Project Board will be to undertake a data review/audit to compile a list of all systems where personal data is stored, processed or shared across the College. This ties closely to the Information Management Project which has commenced, led by Laura Calder.

To provide more information on what we need to do to ensure compliance I've attached "Preparing for GDPR – 12 steps to take now" prepared by the ICO, and a more detailed "Preparing for the GDPR: Dashboard" prepared by MacRoberts which traffic lights in order of importance, the tasks and work that need to be undertaken, in their view, as guidance. I've also attached a questionnaire from MacRoberts which is a summarised version of what they would use with an organisation to help them prepare for GDPR, to give a flavour of the detailed questioning that MacRoberts would recommend. This gives a flavour of the volume of work that will be required to be undertaken prior to May 2018, and therefore the commitment in staff resource across the organisation that SMT are being asked to commit to.

Work undertaken

Our Business Development Department have been very pro-active in working towards compliance, with Veronica Leonard in particular, playing a lead role. Their work has provided some very helpful guidance from MacRoberts, and has already identified areas where action has been required, or will be required before May 2018. An example being that it was identified that our e-portfolio system (Onefile) which is hosted externally, and although being hosted within the UK, there was potential for traffic, and therefore our data, to be routed through the USA through the company using Cloudflare technology for legitimate business reasons. As a result this has been changed so that all traffic remains in the UK. Our HR team have undertaken research on the impact to their area, and a number of staff from across the College have attended a variety of GDPR Awareness Sessions including those run by MacRoberts, and the College MIS Network. We have also taken Microsoft up on an offer to move our Office365 and OneDrive hosting to UK servers from EEA hosted servers, as a potential risk-mitigation of Brexit. In addition the College

MIS Steering Group is preparing to commission work to help MIS teams prepare for GDPR, including producing template privacy statements.

Following presentation of this paper to SMT, the Steering Group has been established and has met on a number of occasions already.

5. Financial Implications

Please detail the financial implications of this item – There is a financial risk of non-compliance, with fines of up to 20,000,000 EUR or up to 4% of annual turnover, whichever is greater. There will also be a financial and resource cost to the College of ensuring we are prepared for the introduction of GDPR. There will be legal costs as we seek expert legal advice, and there will be resource costs across the organisation to release staff as we ensure we are compliant. It's difficult at this point to put a cost to either. There is also the potential for on-going costs in relation to the College's requirement to appoint a Data Protection Officer and there is also potential for the College to incur costs in training staff and/or developing training materials.

6. Equalities

Assessment in Place? – Yes No

If No, please explain why –

Please summarise any positive/negative impacts (noting mitigating actions) –

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		X
High	X	
Medium		
Low		
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – Failure to adhere to the GDPR could lead to significant sanctions, with fines of up to 20,000,000 EUR or up to 4% of annual turnover, whichever is greater. As such we need to add GDPR to our risk register. Mitigation of this risk is ensuring we are prepared for the arrival of GDPR in May 2018.

Risk Owner – SMT

Action Owner – David Allison

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 – One of the tasks of the Project Board will be developing a communication plan to raise awareness of GDPR.

Paper Author – David Allison

SMT Owner – David Allison

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Forth Valley College
Internal Audit Report
Review of the 2016/17
Credits Return

September 2017



Scott-Moncrieff
business advisers and accountants

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Forth Valley College

Internal Audit Report

Review of the 2016/17 Credits Return

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Recommendations	9
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Introduction

We audited the funding statistics for Forth Valley College (the College) during September 2017. The audit examined the procedures and controls over the preparation of the 2016/17 Credits return, together with audit testing to ensure the accurate calculation of the return.

Conclusion

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

Under the conditions of grant, the SFC may claw-back an element of the grant if actual Credits provided are below target. Actual Credits claimed for 2016/17 were 86,296 against a target of 86,214. The difference is 82 (less than 0.1%) above the target Credits.

The deadline for submitting the College Certificate and the Auditors' Certificate was 29 September 2017 and this was achieved for both certificates.

Scope

Our audit was carried out in accordance with the guidance issued by the Scottish Funding Council (SFC), including the 'Data return for funding purposes (FES return) and audit guidance for colleges 2016/17'.

Approach

The audit comprised of 5 days of fieldwork by our audit team with extensive experience of Credits reviews. Quality assurance was provided by detailed review of work by the Audit Manager and overall review by the Audit Partner.

Our audit approach involved the following:

- Examination of the procedures and controls relevant to the collection and recording of student data;
- Evaluation of the adequacy of these controls in complying with SFC guidance and ensuring the accuracy of the data;
- Testing of the key controls to ensure they were operating satisfactorily;
- Examination, on a test basis, of evidence relevant to the figures recorded in the student data returns;
- Review of the risk areas as highlighted in the audit guidance for 2016/17;
- Analytical review utilising current year and prior year Credits data;
- Further detailed testing where necessary, including checking of the Credits return; and
- Follow up of prior year recommendations.

Sample

Our initial sample was derived by:

- applying Scott-Moncrieff's approved sampling methodology;
- considering the materiality of the area under review; and

- using professional judgement.

Where necessary, samples were extended to ensure that we gained sufficient coverage of all programme and student variables as specified within the audit guidance.

Our sample testing has provided 0.13% coverage of total students and 1.73% coverage of programmes that the College has claimed Credits for, based on our assessment of the risk of material misstatement in the Credits return. We adopted appropriate procedures to enable us to draw conclusions across the total population based on the testing completed.

Acknowledgements

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

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Detailed Audit Work and Findings

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

1.1 General Systems Review

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

We have provided details of the specific controls in place and the testing performed over the controls in the 'key risk areas' section below. We identified two minor control weaknesses during our review of the College's systems. These related to the calculation of the required date and the classification of courses to a superclass.

1.2 Follow up

We reviewed the prior year audit report and discussed the progress of implementing the agreed actions with management. The outcome of this analysis was used to inform our audit strategy.

The prior year audit findings appeared to have been addressed by management during 2016/17, and no significant associated issues were identified during the course of our audit work.

2015/16 Audit Finding	2016/17 Follow up
<p>Withdrawn Students</p> <p>We tested a sample of 15 students who withdrew from their programme within two weeks after the required date. We identified one instance where a student had only attended one day of the programme and which the full 14 Credits for the programme were claimed. This was due to a processing error, as the student had withdrawn from the programme but continued to study the art modules from the programme which equated to two credits. We filtered the withdrawn student report and did not identify any other instances where Credits were claimed for a student only attending a few days of a programme.</p> <p>There is a risk that Credits claimed for ineligible students.</p> <p>Recommendation</p> <p>We recommend the College establishes a review process over the withdrawn student report to ensure the reasonableness of the credits claimed for a</p>	<p>We confirmed that, prior to the FES submission, the Student Records team generate and review reports to confirm that an appropriate amount of credits are being claimed for students who have met the required date.</p> <p>We tested a sample of 3 withdrawn students and confirmed that the correct number of credits had been claimed for each.</p>

<p>student and the days attended by the student is considered.</p>	
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1.3 Key risk areas

The results of our audit work are summarised below against each of the 14 key risk areas highlighted by SFC in Annex D of the 'Data return for funding purposes (FES return) and audit guidance for colleges 2016/17' document.

Risk Area 1 – Non-fundable activity is included in the Credit count

The FES return is produced via Unit-E (the student records system), which has a range of validation checks built in to exclude courses from the FES that don't qualify for credits. The College also performs its own checks during the annual Curriculum Planning process to ensure courses are eligible.

We selected a sample of 20 courses identified as fundable by the College and performed our own checks against SFC guidance to confirm eligibility of the courses selected.

No issues were identified.

Risk Area 2 – Non-fundable students are included in the Credit count

Student information relevant for eligibility checks is collected by the College via student application forms. The Student Records team will then perform checks over the form to confirm eligibility. These checks are in addition to the in-built checks performed through Unit-E, which automatically excludes non-eligible students from the credits count.

For a sample of 20 students, we performed checks against the SFC credit eligibility flowchart to confirm students were eligible for funding

No issues were identified.

Risk Area 3 – Programme is not classified correctly

On an annual basis, the Head of Departments complete the Curriculum Planning exercise. As part of this process, staff identify on Unit-E the mode of attendance for the course and whether it is classified as Higher Education (HE) or Further Education (FE). The courses are reviewed by both the Student Records team and the Curriculum and Quality Team who review the course details to confirm they are appropriate prior to its publication on Prospectus and the website.

For our sample of 20 courses, we confirmed that the mode identified was appropriate and that the course had been correctly classified as HE/FE in line with SFC guidance. No issues were identified.

Risk Area 4 – Infill Student is counted as part of the programme which is being in-filled, rather than their individually tailored course or is included as part of both courses

Infill courses have separate course codes to which infill students are allocated during enrolment. This ensures that they are identified separately within the FES return and are not registered on separate courses whose modules make up the infill course

We reviewed the treatment of a sample of students allocated to infill courses to confirm the credits claimed for the student were in line with student participation in relevant modules. We also confirmed that the students were not counted more than once within the FES return.

No issues were identified.

Risk Area 5 – Incorrect allocation of Credits for students registered on ECDL courses

There are separate enrolment forms in place for ECDL courses and all courses are prefixed with 'ECDL'.

ECDL students are allocated to one of these courses to ensure that they can be separately identified from other categories of students and that the appropriate numbers of credits are claimed based on the modules completed.

We performed testing over a sample of students completing ECDL courses and confirmed that the credits claimed were proportionate to the student's completion of the ECDL modules. We also confirmed that a maximum of four credits were claimed for each student in line with SFC guidance.

No issues were identified.

Risk Area 6 – Incorrect Dominant Price Group Code is allocated to programme

As part of the Curriculum Planning exercise, the Head of Department allocates the superclass and relevant price group to each course. No secondary checks are performed over this allocation to check for reasonableness.

We reviewed the superclass and price group assigned to each of the courses within our sample to confirm the allocations appeared reasonable and in line with SFC guidance. We noted one course that appeared to be incorrectly classified based on the content of the relevant modules, which was confirmed with the SFC and agreed by the College. This would have resulted in an over-claim of funding as the original superclass selected was linked to price group 2; the new superclass is price group 1. We confirmed that the College have made this adjustment within the FES return.

Recommendation 1

Risk Area 7 – Students included in the return do not meet attendance criteria

The start and end date for each course is added to Unit-E as part of the Curriculum Planning exercise by the Heads of Department. The required date is then automatically calculated by the system using parameters that have been programmed by the college. When the Students Records team receive notification that a student is withdrawing from their course, staff check the attendance system (Enquirer) for the student's last day of attendance. This date is recorded on Unit-E and the software then automatically checks whether the student has attended past the required date. Prior to the FES return submission, the college also generate reports to confirm appropriate credits are claimed for only students who have met the required date.

We recalculated the required date for our sample of students and identified that the College has been incorrectly calculating these dates. The College has been using the number of working days between the start and end of the course, rather than calendar days as required by SFC guidance. However, we performed testing to confirm that despite this, all withdrawn students for which the College had claimed credits had met the correctly calculated required date and therefore no adjustments were required to the FES return. We also performed testing over a sample of withdrawn students to confirm that sufficient evidence of attendance was maintained.

Recommendation 2

Risk Area 8 – Incorrect Credit value is claimed for the programme of study

As part of the Curriculum Planning process, the Heads of Department are responsible for determining how many Credits should be assigned to a course. The number of credits allocated depends on the number of student hours required to complete the course. The Student Records team perform checks once students have been enrolled on Unit-E to check that the credits allocated are correct.

For each of the courses in our sample, we calculated the expected value of credits based on the number of student hours and compared this to the number of credits recorded on Unit-E and within the FES return to ensure no discrepancies.

No issues were identified.

Risk Area 9 – The college Credits claim for an individual student exceeds the maximum claim allowed for a student per year

The Student Records team run reports regularly displaying the number of Credits claimed by each student. Where credits become 'one plus' activity, staff provide justifications as to why the additional study is appropriate. The College has existing courses which exceed the maximum credits levels set by the SFC which the SFC have approved as being exceptional, and therefore not part of their 'one plus' activity.

We tested a sample of courses where credits claimed exceeded the maximum allowed for a student per year and obtained evidence that there was a demonstrable need for the course to have additional credits claimed. Review of the 'one plus' activity for the College as a whole confirmed that the total additional credits claimed was less than 1% of the overall 2016/17 credits allocated to the College.

No issues were identified.

Risk Area 10 – ELS student classification is applied or claimed incorrectly

Throughout the application and enrolment process, students are encouraged to inform the college of any additional support needs that they may have. If a student is flagged as having additional support needs, the student is contacted by the Student Support team to ensure that appropriate action and support is put in place, where necessary.

All students who are deemed as needing ELS support or who are enrolled on a Price Group 5 (PG5) course are required to complete a Personal Learning and Support Plan (PLSP's), which captures the details of the student's personal support needs and the additional expense required to meet these needs. The Student Records team run exception reports to ensure that no students on PG5 courses have been flagged for ELS credits.

We reviewed a sample of students to confirm that students who were identified as requiring additional support needs through their enrolment form had a fully completed PLSP in place. We also reviewed PG5 courses on the FES return to ensure that no ELS Credits had been claimed for students on these courses.

No issues were identified.

Risk Area 11 – College records fee waivers which are not covered by the standard fee waiver policy

A student's eligibility for a fee waiver is assessed in the first instance by the Student Records team. Any issues on eligibility for fee waiver or fees are passed to the Student Records Coordinator or Student Records Manager for further investigation and assessment.

We tested a sample of seven students who were in receipt of a fee waiver. For each student, we confirmed that sufficient checks had been performed by staff to confirm eligibility.

No issues were identified.

Risk Area 12 – Students who enrol on an open/ distance learning programme do not continue with the programme

The College has a dedicated team in place to support distance learners. The team work with learners to agree duration of courses, agree milestones and review course progress.

For a sample of students completing open/distance learning programmes, we reviewed evidence to ensure a reasonable duration had been set, milestones had been agreed and progress was being monitored on an ongoing basis.

No issues were identified.

Risk Area 13 – Incorrect Credit value is claimed for Collaborative Provision

The College did not provide any courses in collaboration with other institutions during 2016/17.

Risk Area 14 - Inconsistency between the number of credits claimed and the number of units/subjects reported within the student record.

The College runs a suite of FES checking reports before submission of their returns to highlight and investigate any anomalies or issues within the return data.

Our review confirmed this process is operating effectively to ensure the amount of credits claimed is accurate and no issues were identified.

Recommendations

All actions have been given a risk rating as follows:

4	<ul style="list-style-type: none"> •Very high risk exposure - major concerns requiring immediate senior attention that create fundamental risks within the organisation.
3	<ul style="list-style-type: none"> •High risk exposure - absence / failure of key controls that create significant risks within the organisation.
2	<ul style="list-style-type: none"> •Moderate risk exposure - controls are not working effectively and efficiently and may create moderate risks within the organisation.
1	<ul style="list-style-type: none"> •Limited risk exposure - controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues.

1. Superclass Classification

As part of the Curriculum Planning exercise, the Heads of Department allocate the superclass and relevant price group to each course. No secondary checks are performed over this allocation to check for reasonableness.

We tested a sample of 20 courses to confirm whether the course had been allocated to a superclass and price code that appeared reasonable and in line with SFC guidance. We noted one course that appeared to be incorrectly classified based on the content of the relevant modules, which was confirmed with the SFC and agreed by the College. This would have resulted in an over-claim of funding as the original superclass selected was linked to price group 2; the new superclass is price group 1. We confirmed that the College have made this adjustment within the FES return.

There is a risk that courses are allocated to the incorrect superclass due to the lack of secondary checks, resulting in incorrect allocations that to inappropriate price groups that results in over-claiming of funding.

We recommend that as part of the checks the Student Records team performs over courses during the curriculum planning process, staff complete reasonableness checks over the superclass and price group allocated to ensure courses have been classified appropriately.

Risk rating: 2

Management response:

Secondary checks of assigned Superclass to courses, involving staff from MIS and Curriculum & Quality, will be established prior to completion of the FES return.

To be actioned by: Information Systems Coordinator

No later than: June 2018

2. Calculation of Required Dates

The Unit-E system automatically calculates the required date for students by identifying the date on which 25% of working days from the date the course started to the end date. However, per SFC guidance, the required date should be calculated as 25% of the number of calendar days between the start and end dates of the course.

Despite the incorrect required date on the system and within the FES, we performed checks over withdrawn students to confirm there were no instances in which credits had been incorrectly claimed as a result of the incorrect required date.

There is a risk that credits are claimed incorrectly in future due to incorrect calculation of the required date, resulting in over-claiming of credits and potential funding clawbacks.

We recommend that the programming within Unit-E is updated to calculate the required date using calendar days, rather than working days.

Risk rating: 2

Management response:

Required dates for non-full time courses was calculated as it has been for a number of sessions using working days, which was the guidance from previous auditors. The calculation of required dates has now been changed within our systems to be based on calendar dates rather than working dates.

To be actioned by: Associate Principal, Information Systems

No later than: September 2017

Adjustments

One error was identified through our testing in respect of an incorrectly allocated superclass to one course. We confirmed this error has been adjusted for by the College.

Description	Adjustment to number of credits claimed	% of total credits claimed	Financial value of credits (£)
Adjustment of course superclass	-	Less than 0.01%	(£9,415.76)

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Annex A

Audit Report

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

We have audited the FES return which has been prepared by Forth Valley College under the 'Credits' Guidance issued 26 August 2016 and which has been confirmed as being free from material misstatement by the college's Principal in their Certificate dated _____. We conducted our audit in accordance with guidance contained in the 2016-17 audit guidance for colleges. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of the data. The audit also included examination, on a test basis, of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material misstatement.

In our opinion:

- The student data returns have been compiled in accordance with all relevant guidance.
- Adequate procedures are in place to ensure the accurate collection and recording of the data.
- On the basis of our testing we can provide reasonable assurance that the FES return contains no material misstatement.

Signature

Date

Name of audit firm

Contact name

Contact telephone number

Date FES returned

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

1. Purpose

To present the Internal Annual Report 2016/17 period from Scott Moncrieff for consideration by the Audit Committee.

2. Recommendation

That members discuss the attached report.

3. Financial Implications

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

4. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not applicable

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

5. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	X	X

Please describe any risks associated with this paper and associated mitigating actions – The attached report provides members with an assurance on the College's approach to control systems within the organisation and summarises the audit work undertaken for 2015/16

Risk Owner – Alison Stewart

Action Owner – Stephen Jarvie

6. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes No

Health and Safety – Yes No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

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Forth Valley College
Internal Audit Annual Report
2016/17

July 2017



Scott-Moncrieff
business advisers and accountants

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Forth Valley College

Internal Audit Annual Report 2016/17

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Introduction

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

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

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

To meet the above requirements, this Annual Report summarises our conclusions and key findings from the internal audit work undertaken at Forth Valley College during the year ended 31 July 2017, including our overall opinion on Forth Valley College’s internal control system.

Acknowledgement

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

Overall internal audit opinion

Basis of opinion

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

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

- All reviews undertaken as part of the 2016/17 internal audit plan;
- Any scope limitations imposed by management;
- Matters arising from previous reviews and the extent of follow-up action taken including in year audits;
- Expectations of senior management, the Board and other stakeholders;
- The extent to which internal controls address the client's risk management /control framework;
- The effect of any significant changes in Forth Valley College's objectives or systems; and
- The internal audit coverage achieved to date.

In our opinion, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the basis and the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria. The conclusions are only applicable for the entity examined. The evidence gathered meets professional audit standards and is sufficient to provide senior management with the proof of the conclusions derived from the internal audit.

Internal Audit Opinion

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

We have assessed the adequacy and effectiveness of Forth Valley College's system of internal control as follows:

- Governance - controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
- Risk Management - controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
- Control environment – controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Scott-Moncrieff

July 2017

Internal audit work performed

Scope and responsibilities

Management

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

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

Internal auditor

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

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

Planning process

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

Our strategic and annual internal audit plans are designed to provide the Audit Committee with assurance that Forth Valley College's internal control system is effective in managing the key risks and best value is being achieved. The plans are therefore informed by the client's risk management system and linked to the Corporate Risk Register.

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

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

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

Cover achieved

Our Internal Audit Plan comprises 37 days per annum. We completed 30.25 days of core internal audit work in 2016/17. The remaining days related to Risk Management and Risk Workshop which will be undertaken in October 2017.

A comparison of actual coverage against the 2016/17 plan is attached at Appendix 1.

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

We did not rely on the work performed by a third party during the period.

Reports





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

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

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

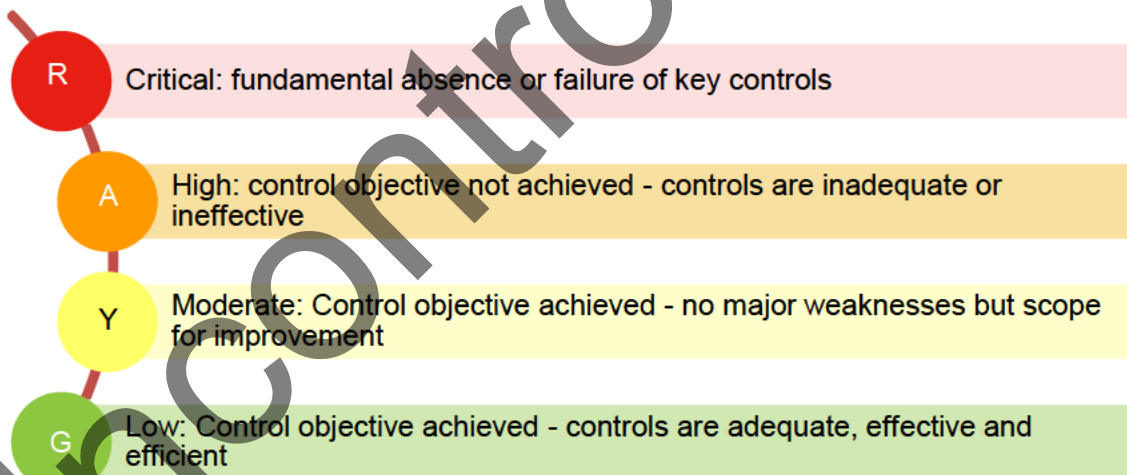
Summary of reports by control objective and action grade

Five internal audit reports have been completed during 2016/17, as summarised in the table below.

Review	Control objective assessment	No. of issues per grading			
		4	3	2	1
A.1 Budget Setting & Monitoring		-	-	5	-
A.4 Non-pay Expenditure & Creditors		-	1	6	-
C.1 International Strategy & Operations		-	-	4	1
C.2 Project Management (New Campus)		-	-	-	-
Review of 2015/16 Credits Return	N/A*	-	-	1	-

*Different reporting style with no assessed control objectives.

Control objective assessment definitions

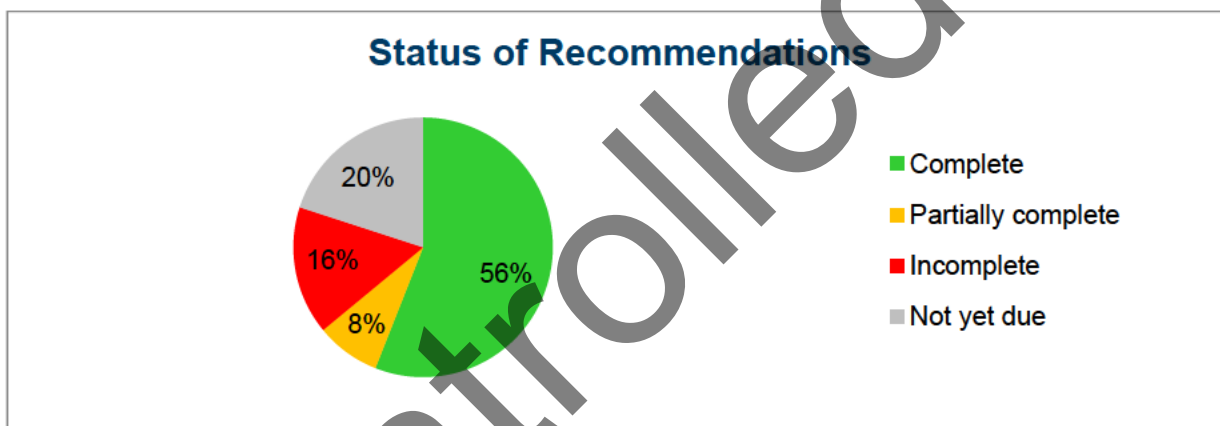


Management action prioritisation definitions

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.

Progress in implementing internal audit actions

We reviewed management's progress in implementing the 25 outstanding actions and obtained sufficient evidence to close 14 (56%) actions. Of the 11 outstanding actions, two (8%) are partially complete, four (16%) are incomplete and five (20%) are not yet due for completion.



Key Themes

We have raised 18 findings across the five internal audit reviews completed during 2016/17. None of these findings were categorised as Grade 4 (major concerns requiring immediate attention), however one finding was categorised as Grade 3 (absence or failure of significant controls).

Once this point has been actioned, Forth Valley College will see an improvement to the current controls in place. We will continue to monitor Forth Valley College's progress towards implementation of these actions as part of our follow-up work.

Independence

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

We can confirm that the staff members involved in each 2016/17 internal audit review were independent of Forth Valley College and their objectivity was not compromised in any way.

Conformance with Public Sector Internal Audit Standards

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

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

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Appendix 1 – Planned v actual days 2016/17

Ref and Name of report	Planned Days	Actual Days
A. Key Financial Systems reviews		
A.2 Budget Setting & Monitoring	5	5
A.4 Non-pay Expenditure & Creditors	3	3
B. Key Strategic reviews		
B.1 Risk Management	7	0.75
C. Key Operational reviews		
C1. International Strategy & Operations	5	5
C.2 Project Management (New Campus)	5	5
D. Other reviews		
D.1 Review of Credits	5	5
E. Management		
E1. Follow up	2	2
E2 Audit management, Audit Committees, annual planning, etc	3	3
E3. Management support / contingency*	2	1.5
Total	37	30.25

All amendments to the plan set out above were agreed with management and reported to the Audit Committee during the year.

Appendix 2 – Summary of Internal Quality Assurance Assessment

We are required by Public Sector Internal Audit Standards to disclose the outcome of our regular internal and external quality assessments.

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

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

Comment

Overall, our service conforms to the requirements of the International Standards for the Professional Practice of Internal Auditing. A range of actions have been identified which will improve the overall effectiveness and consistency with which our methodology is applied. For example, incorporating the role of specialists within our audit plans and the roll out of our integrated software solution Pentana.

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

We are happy to provide Audit Committee members with further details of the information set out above and the assessment process, if required.

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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 13 November 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 14 September 2017, three reports were laid before the committee. The recommendations from these reports have been added to the tracking document in Appendix 1.

As such there are now a total of 10 recommendations in total covered in Appendix 1.

Since the last meeting of the Audit Committee, 3 of the 10 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 2 recommendations (No's 3 and 5). Details are contained in Appendix 1 and these new dates are highlighted in red.

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

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	Nov 17 - College has engaged with specialist copyright advisor via College's Scotland 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. May 17 - Copyright policy developed and ready for approval, will be taken to Audit and Board for approval. Feb 2017 - Copyright development still underway. There has been a lack of feedback from the pilot group and in particular Dundee and Angus, to the best of our knowledge, have not had a formal response from the Copyright Licensing Agency on their approach which the College may choose to adopt. SMT have now appointed a member to lead on this activity. A further extension is requested to give time for feedback to be received and to tie into the licence renewal timescale for the College. Nov 16 - No further update at this time. Aug 16 - The College is participating in a copyright pilot group to look at reducing or eliminating licencing costs. While in it's early stages across the sector, Dundee and Angus College made the decision in June 2016 not to renew their copyright licence. It was agreed to hold development of the policy to see the impact of the D&A decision and potential cost savings of £33,000 to the College per annum. May 16 - In progress for June completion Feb 16 - Initial meeting took place in early Feb and in progress to meet June deadline. Nov 15 - A draft of the policy is available and a further meeting in due to take place in early December.	31/07/2017	22/12/2017		
2	Non-Pay Expenditures and Creditors	Feb-17	Alison Stewart	Irene Andrew	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)	Nov 17 - all catering and hospitality stock items/ingredients are now streamlined and standardised and all orders are now placed directly through the Bleep system. Once delivery has been checked to the bleep info this is approved and then entered on the P2P system for payment; this ensures that the ordering and pricing is consistent across the campuses and in accordance with the framework 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 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	31/08/2017	22/12/2017	Copy of guide for orders	Yes
3	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)	Nov 17 - Owing to staffing changes, process note will be created by end December 17 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 May 17 - Work has not yet started on this but still intend for this to be done by the target date	31/07/2017	31/12/2017		
4	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)	Nov 17 - Board short life working group being arranged early in 2018 to review scheme of delegation. accordingly, completion date is requested to be moved to end March 2018. August 17 - this has been put on hold until after the Board Effectiveness workshop which will consider delegated authority. May 17 - An initial draft of the template has been prepared and is with the Director of Finance for	31/07/2017	31/03/2018		
5	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)	Nov 17 - Due to annual accounts the staffing budget guidance has not yet been prepared 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	31/12/2017		
6	International Strategy and Operations	Sep-17	Andrew Lawson	Jennifer Tempany	The College should consider developing a Stakeholder Communication Plan to support the ongoing development of the International Strategy.	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)	Nov 17 - The plan is currently being developed and will be completed by the end of the year	31/12/2017			
7	International Strategy and Operations	Sep-17	Andrew Lawson	Jennifer Tempany	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.	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.	Grade 2 (Design)	Nov 17 - The review of Business Development is now complete with plans in place to begin to draw out the recommendations and implement the changes in January 2018. This will allow us to refocus on the areas within BD and move forward.	31/07/2018			
8	International Strategy and Operations	Sep-17	Andrew Lawson	Jennifer Tempany	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	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)	Nov 17 - We will devise a process where by projects are evaluated from initial concept through to completion. They will be ranked and evaluated for risk and opportunity to return on investment. The process of end of project evaluation will be included in this.	31/07/2018			

9	International Strategy and Operations	Sep-17	Andrew Lawson	Jennifer Tempany	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.	The college will implement a formal annual review process for UKVI procedures. This process will include review timescales for any periodic UKVI policy change.	Grade 1 (Operation)	Completed and in place	31/10/2017		revised forms	Yes
10	International Strategy and Operations	Sep-17	Andrew Lawson	Jennifer Tempany	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.	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.	Grade 2 (Design)	Completed and in place	31/10/2017		New forms	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.

That members note the content and layout have continued to be presented in the existing format and that this will be changed once a decision on the new risk approach for the Board is reached.

3. Background

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

4. Changes to the Risk Register

There have been a number of changes to the risk register.

[REDACTED]

It is also proposed to remove five risks from the register –

The risk of inadequate facilities due to lack of capital funding (Risk Id No 13) is now considered complete following Scottish Government approval for the new Falkirk campus.

The risk relating to Barclays Covenants (Risk Id No 14) has been fully mitigated with new covenants agreed and approved by the College lawyers.

The risk presented by the Apprenticeship Levy (Risk Id No 15) has been removed as there has been no demonstrable impact on Modern Apprenticeship levels in the College.

The risk relating to government accounting rules restricting College resource use (Risk Id No 16) has been removed as this is now the environment in which the College operates and there are no further mitigating actions to take.

The risk relating to low level recruitment for integrated degree programmes (Risk Id No 17) has been removed as recruitment has now been completed

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 – Ken Thomson

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 – Ken Thomson

Forth Valley College Strategic Risk Register

Risk Management and Mitigation						Owners			Initial Risk Score		Score After Mitigation			Change to score since last meeting	Date Added and Date Score Updated	
No	Area	There is a real or perceived risk that...	Potential Consequences	Mitigating Actions	Actions/Progress to Date	Board Committee	SMT Risk Owner	Action Owner	Likelihood	Impact	Risk Score	Likelihood	Impact			Risk Score
1	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>Nov 17 No further update discussion ongoing</p> <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 disruption to students. NRPA now signed of by sector with EIS pay award for 15/16 & 16/17 now completed.</p> <p>March 2016 - We have developed a communication plan to make sure that stakeholders are kept fully informed of mitigating actions we may take. We are actively working with departments to alleviate the impact on learners.</p>	HR	P	DPCOO	VH	VH	25	VH	VH	25	↕	Mar-16
2	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>Nov 17 No further Update</p> <p>Aug17 Unison pay deal has been accepted however, there remains a risk going forward of affordability. The Employers Association continue to seek clarity form 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>	HR	P	DPCOO	VH	H	20	VH	H	20	↕	Jun-14
3	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>Nov 17 - Review of Business Development completed whicl will provide greater focus on identifying new opportunities</p> <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. Relaunched the MA Engineering programme and seeking to attract additional companies. Active marketing campaign on commercial activities. Recruiting a Development and Fund Raising Manager</p> <p>November 2015 - Meeting held with all Heads of Teaching department to identify new streams of income</p>	F	P	DPCOO	VH	VH	25	VH	H	20	↕	Nov-15
4	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>Nov 17 - SMT have approved the creation of a GDPR Project Board, with the first meeting taking place early November, with an Information Audit commencing. Business Development are in the final stages of updating contract template, and interim privacy statements have been added to our online application process.</p> <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	VPISC	CPISC	VH	H	20	VH	H	20	↕	Sep-17

Forth Valley College Strategic Risk Register

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>November 2017 - Response for SFC was not positive in terms of addressing the current funding model which recognises historic inefficiencies and inconsistent funding across colleges. In addition the 24 hour contact no detriment agreed through National Bargaining is not helpful to the FVC position. however additional £500k allocation received for Flexible Workforce Development Fund is welcomed. 18/19 allocations will be announced in the new year following the outcome of the spending review and the new format for Outcome Agreement negotiations.</p> <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	H	16	↔	March 2016 Score Increase May 2016 Score decrease Nov 2017
6	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>Nov 17: Review of contract for 2016-2018 and 2017-2019 FAs submitted for the five programmes that fell below the enrolment thresholds required by SDS. Case made for levels of fixed cost funding not to be reduced. Result not yet known. Tender for 2018-2020 FA contract submitted and result awaited, so levels of funding offered not yet known. Significant efforts have been made to secure strong schools and local authority support to maximise recruitment for 2018-2020, however the uncertainty around funding and recruitment to these programmes remain a risk.</p> <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	VPLQ	VPLQ	H	M	12	H	M	12	↔	Nov-16
7	Estates	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	P	VPED	VPED	VH	VH	25	VH	L	10	↓	May-16
8	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	<p>Nov 2017: The college's first Evaluative Report and Enhancement were submitted to SFC and Education Scotland on 31 October. Feedback from Pre-endorsement Meeting was positive. Formal Endorsement Meeting to be held on 17 Nov. No grades will be published this year.</p>	SDC	VPLQ	VPLQ	M	M	9	M	M	9	↔	New - Aug 17
9	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>Nov 17 - The College has agreed to be part of the Public Sector Cyber Catalyst Programme, which is a key recommendation of SG's Public Sector Action Plan on Cyber Resilience, which is launched this month.</p> <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	VPISC	VPISC	L	VH	10	L	H	8	↔	Jun-14


Forth Valley College Strategic Risk Register

10	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>Nov 17 No further update - agreed pay rises were budgeted for</p> <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 dispute 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 award 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 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	DPCOO	DPCOO	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
11	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 	<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>Nov 17 - Staff training activity for key staff on BCP scheduled for 27 November 2017</p> <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	VPFACA	L	VH	10	L	M	6		Nov-13
12	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>Nov 17 - Outcome Agreement guidance for 2018/19 has been released by SFC, and work has begun on refreshing our OA based on this. OA self evaluation report is also presented to the Board of Management</p> <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	VPISC	VPISC	L	VH	10	L	M	6		Aug-13

Forth Valley College Strategic Risk Register

13	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>Nov 17 - Funding approval for new campus received. Proposing removal of this risk</p> <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> <p>August 2015. Financial Advisors appointed and preferred legal advisors identified. Architects consultation meetings with staff underway. Work ongoing to develop FBC.</p> <p>May 2015</p> <p>Technical Advisor appointed April 2015.</p> <p>March 2015 - Middlefield demolition complete. Technical Advisor tenders returned 6 March 2015. OJEU for architect issued.</p> <p>November 2014</p> <ul style="list-style-type: none"> NPD funding strategy announced in Scottish Government October 2014 budget for Forth Valley College Agreement reached with SFC to fund demolition of Middlefield campus; demolition programmed to start in November 2014. Falkirk OBC completed and to be submitted to SFC for approval in December 2014 Ongoing discussions with SFT and SFC re overall procurement route, FBC and next steps <p>May 2014</p> <ul style="list-style-type: none"> Fundraising proposal for Middlefield demolition submitted to SFC 	B	VPED	VPED	VH	VH	25	VL	VL	1		Nov-14 score reduced from 20 to 15 Added - 01/08/2013
14	Governance	That the College will be in breach of the covenants relating to the £4.5m term loan facility with Barclays'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>Nov 17 - Covenant now reviewed and agreed by lawyers. Proposing removal of this risk</p> <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 uncovenanted 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</p> <p>No further update at this time</p> <p>August 15</p> <p>Meeting held with Barclays in July 15. Chris Hearn, Head of Education in Barclays is progressing the removal of covenants.</p> <p>May 2015</p> <p>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	VPFACA	VPFACA	VH	H	20	VL	VL	1		March 2015 - Score increased from 15 to 20
15	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.	<ul style="list-style-type: none"> 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>Nov 17 There has been no impact on Modern Apprenticeship numbers as a result of the apprenticeship levy. Proposing to delete risk</p> <p>Aug 17 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	DPCOO	DPCOO	H	H	16	VL	VL	1		Nov-16
16	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>Nov 17 - This is now the environment all Colleges are operating in. Propose removal of this risk</p> <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	VPFACA	VPFACA	H	VH	20	VL	VL	1		

Forth Valley College Strategic Risk Register

17	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 fee 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>Nov 2017: Recruitment now complete. Unfilled HWU Chemical places were distributed over Mechanical and Electrical to boost numbers. Additional mitigation put in place through stronger presence at HWU open events and including the course in UCAS, however overall this remains a risk.</p> <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	VPLQ	VPLQ	M	M	9	VL	VL	1		May-17
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1. Purpose

To provide members with outputs from the recent Board Risk Management session and to generate discussion on next steps.

2. Recommendation

That members note consider the content of the paper and discuss what the next steps for Risk in Forth Valley College should be.

3. Background

At the recommendation of the Audit Committee it was decided to conduct a session, facilitated by the College Internal Auditors, to gauge the risk appetite of the Board of Management.

4. Key Considerations

Scott Moncrieff started the session with an interactive presentation designed to ascertain the Board's risk appetite and assumptions. The outputs from this session were captured and are included in the attached report.

Members were also split into groups and given the opportunity to discuss the following topics –

- Working with Strategic Partners
- Building a Sustainable Future
- Investing in our Staff and Students

The output of these discussions was captured and is outlined below.

Investing in Staff and Students

- Board members engaging directly with staff and students in different ways
 - Staff Conferences
 - Student Association
 - Listening to Learners sessions
 - Seeing/experiencing staff meetings
 - Student Council meetings
 - Opportunities to talk directly with staff and students
 - "Marketplace" events
 - Open Evenings

A 'suite' of opportunities should be pulled together and made available to Board members.

- Opportunities for more short presentations to Board or Committees from College Services
 - Board members spend half a day in a College team
 - Talks for students
 - Community benefits from New Falkirk Campus build
-

- Mental Health amongst students – complex issue – not just dealing with those who have disclosed
- Should be asking staff and students how they think we should invest in them

Working with Strategic Partners

Role of the Board

- Contacts
- How do we utilise the skills of the board?
 - How do we capture skills?
 - What skills do we need?
 - What is the gap?
- Target strategic partners
- Speed dating
 - Describe each other (Board Members)
 - 360 degree review
- Council representation? or knowledge
- Developing Regional Structure
- Strategic Partnerships based on skills
- 2-way link with other Boards (FVC leading)
- Risk of being held back
- Fragmented sector

Building a Sustainable Future

- Staffing – People strategy
 - Change, shape and direct direction
 - Continually horizon scan
 - Environmental – New builds and carbon footprint
 - Do more of marginal gain?
 - Waste x Energy – instil culture of environmental sustainability
 - Curriculum – the correct delivery
 - Changing culture of delivery
 - Consistency of use of Moodle
 - Board session on Moodle bar
 - Remote master classes?
 - International audience
-

5. Financial Implications

Please detail the financial implications of this item – Not Applicable

6. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not required at this stage of discussions

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	X	X
Low		
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – Failure to maintain a risk register that meets Board expectations is to be avoided at all costs. The Board risk session is the first step in a full consideration, review and update of the College's risk management framework

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

Systems Verification - Visit Report

Systems verification is the process we use to ensure that SQA centres comply with the quality assurance criteria and have internal quality assurance systems appropriately documented, effectively implemented and evaluated, and show continuous improvement in their application. Guidance for centres relating to the systems verification visit can be found at www.sqa.org.uk/qualityassurance.

Rescheduled date		Reason	
Centre Name	Forth Valley College	Centre Number	5760259
Systems Verifier Name	Fiona Gunn	Systems Verifier Contact Details	
Double Banker Name (if applicable)		Date/Time of Visit	31 Oct 17 - 09:00
Head of Centre Name	MR Ken Thomson	Head of Centre Email Address	
SQA Co-ordinator Name	Rob McDermott	Centre Email Address	centre.coordinator@forthvalley.ac.uk

Summary of Visit

	Outcome Statement	Non-Compliant Criteria
Management of a Centre	Significant strengths identified in the systems that support the maintenance of SQA standards within this centre	
Resources	Significant strengths identified in the systems that support the maintenance of SQA standards within this centre	
Candidate Support	Significant strengths identified in the systems that support the maintenance of SQA standards within this centre	
Internal Assessment and Verification	Significant strengths identified in the systems that support the maintenance of SQA standards within this centre	
External Assessment	Significant strengths identified in the systems that support the maintenance of SQA standards within this centre	
Data Management	Significant strengths identified in the systems that support the maintenance of SQA standards within this centre	

Sanctions	
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Records of Discussions

Discussions with Candidates	Yes
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<p>if YES, please provide a brief summary of the discussion:</p>	<p>Students on the following qualifications were interviewed in groups: HND Beauty Therapy, HND Accounting, HND Travel and Tourism, HNC Social Services, HND Business and HNC Childcare.</p> <p>The following topics were covered in the group interviews:</p> <ul style="list-style-type: none"> - Induction process and content - Guidance and support arrangements - Assessment arrangements - Internal assessment appeals procedures - Complaints procedures - Methods for students to give feedback - Malpractice procedures - Resources <p>The students were very forthcoming and positive about their courses, their experience at the College and the support they receive from staff. Specific comments are included under the relevant criteria below.</p>
Discussions with Assessors	Yes
<p>if YES, please provide a brief summary of the discussion:</p>	<p>The following topics were covered in the group interviews:</p> <ul style="list-style-type: none"> - Assessor and verifier roles, qualifications, induction, CPD - Conflict of interest procedures - Feedback from external verification - Assessment arrangements - Internal assessment appeals procedures - Malpractice procedures - Resources and the system for reviewing resources - Internal verification processes <p>Specific comments are included under the relevant criteria below.</p>
Discussions with Internal Verifiers	Yes
<p>if YES, please provide a brief summary of the discussion:</p>	As above

Outcome Summary

1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	1.10
2.1	2.2	2.3	2.5						
3.1	3.4	3.5	3.6						
4.1	4.5	4.7	4.8						
5.1	5.2	5.3							
6.1	6.2	6.3	6.4						

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Management of a Centre

	Criteria	Impact	Compliance Level	Comments	Agreed Action	Good Practice	Recommendations
1.1	Policies and procedures must be documented and reviewed to ensure full compliance with SQA quality criteria.	High	Green	<p>The schedule for review of policies includes the last review date, next review date and comments on changes.</p> <p>The examples of policies provided - Equality Policy, Guidance Policy, Health Safety Environment and Welfare policy - all have appropriate version control and review dates.</p> <p>Procedures also have version control: date of procedure and review date.</p>			
1.2	Policies and procedures must be endorsed by senior management and disseminated to all relevant staff.	Low	Green	<p>The examples of policies seen - Equality Policy, Guidance Policy, Health Safety Environment and Welfare policy - all have senior management responsibility shown.</p> <p>Procedures also show the senior manager responsible.</p> <p>Examples of dissemination of policies and procedures included:</p> <p>Policies and procedures held on Sharepoint for staff to access</p> <p>Head of Department and Curriculum Managers meeting agendas, including updates on quality procedures.</p> <p>E Focus bulletin - Alert to staff of changes to quality procedures (including appeals and malpractice)</p>			

1.3	SQA must be notified of any changes that may affect the centre's ability to meet the quality assurance criteria.	High	Green	<p>The role description for the SQA Co-ordinator includes this responsibility.</p> <p>A recent example of a change being notified to SQA was an e-mail notifying SQA (mycentre) of the change of SQA Coordinator in August 2017.</p>			
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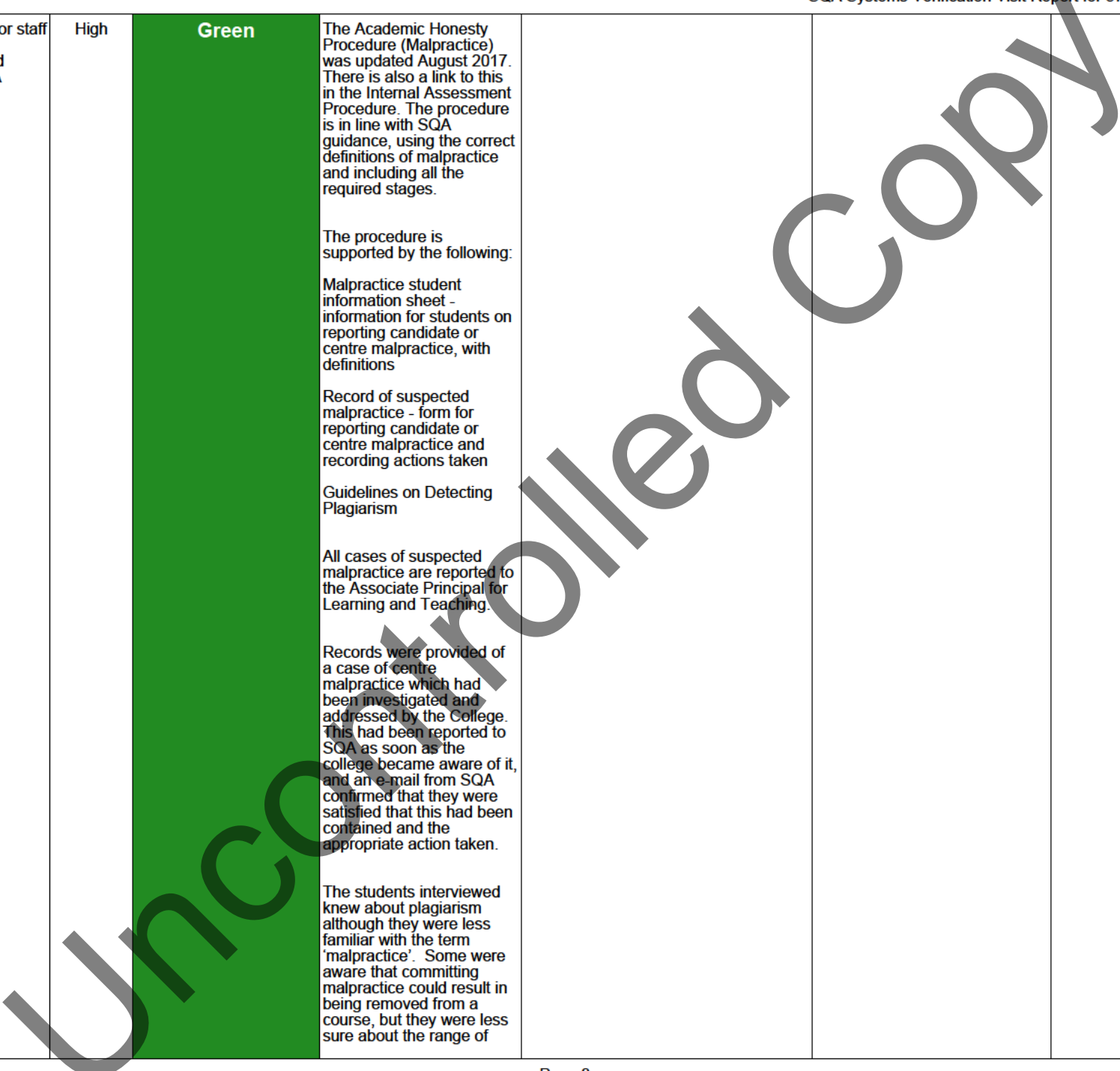
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<p>1.4</p>	<p>The roles and responsibilities of those involved in the administration, management, assessment and quality assurance of SQA qualifications across all sites must be clearly documented and disseminated.</p>	<p>Medium</p>	<p>Green</p>	<p>The Assessor Guidelines roles and responsibilities document covers induction, support, assessment, assessment arrangements, appeals, complaints, malpractice, CPD, external quality assurance.</p> <p>Internal Verifier Guidelines on roles and responsibilities covers supporting assessors, standardisation, sampling, but not approval of assessment instruments or post-delivery review</p> <p>Quality Manager job profile - includes the role of awarding body coordinator, and an appendix to this details the role and responsibilities of the SQA Co-ordinator, fully addressing all of SQA requirements.</p> <p>The Learner Work Placement procedures mention formal written agreements with work placement providers.</p> <p>An example provided of a written partnership agreement was with Historic Scotland for the delivery of their customised award Advanced Professional Diploma in Technical Building Conservation. This had been provided at approval of the qualification, using the SQA exemplar form, including details of the roles and responsibilities of the College and Historic Scotland.</p> <p>Memoranda of understanding with local authorities outline the responsibilities within Schools: College partnership delivery of qualifications, including quality assurance.</p>			
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1.5	Suspected candidate or staff malpractice must be investigated and acted upon, in line with SQA requirements.	High	<p style="text-align: center;">Green</p>	<p>The Academic Honesty Procedure (Malpractice) was updated August 2017. There is also a link to this in the Internal Assessment Procedure. The procedure is in line with SQA guidance, using the correct definitions of malpractice and including all the required stages.</p> <p>The procedure is supported by the following:</p> <p>Malpractice student information sheet - information for students on reporting candidate or centre malpractice, with definitions</p> <p>Record of suspected malpractice - form for reporting candidate or centre malpractice and recording actions taken</p> <p>Guidelines on Detecting Plagiarism</p> <p>All cases of suspected malpractice are reported to the Associate Principal for Learning and Teaching.</p> <p>Records were provided of a case of centre malpractice which had been investigated and addressed by the College. This had been reported to SQA as soon as the college became aware of it, and an e-mail from SQA confirmed that they were satisfied that this had been contained and the appropriate action taken.</p> <p>The students interviewed knew about plagiarism although they were less familiar with the term 'malpractice'. Some were aware that committing malpractice could result in being removed from a course, but they were less sure about the range of</p>			
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				<p>sanctions for less serious issues.</p> <p>The staff interviewed understood their responsibility to report any cases of suspected centre (staff) malpractice, and that these have to be reported to SQA. They also understood the process for reporting and investigating suspected candidate malpractice and some could describe this in practice for recent cases they had been involved in as assessors or internal verifiers.</p>			
1.6	No-one with a personal interest in the outcome of an assessment is to be involved in the assessment process. This includes assessors, IVs and invigilators.	Low	Green	<p>A statement in the Internal Assessment Procedures (August 2017) explains the responsibilities of staff in relation to reporting conflicts of interest and dealing with this.</p> <p>The conflict of interest declaration form (on Sharepoint) is based on the SQA exemplar. A recent completed example was provided, including details of the action taken by the member of staff's line manager to address the reported conflict of interest.</p> <p>The staff interviewed were clear that, should such a situation arise, it would be each individual's responsibility to complete a Declaration of Conflict of Interest form so that a decision could be taken about how to mitigate the risk of the potential conflict of interest. One was able to cite a recent personal example and how it had been addressed.</p>			

1.7	There must be an effective process for communicating with staff, candidates and SQA.	Medium	Green	<p>Examples provided of dissemination of information to staff were:</p> <p>Head of Department meeting agenda August 2017 – update on SQA systems verification and procedures</p> <p>Head of Department meeting minutes – updates on quality procedures and reminder of need for induction</p> <p>Curriculum Managers meeting agenda – update on quality procedures</p> <p>E-mail forwarding SQA Centre News to relevant staff</p> <p>Examples provided of dissemination of information to students were:</p> <p>College website</p> <p>College Facebook page</p> <p>College Twitter account</p> <p>Students Association Facebook page</p> <p>Fusion e-zine</p>			
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<p>1.8</p>	<p>Feedback from candidates and staff must be sought and used to inform centre improvement plans.</p>	<p>Low</p>	<p>Green</p>	<p>A Staff Cultural survey had been carried out in 2013 and 2016 and the report showed overall positive feedback from staff and areas for improvement identified.</p> <p>The Quality Cycle 2017-18 includes student surveys and focus group activities.</p> <p>Self-evaluation procedures include student surveys and focus groups as evidence.</p> <p>The post-entry 2016-17 student survey results were provided.</p> <p>Feedback is regularly sought from students through the Listening to Learners Focus Groups. The questions for Blocks 1 and 2 were provided and a blank form showing that feedback is sought from Curriculum Managers on issues raised by students. The questions are not directly related to SQA criteria, but do cover resources and assessment.</p> <p>Most of the students interviewed had been asked for feedback through surveys and focus group. HNC Social Services students had not yet had the opportunity to share their views.</p>			
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1.9	The centre must comply with requests for access to records, information, candidates, staff and premises for the purpose of external quality assurance activities.	High	Green	<p>124 external qualification verification visits were carried out in 2015-16 and 2016-17, with no issues experienced by SQA verifiers with access.</p> <p>An example was provided of an e-mail response from Quality to a QV visit plan, confirming arrangements for the visit.</p> <p>The EV tracker held by the quality team logs all contacts from EVs and stages of arranging visits.</p> <p>The staff interviewed reported that there is a checklist to guide the department staff through the process of preparing for an external verification visit. Staff new to the role of Curriculum Manager receive a training session on how to prepare for external verification.</p>			
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<p>1.10</p>	<p>Outcomes of external quality assurance must be disseminated to appropriate staff and any action points addressed within agreed timescales.</p>	<p>Medium</p>	<p>Green</p>	<p>An example was provided of an e-mail from the quality team forwarding a QV report to the teaching department, telling them it is on Sharepoint and asking them to provide feedback.</p> <p>The role description for the SQA Co-ordinator includes this responsibility.</p> <p>The staff interviewed confirmed the process for receiving feedback from visit. They also reported that staff are congratulated when good practice is identified on a visit and any actions points are raised at the next standardisation meeting, discussed and actions agreed. The Quality Improvement Note is also used as an action plan to address development points.</p> <p>Department heads try to have as many staff at the feedback sessions as possible on the day of an external verification visit and find that it is a good opportunity for discussion and development for the whole team. Staff also valued being able to hear the feedback that students have given to EVs.</p>		<p>The quality team ask the teaching department to provide feedback to SQA and use the centre coordinator e-mail address so that the quality team has a copy. They also provide the feedback from the quality team on the process of arranging the visit so that it can be incorporated into a single feedback form.</p>	
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Resources

	Criteria	Impact	Compliance Level	Comments	Agreed Action	Good Practice	Recommendations
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<p>2.1</p>	<p>Assessors and internal verifiers must be competent to assess and internally verify, in line with the requirements of the qualification.</p>	<p>High</p>	<p>Green</p>	<p>The Recruitment and Selection policy is the overarching policy.</p> <p>Job profiles provided for Curriculum Manager, Quality Manager, VQ Manager, Student Records Manager and Student Records Business Partner give details on roles, outputs, qualifications, skills, knowledge and competencies.</p> <p>Role descriptions provided for VQ assessor, work-based assessor, internal verifier and VQ Manager include requirements for assessor and verifier qualifications, but there are some inconsistencies:</p> <p>VQ – Refers to subject qualifications and assessor/IV qualifications (no specifics).</p> <p>Work-based: Essential: Qualified to HNC or HND level in relevant specialism. D32/33 or A1/IV1 or LD9DI/LD11 or relevant sector skill/award body equivalent.</p> <p>VQ Manager – refers to A and V units only.</p> <p>Assessor and Internal Verifier guidelines: roles and responsibilities mention keeping record of CPD for regulated qualifications and minutes of VQ team meetings provide evidence of updates on CPD undertaken by staff.</p> <p>The Creative Learning and Technologies Strategy is an example of wider staff development in terms of evaluating and developing IT skills of staff.</p> <p>The staff interviewed felt</p>			<p>Review the wording of the Assessor and Internal Verifier guidelines: roles and responsibilities documents to give consistent and up-to-date information about assessor and verifier qualifications.</p>
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				supported in their development and gave examples of a wide range of CPD opportunities they had taken advantage of. The group explained that there are eight mandatory CPD modules that everyone has to complete, including Child Protection and Data Protection.			
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2.2	Assessors and internal verifiers must be given induction training on SQA qualifications and requirements.	Medium	Green	<p>In addition to induction carried out by the HR department and the new member of staff's line manager, the quality team deliver assessor/internal verifier induction sessions on the fourth Friday of every month. Twilight induction sessions are also provided for part-time staff. New staff are booked onto these session and both HR and the quality team check that they have attended and follow up with staff who have not attended.</p> <p>The Lecturer/Assessor induction checklist and the Powerpoint presentation used by the quality team in induction both cover all of SQA's requirements. The induction materials are also held on Sharepoint to be referred to later as required. A link is provided here to the student induction materials held on Moodle, so that staff are also fully aware of the information provided to students.</p> <p>There was evidence from Head of Department minutes of reminders of the need for induction.</p> <p>The staff interviewed confirmed the stages of induction and on-going support from their line managers and the Quality Manager and reported that they felt well prepared by their induction.</p>			
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2.3	There must be a documented system for initial and ongoing reviews of assessment environments; equipment; and reference, learning and assessment materials.	Medium	Green	<p>Initial reviews of resources are carried out through the curriculum planning and approval processes. The curriculum review and planning process starts two years in advance for full-time courses. Any requests for additional resources would have to be agreed at this stage, to be included in budgets, although current resource constraints mean that new courses largely have to be delivered within existing staffing and physical resources.</p> <p>The approval process is the end of the curriculum planning process, and the programme approval checklist and form include the requirement to confirm that any new resources requested have been approved, and that staff with appropriate qualifications and experience are in place.</p> <p>Completed approval forms for Diploma in IT Professionals were provided.</p> <p>On-going reviews of resources are evidenced through:</p> <p>The self-evaluation procedures and template.</p> <p>Listening to Learners Focus Group questions (including questions on assessment, learning resources, learning centre and classrooms/ workshops).</p> <p>Curriculum Manager job profile – includes responsibility for manager of specific resources and facilities, asset management, advising on capital investment planning.</p>		The pre-delivery checklist is a comprehensive and helpful list, beyond the basic requirements of internal verification, and including the full range of resources. Links are provided to current versions of relevant documents.	
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				<p>All the students interviewed agreed that their courses were well resourced, although there were some minor issues with older classrooms for some.</p> <p>The staff interviewed confirmed that the internal approval process for introducing a new qualification includes checks on the qualifications and experience of the staff who will be involved in delivery and assessment and sections for the initial review of assessment environments; equipment; and reference, learning and assessment materials when a new qualification is being introduced. A Portfolio Conference is also held covering the proposals, costs and labour market intelligence to ensure the course is fully costed and justified before progressing.</p>		
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<p>2.5</p>	<p>All sites where candidates undertake assessments for SQA qualifications must be safe and appropriately resourced, and must provide access for candidates, staff and SQA personnel.</p>	<p>Medium</p>	<p>Green</p>	<p>The Health Safety Environment and Welfare policy is the over-arching policy covering all campuses and departments.</p> <p>The College is using the full SQA exemplar of a site checklist, with some adaptations.</p> <p>The Programme Approval form includes the requirement for site checklists, where other sites are to be used for assessment. It is not always possible to provide this information at the time of approval e.g. for candidate workplaces, before candidates have been recruited. We discussed ways to ensure that staff are aware of the need to complete site checklists post-approval as required when other sites are to be used.</p>			<p>Amend the pre-delivery checklist to include confirmation that the suitability of all sites other than the college campuses to be used for assessment has been checked, and that this is recorded on site checklists. Include a link to the current site selection checklist.</p>
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Candidate Support

	Criteria	Impact	Compliance Level	Comments	Agreed Action	Good Practice	Recommendations
3.1	Candidate induction must include information about the SQA qualification and SQA requirements.	High	Green	<p>The Guidance Policy, under Entitlements, includes providing each learner with an appropriate induction to their learning programme and the range of College services.</p> <p>In the Post-entry 16-17 survey results most responses indicated induction was "very useful" or "fairly useful".</p> <p>An example of a Student Handbook 2017-18 from Sport and Fitness did cover all of SQA's requirements for candidate induction.</p> <p>The students interviewed confirmed that the induction process covered general policies and procedures, who's who, a course outline and information about assessment. Students felt well prepared for their courses and found the materials (hard copy and on Moodle) useful to refer back to.</p>			
3.4	Policies and procedures must give SQA candidates equal opportunities for assessment.	Low	Green	<p>The Equal Opportunities policy mentions making reasonable adjustments for staff and students to meet individual needs.</p> <p>The Internal Assessment Procedure includes the statement that "Forth Valley College will carry out the process of internal assessment in a fair, equitable and inclusive manner".</p>			

<p>3.5</p>	<p>Individual candidates' requirements for assessment arrangement must be discussed, identified, implemented and recorded.</p>	<p>Medium</p>	<p>Green</p>	<p>The Guidance Policy covers identifying requirements and providing assessment arrangements under Entitlements and allocates responsibility for this to the Equalities Team – Learning Development section.</p> <p>The enrolment form includes a section on disabilities and support needs and there is also the Additional support needs – self-declaration form for students.</p> <p>The Internal Assessment Procedures include a section on Alternative Assessment Arrangements.</p> <p>The Alternative Assessment Arrangements Operating Guidelines cover both external and internal assessment, but are focused mainly on exams. The Alternative Assessment Arrangements Procedures Guidelines for Lecturers cover booking rooms, laptops, and arrangements for papers.</p> <p>The students interviewed were very clear on the process for assessment arrangements and were able to give practical examples of support they had received. The students felt well supported.</p> <p>The staff interviewed could also clearly describe the process of Student Support agreeing and authorising assessment arrangements and passing details on to lecturers so that they can be implemented.</p>			
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3.6	Candidate complaints must be handled in line with a documented complaints procedure which meets SQA requirements.	Medium	Green	<p>A link is provided in the Student Handbook to the Guide to Making a Complaint. This fully meets SQA requirements, having two internal stages (Stage 2 for those not resolved at first stage or complex complaints requiring detailed investigation), plus information on escalating appeals to the SPSO, awarding body and regulators (for regulated qualifications). There is an on-line version of the complaints form on the website and paper copies are held at the campus receptions.</p> <p>The College uses the SPSO model complaints handling procedure for colleges.</p> <p>All complaints received are logged and response deadlines are monitored by the Corporate Governance and Planning Officer. Trends in complaints are analysed and reported on to the Board.</p> <p>The students interviewed appeared unsure about a formal complaints procedure. Most had not felt the need to complain about anything but a few had raised concerns informally, not using the complaints procedure, and so had not received any formal response from the college. They were not aware that they could escalate a complaint if they were not satisfied with the outcome.</p>			
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Internal Assessment and Verification

	Criteria	Impact	Compliance Level	Comments	Agreed Action	Good Practice	Recommendations
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<p>4.1</p>	<p>Internal assessment and verification procedures must be documented, monitored and reviewed to meet SQA requirements.</p>	<p>Medium</p>	<p>Green</p>	<p>The Quality Cycle 2017-18 includes internal verification and standardisation activities.</p> <p>The Internal Assessment Procedures include links to the Pre-Delivery Planning and Standardisation Procedure and Internal Verification Sampling Procedure (under resulting).</p> <p>Lead Lecturer/Assessors are responsible for pre-delivery checks that assessment instruments are current and approved. There is comprehensive coverage of SQA requirements in the Pre-Delivery procedures.</p> <p>There is also full coverage of SQA's requirements for sampling in the Internal Verification Sampling Procedure, record of sampling and record of sampling plans.</p> <p>Internal verification records are held on-line.</p> <p>The Internal Verifier Guidelines on roles and responsibilities cover supporting assessors, standardisation, sampling, but not approval of assessment instruments or post-delivery review.</p> <p>The Assessor Guidelines roles and responsibilities mention participating in standardisation and external QA, but not internal verification.</p> <p>Internal Quality Audit procedures include in scope for 2017-18 Pre-delivery and standardisation procedure and Internal verification</p>		<p>The Pre-delivery procedure includes clear requirements and guidance for both initial and on-going standardisation exercises.</p>	<p>Review the wording of the assessor and IV role descriptions and guidelines to ensure full coverage of all stages of IV procedures.</p> <p>Consider pulling together existing documentation (pre-delivery and sampling procedures) into a single 3-stage IV procedure, covering wider aspects of the during delivery stage than just sampling (e.g. supporting assessors, involvement of IVs in appeals or malpractice) and the post-delivery review stage.</p>
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			<p>sampling procedure. These audits are to be carried out by Heads of Teaching Department or Curriculum/Operations Managers for clusters of units in their own areas.</p> <p>The staff interviewed confirmed their understanding of the three stages of internal verification:</p> <p>Pre-assessment: pre-delivery checklist completed; Units discussed; assessment instruments agreed; marking schemes checked and agreed; establish lead lecturers; and agree sampling strategy.</p> <p>During assessment: department standardisation meetings, which are usually held at the beginning of each block; professional discussions take place on an ongoing basis throughout delivery; interim verification; cross campus standardisation meetings; practical internal verification including observation of assessors. The risk based sampling strategy, depending on the experience of the assessor, changes to Units or a new Unit, can range from a minimum of 20% or 4 portfolios, whichever is greater, up to 100%.</p> <p>Post assessment: a programme review meeting takes place at the end of each block; the programme and Units delivered are reviewed; learner feedback is reviewed; instruments of assessment are reviewed and, if necessary, re-written and internally verified.</p>			
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4.5	Assessment materials and candidate evidence (including examination question papers, scripts and electronically-stored evidence) must be stored and transported securely.	High	Green	<p>The Internal Assessment Procedures include the requirement on lecturers/ assessors to maintain security of assessments, and this is also covered in assessor/internal verifier induction. The procedures include the requirement that any potential breaches of security must be reported immediately to the Quality Manager, who will report them to the awarding body.</p> <p>Assessments are stored securely on Sharepoint, with restricted permissions to the areas where they are held.</p> <p>An example was provided of an e-mail from the SQA Coordinator to departmental administrators notifying them of a change to the password for the SQ secure site, with a statement on maintaining security, and storage of assessments on Sharepoint master folders with set permissions.</p>			
4.7	Candidate evidence must be retained in line with SQA requirements.	High	Green	<p>The Internal assessment procedures include a section on retention of candidate evidence which fully covers all of SQA's requirements for candidate evidence.</p> <p>This includes the most recent update to SQA requirements (6 years for escalated appeals and 6 years for investigation of malpractice in accredited or regulated qualifications).</p>			

4.8	Internal assessment appeals must be handled in line with a documented procedure which meets SQA requirements.	Medium	Green	<p>The Internal Assessment Appeals Procedure fully meets SQA requirements for two informal stages and appeal within the college, and uses standard SQA wording for escalation of appeals for regulated qualifications (with examples) to SQA Awarding Body and regulators.</p> <p>Both groups of students interviewed were aware of an appeals procedure but had never disagreed with any assessment feedback so had not had to use it.</p> <p>The staff interviewed reported that there have been very few appeals and nothing that they knew about that could not be resolved at the first stage or following cross marking or internal verification.</p>			
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External Assessment

	Criteria	Impact	Compliance Level	Comments	Agreed Action	Good Practice	Recommendations
5.1	Assessment evidence must be the candidate's own work, generated under SQA's required conditions.	High	N/A				
5.2	Assessment materials and candidate evidence, (including examination question papers, scripts and electronically-stored evidence) must be securely stored and transported.	High	N/A				
5.3	The centre must submit, where appropriate, within published timelines, results services requests.	Medium	N/A				

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Data Management

	Criteria	Impact	Compliance Level	Comments	Agreed Action	Good Practice	Recommendations
6.1	Candidates' personal data submitted by centres to SQA must accurately reflect the current status of the candidate.	High	Green	<p>The Enrolment form 2017-18 includes a Data Protection declaration to be signed by students.</p> <p>The Enrolment procedures provide guidance to staff on completion of the enrolment form and finance issues and training notes on fast enrolment give detailed notes on the use of Unit-e for fast enrolment.</p> <p>Student Records Business Partner role is focused on the recruitment and enrolment of students and each postholder is responsible for a portfolio of courses, so that they can become acquainted with any specific enrolment requirements of courses.</p> <p>The centre address is not used in student details, except in the case of deceased students.</p> <p>Students are encouraged to take ownership and responsibility for their own data by giving them access to it on a student portal. They can update their own personal data at any point on the portal, which will send a notification to Student Records to send an update to SQA. This has resulted in a decrease in the number of returned certificates.</p>			

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6.2	Data on candidate entries submitted by centres to SQA must accurately reflect the current status of the candidate and the qualification.	High	Green	<p>The Student Records Manager has overall responsibility for entries.</p> <p>Through the curriculum planning process curriculum managers put all units within courses onto the system. Once students are enrolled on the course they are all automatically entered on the college system for all the mandatory units. Initial elective registers are used to enter students for the optional units they are taking.</p> <p>A house-keeping exercise is carried out in January and February to check that group awards have been assigned where appropriate and to remove entries for withdrawn students. Group award entries are sent to SQA at Easter and unit entries are sent after that. There are manual interventions in place for qualifications such as SVQs, where there is a contractual requirement to submit entries by a particular date.</p> <p>Following the data cleanse exercise by SQA in February 2017 and on-going data cleansing by the College, the only open entries now for group awards and units (other than current students) should be for students with outstanding debts to the College, for whom results have been suppressed.</p> <p>There have been a few occurrences of late notification of group awards to Student Records for commercial courses, but steps have been taken to prevent this happening in future and much more robust processes are now in place.</p>			
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<p>6.3</p>	<p>Data on candidate results submitted by centres to SQA must accurately reflect the current status of the candidate and the qualification.</p>	<p>High</p>	<p>Green</p>	<p>The Internal Assessment Procedures include a statement on how to result.</p> <p>The internal verification record of sampling includes the requirement for internal verifiers to check that results are recorded correctly.</p> <p>The Real time resulting flowchart outlines different resulting scenarios.</p> <p>Lecturers are responsible for checking on the Enquirer system the results registers they are responsible for. These are raised against unit entries from the curriculum planning process. Some are linked to attendance and others just to assessment. Lecturers can click onto registers when they are ready to result and enter the results directly. They may be subject to internal verification and will be signed off by the curriculum manager. Results are recorded against all learning outcomes as well as units. New results are uploaded overnight to Unit-e and then sent to SQA. Any results updated later will be picked up and sent to SQA via SQA Connect.</p> <p>As stated under criterion 6.3 above, the only open entries now for group awards and units (other than current students) should be for students with outstanding debts to the College, for whom results have been suppressed. Results submitted close to the date of the entry being submitted have been due in the past to late notification of group awards for commercial courses, but more robust processes are now in</p>			
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				<p>place.</p> <p>Some commercial courses (First Aid/Emergency First Aid at Work) are only 2 or 4 day courses, so entries and results will be submitted close together by necessity.</p> <p>Entries and results for group awards are submitted at the same time for a significant number of students who transfer from HND to HNC if they do not progress within the College to Year 2.</p>			
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<p>6.4</p>	<p>There must be an effective and documented system for the accurate recording, storage and retention of assessment records, internal verification records and candidate records of achievement in line with SQA requirements.</p>	<p>Medium</p>	<p style="background-color: green; color: white; text-align: center; font-weight: bold;">Green</p>	<p>Internal Assessment Procedures cover requirements for the retention of candidate evidence but not retention periods for assessment and IV records, except partial information in relation to appeals and malpractice. They should include the requirement to retain records for one calendar year following completion of SQA qualifications, and an additional sentence "In the case of an appeal to SQA against the outcome of a malpractice investigation, assessment records must be retained for six years", plus the recent changes to 6 years for escalated appeals (or longer, if there is a legitimate reason) and 6 years for investigation of malpractice in accredited or regulated qualifications.</p> <p>SQA's requirements for retention of assessment and IV records are met or exceeded in practice because the records are stored electronically, but it would be helpful to include the requirements in procedures so that lecturers are aware and will know to retain any additional information relating to appeals or malpractice for the required period.</p>			<p>Include full requirements for retention of assessment and internal verification records in the Internal Assessment Procedures, alongside requirements for retention of candidate evidence.</p>
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Summary of Feedback to Centre	<p>The College is to be commended on the quality of the evidence provided both in advance of the visit and on the day.</p> <p>All the requirements of the systems verification criteria have been met. A few recommendations have been made, which the College may wish to consider, to further improve the clarity of some documents.</p> <p>Thank you to all the staff and students involved for your hospitality and helpfulness.</p>
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Name of Centre Representative present during feedback	
Name	Designation
Rob McDermott	Quality Manager (and SQA Co-ordinator)
Anne Fowler	Learning and Teaching Manager

Evidence Seen	<p>Schedule for review of policies.</p> <p>The Equality Policy, Guidance Policy, Health Safety Environment and Welfare policy.</p> <p>Head of Department and Curriculum Managers meeting agendas and minutes</p> <p>E Focus bulletin.</p> <p>E-mail notifying SQA (mycentre) of change of SQA Coordinator in August 2017.</p> <p>Quality Manager job profile</p> <p>Role description for the SQA Co-ordinator (appendix to job description).</p> <p>Assessor Guidelines roles and responsibilities</p> <p>Internal Verifier Guidelines roles and responsibilities</p> <p>Learner Work Placement procedures</p> <p>Academic Honesty Procedure (Malpractice)</p> <p>Malpractice student information sheet</p> <p>Record of suspected malpractice</p> <p>Guidelines on Detecting Plagiarism</p> <p>Internal Assessment Procedures</p> <p>Conflict of interest declaration form</p> <p>E-mail forwarding information from SQA to relevant staff</p> <p>E-mails from quality team to SQA external verifiers</p> <p>College website</p> <p>College Facebook page</p> <p>College Twitter account</p> <p>Students Association Facebook page</p>
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Fusion e-zine

Quality Cycle 2017-18

Listening to Learners Focus Group questions and feedback form for curriculum managers

Post-entry student survey results

Staff cultural survey results

Recruitment and Selection policy

Job profiles for Curriculum Manager, Quality Manager, VQ Manager, Student Records Manager, Student Records Business Partner.

Role descriptions for VQ assessor, work-based assessor, internal verifier and VQ Manager

Creative Learning and Technologies Strategy

Lecturer/Assessor induction checklist

Powerpoint presentation used by quality team for lecturer induction

Programme approval checklist and forms

Completed approval forms for Diploma in IT Professionals

Self-evaluation procedures and template

Curriculum Manager job profile

Student handbook Sport and Fitness

Alternative Assessment Arrangements Operating Guidelines –

Alternative Assessment Arrangements Procedures Guidelines for Lecturers

Guide to Making a Complaint

SPSO Model Complaints Handling Procedure for Colleges

Pre-Delivery Planning and Standardisation Procedure

Internal Verification Sampling Procedure

Internal verification record of sampling and record of sampling plans

Internal Assessment Appeals Procedure

Enrolment form 2017-18

Enrolment procedures

Training notes on fast enrolment give detailed notes on use of Unit-e for fast enrolment.

Real-time resulting process flowchart.

Staff Interviewed	<p>Rob McDermott, Quality Manager, and Anne Fowler Learning and Teaching Manager, answered the follow up questions from the lead verifier on the documentary evidence provided in advance and provided further evidence where requested.</p> <p>Fiona Brown, Associate Principal and Executive Director: Learning and Teaching, also provided some further information, particularly about the college's curriculum planning process and the link to the approvals process.</p> <p>Pamela Duncan, Student Records Manager, and Mhairi Archibald, Student Records Co-ordinator, answered the questions of the lead verifier on the College's processes for registration of students and entering and resulting students for SQA qualifications.</p> <p>Stephen Jarvie, Corporate Governance and Planning Officer, explained the College's complaints handling process.</p>
General Information	The visit was conducted at the Falkirk Campus.

Required actions and recommendations from previous visit:(if applicable will be reviewed during this visit			
Previous Agreed Action	Update/Review/Date Closed	Previous Recommendation	Update/Review/Date Closed
Not applicable		Not applicable	

1. Purpose

To inform members of the outcomes of the recent Systems Verification Audit carried out by SQA.

2. Recommendation

That members note the outcome of the college's recent SQA Systems Verification Audit.

3. Background

Systems verification is the process SQA use to ensure that centres comply with their quality assurance criteria and have internal quality assurance systems appropriately documented, effectively implemented and evaluated, and show continuous improvement in their application.

The college has not had a formal Systems Verification Audit by SQA for a number of years and this was the first audit under their new quality assurance framework and criteria.

4. Key Considerations

Two SQA auditors visited the college on 31 October, having received a comprehensive set of documentation in advance, and met with groups of staff students and managers. The resulting report is very positive, with all quality criteria receiving a full compliance rating and Outcome Statements of "Significant strengths". A copy of the report is at Appendix 1.

The report identified three examples of good practice and four minor recommendations.

5. Financial Implications

Please detail the financial implications of this item – there are no financial implications.

6. Equalities

Assessment in Place? – No

If No, please explain why – Equalities impact of college systems is addressed within the audit criteria, however the audit process itself does not require to be impact assessed.

Please summarise any positive/negative impacts (noting mitigating actions) – N/A

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	X	X

Please describe any risks associated with this paper and associated mitigating actions – The report provides sound endorsement of the college’s internal quality assurance processes related to SQA qualifications and evidences that these pose a very low risk to the college.

|

Risk Owner – Fiona Brown

Action Owner – Rob McDermott

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – No

Health and Safety – No

Please provide a summary of these implications – N/A

Paper Author – Rob McDermott

SMT Owner – Fiona Brown