

Principal's Office, Falkirk Campus at 4.30pm
Refreshments will be available from 4pm

AGENDA

1. Declarations of interest
2. Apologies

FOR APPROVAL

3. Minutes of meeting of 23 November 2017
4. Matters Arising
 - a) A/17/020 Internal Audit Plan 2017/18
 - b) A/17/021 Preparing for GDPR
 - c) A/17/025 Risk Management Next Steps
5. Extension of Internal Auditor Appointment Alison Stewart
6. External Audit Plan Ernst & Young
7. Response to Ernst & Young Correspondence Lorna Dougall

FOR DISCUSSION

8. GDPR (Verbal) Donald McLean
 9. Presentation of Internal Audit Reports Scott Moncrieff
 - a) Payroll and Expenses
 10. 2017/18 Internal Audit Plan Progress Report Scott Moncrieff
 11. Progress Report on Audit Recommendations Stephen Jarvie
 12. Risk Management Alison Stewart
(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. Review of Risk
 14. Any other competent business
-

FOR INFORMATION

Information Commissioners 12 Steps Document

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Boardroom, Falkirk Campus (commencing at 5.00pm)

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

In Attendance: Mrs Alison Stewart, Vice Principal Finance and Corporate Affairs
Mr David Allison, Vice Principal Information Systems and Communications
Mr Stephen Jarvie, Corporate Governance and Planning Officer
Mr Gary Devlin, Scott Moncrieff
Mr Keith McPherson, Ernst & Young
Mr Stephen Reid, Ernst & Young
Dr Ken Thomson (13 to 19)
Mr Ross Martin (13 to 20)

A/17/013 and A/17/014 were considered jointly with members of the Finance Committee

A/17/013 Annual Report and Financial Statements 2016/17 (Joint Item with Finance Committee)

The Chair welcomed the members of the Audit Committee and the Internal and External Auditors who joined the meeting at this point.

The Vice Principal Finance and Corporate Affairs presented the Annual Report and Financial Statement 2016/17 for approval. She highlighted that, owing to the technical accounting treatments the College is required to apply, the performance summary within the document provides the clearest picture as to the current state of the College's financial position, with an underlying operating surplus of £738k.

She also discussed the treatment of the £2m donation from Kelvin College which formed part of the SFC commitment to the new Falkirk campus. Members noted their thanks to the Vice Principal Finance and Corporate Affairs and the whole Finance team.

a) Members endorsed the Annual Report and Financial Statements 2016/17 to the Board of Management for approval

A/17/014 Draft External Audit Annual Report to the Board of Management (Joint Item with Finance Committee)

Mr Stephen Reid, Ernst & Young, presented the Draft External Audit Annual report to members. He confirmed that this is in draft until such time as the financial statements receive Board of Management approval.

He outlined the work carried out by the External Auditors, noted that there had been good cooperation in this work from College staff and confirmed that the report

showed a clear position with no adjustments to bring to the attention of Committee members.

He noted the donation from Kelvin College and commended on the early engagement from the College with the External Auditors in how to manage this donation.

The Principal stated that the donation had created a significant amount of work and that he would be feeding this back to SFC.

The Chair noted that the manner in which this money was provided to the College via the donation was unusual but that, notwithstanding the administrative challenges it presented, it was to be welcomed.

The Chair thanked Mr Reid and colleagues from the Ernst and Young audit team for a smooth process which was reflected in the auditor's report.

a) Members approved the Draft External Auditor Annual Report to the Board of Management

A/17/015 Declarations of Interest

None

A/17/016 Apologies for Absence

Mrs Beth Hamilton

A/17/017 Minute of Meeting of 14 September 2017

The Minute of 14 September 2017 was approved as accurate.

A/17/018 Matters Arising

a) A/17/005 External Audit Plan 2017/18

Members had raised a point regarding inconsistencies in the levels of materiality stated in the plan. Mr Keith McPherson confirmed that these had been amended to ensure they matched throughout the document.

b) A/17/009 Risk Management

The Chair noted that members had recommended splitting the risk register into internally controlled and externally controlled risks.

The Vice Principal Finance and Corporate Affairs reported that, as the Board was looking at risk overall, it had been decided not to amend the risk register until all changes are known.

A/17/019 Risk Management

The Principal presented the Strategic Risk Register for member's consideration. He highlighted that a number of risks were being recommended for removal and outlined the reasons for each of them.

Members noted that one risk was being removed as SFC had agreed to underwrite the costs of the new building should there be a delay to the sale of the existing site if necessary. They enquired whether this agreement had been received in writing. The Principal confirmed this formed part of the offer of grant for the new Falkirk campus.

a) Members noted the content of the report

A/17/020 Internal Audit Plan 2017/18

Mr Gary Devlin, Scott Moncrieff, presented members with the draft internal audit plan for 2017/18, which is based on the previously approved 3-year overarching internal audit plan.

He outlined changes which had been made to reflect current priorities, highlighting the addition of an internal audit review of the College's preparedness for the implementation of the General Data Protection Regulations (GDPR) which come into force in May 2018.

Members discussed the timings for the GDPR audit and agreed that this activity should be split into two parts, with the first part commenting on the College plans for GDPR and the second coming at a later date to ascertain the effectiveness of the College's implementation of these plans.

It was agreed that the College would also consider the timing of the next Audit Committee meeting to ensure the initial report can be presented to members, and recommendations from the Committee taken forward, prior to the May implementation date for GDPR.

a) Members agreed that the plan should be revised following discussions between Scott Moncrieff and the College on dates for the GDPR work

b) Members agreed an updated version of the plan should be circulated to members for approval via email

A/17/021 Preparing for GDPR

The Vice Principal Information Systems and Communications presented a paper to members on the impact of GDPR on the College. He reported on a number of key aspects of the legislation which would apply to the College and provided an overview of the work conducted to date by the College GDPR working group.

Members noted that the report mentioned a preparatory “12 steps” document prepared by the Information Commissioner’s Office and asked that this be circulated via email for information.

a) Members noted the content of the report

A/17/022 Presentation of Internal Audit Reports

Mr Gary Devlin presented the internal audit report on the annual review of Credits within the College. He informed members that there had been no issues identified as part of this audit.

a) Members noted the content of the audit report

A/17/023 Internal Audit Annual Report 2016/17

Mr Gary Devlin presented the annual report on internal audit activity for 2016/17. He noted that the audits that had been undertaken had gone well and that there was reasonable assurance that the College is performing well.

a) Members noted the content of the report

A/17/024 Progress Report on Audit Recommendations

The Corporate Governance and Planning Officer presented an update on progress against audit recommendations within the College. He highlighted those recommendations which had been completed since the last meeting of the committee and those recommendations where the College was seeking an extension to the anticipated completion date.

a) Members noted the content of the report and the extensions to audit completion dates requested

A/17/025 Risk Management Next Steps

The Vice Principal Finance and Corporate Affairs presented the cover paper, noting that this was a summation of the recent risk management session conducted by the Board of Management and asked Committee members for their recommendations as to the next steps to take in refreshing the College Risk Management processes and approach.

Following discussion it was agreed that –

- Owing to the timescales of Committee meetings, this should be initially developed outside of Committee meetings
- The Committee, led by the Chair, would look at developing a framework of key risk areas based on the 6 strategic themes of the College Strategic Plan

and also taking into consideration key Board responsibilities as identified by the Colleges Development Network.

- The framework would be shared electronically between members prior to the next meeting of the Committee, which the College would seek to bring forward
- The Members would agree at this meeting what input they sought from the full Board of Management
- Following the next Audit Committee, material would be circulated to the full Board of Management to obtain their views about what the top three risks are. This would then be the basis of a risk management workshop at the March 2018 Board of Management meeting

a) Members noted the content of the report

A/17/026 Review of Risk

No new risks identified

A/17/027 Any Other Competent Business

The Chair noted that the Audit Committee should meet once per annum with the Internal and External Auditors without College staff in attendance. It was agreed that this meeting would now take place.

College staff exited the meeting.

This was the first time that the Audit Committee had met privately with the Internal and External Auditors and this would now be an annual feature.

The Internal Auditor opened discussion, reporting that the College had very good leadership. There was a strong senior management team and his team had not experienced any difficulties gaining cooperation from staff at all levels due to the ethos of cooperation and transparency which was led top down. The External Auditor echoed these views and noted that their first impressions of the College and the management of the College were positive.

Areas which the Audit Committee may wish to keep a watching brief on in the future were:

1. Changes to the staff in Finance – how would this be managed and how could this potentially impact the current strong financial management practices?
2. The very large Falkirk Estates project would occupy a good deal of management time and energy and other areas would need to be maintained at their current high levels of performance.
3. Succession planning for the Senior Management Team should be explored to ensure that such planning was in place.

When asked what the College could do better, both the Internal and External Auditors felt that the management and governance of the College was effective and they had nothing to add at this point.

The Chair thanked everyone for their input to the discussion which had been very helpful. Both Auditors and Committee members noted that, should there be any concerns identified, they would be raised when noted and would not be left until the next available meeting.

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1. Purpose

To seek approval from members to extend the appointment of Scott Moncrieff as internal auditors.

2. Recommendation

That members approve the extension of Scott Moncrieff as Internal Auditors for a period of 1 year.

3. Background

Scott Moncrieff were appointed as the College's Internal Auditors from 1 August 2015 following a competitive mini tender through the APUC Audit Services Framework. The initial contract was for a period of three years with the option to extend for a further year.

4. Extension

It is proposed that the existing contract be extended for a period of one year with a tender exercise being undertaken during 2018/19. Scott Moncrieff have worked well with the College Executive Team and Audit Committee. The Audit Committee are currently working on our Risk Management with Scott Moncrieff and it would make sense that the Scott Moncrieff complete the work which is currently underway.

5. Financial Implications

Costs will be in line with the original tender.

6. Equalities - N/A given nature of paper.

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

Risk Owner – Alison Stewart

Action Owner – Alison Stewart

Loss of continuity in relation to the risk management work being undertaken. Extension of the contract will allow this work to be completed.

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

1. Purpose

To present the draft External Audit Plan for year ending 31 July 2018 for approval by the Audit Committee.

2. Recommendation

That the Audit Committee approves the draft External Audit Plan.

3. Background

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

They have prepared the attached Audit Plan in accordance with Audit Scotland's Code of Audit Practice. The Plan reports on the assessment of the operational and financial risks considered relevant to the responsibilities of Ernst Young as auditors to the Board of Management of Forth Valley College. The Plan also sets out the framework and timetable within which the external audit for year ending 31 July 2018 will be carried out.

4. Key Considerations

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

5. Financial Implications

Fees are outlined in the attached document.

6. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not applicable

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

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

Risk Owner – Alison Stewart

Action Owner – Alison Stewart

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes No

Health and Safety – Yes No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

Forth Valley College

Annual Audit Plan Year ending 31 July 2018

Audit Committee – 27 June 2018

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About this report

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

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

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

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Diane McGiffen, 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

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

This Annual Audit Plan, prepared for the benefit of Forth Valley College management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 July 2018, the second year of our appointment. In preparing this plan, we have updated our understanding of the College through planning discussions with management, review of relevant documentation and committee reports, and our general understanding of the environment in which the College is currently operating.

After consideration by the College, the plan is provided to Audit Scotland and published on their website.

Scope and responsibilities

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

Financial statement audit

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

- They give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the College's affairs as at 31 July 2018 and its surplus or deficit for the year then ended.
- They have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Ireland.
- They have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

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

Wider scope audit

The wider scope audit, as set out in the Code, plays a key role in the public sector audit framework in Scotland. No wider scope audit focus areas for 2017/18 have been identified during our audit planning.

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

Materiality

Planning materiality £560,000	Materiality has been set at £560,000 (2016/17: £450,000), which represents approximately 1.9% of the estimated gross expenditure for the year.
Tolerable Error £420,000	Tolerable error has been set at £4200,000, which represents 75% of materiality.
Summary of uncorrected differences £28,000	We will report all uncorrected misstatements relating to the primary financial statements greater than £28,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Independence

We confirm that we have undertaken client and engagement continuance procedures, included in which is our continuing assessment of our independence to act as your external auditor.

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report, providing an overview of our initial risk assessment and any change in risk profile in the year.

Financial statements audit

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk / Significant risk	No change	In accordance with ISA (UK) 240, we consider the presumed fraud risk in respect of improper income recognition. Due to the nature of SFC funding to the College, we have rebutted the risk of fraud around this specific income stream. We extend our work to consider the recognition of expenditure, in accordance with Practice Note 10, issued by the Financial Reporting Council, as applicable to public sector audit.
Management override	Fraud risk	No change	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Significant funding transactions	Significant risk	No change	In the prior year we had key focus on the accounting for the one-off donation received from Glasgow Kelvin College towards the new campus build. While this specific transaction was non-recurring, there are still accounting consequences to be considered in respect of the funding package agreed with the Scottish Funding Council. We will discuss this with management and consider the proposed accounting treatment.
Property, Plant and Equipment	Inherent risk	No change	Given the value of the College's estate and the fact that a number of assumptions are made in the valuation, we assign a higher inherent risk to property, plant and equipment.
Pension liabilities	Inherent risk	No change	We have identified an inherent risk in relation to the valuation of the pension liabilities. The College is an admitted body of the Falkirk Pension Fund. There is judgement involved in determining the appropriate actuarial assumptions to calculate the College's net pension liabilities arising from its participation in the scheme.

Key contacts

Stephen Reid, Partner
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Keith Macpherson, Senior Manager
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Sarah Croft, Manager
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1. Financial statements and accounting

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The annual financial statements enables the College to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice and applicable law.

Audit opinion

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

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

Audit approach

We determine which accounts, disclosures and relevant assertions could contain risks of material misstatement. Our audit involves:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the College to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.
- Substantive tests of detail of transactions and amounts. For 2017/18 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Materiality

For the purposes of determining whether the financial statements are free from material error, in accordance with ISA (UK) 320 we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

<p>Planning materiality £560,000</p>	<p>Planning materiality (PM) - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For planning purposes, materiality for 2017/18 has been set at £560,000 (2016/17 £450,000). This represents approximately 1.9% of the College's projected expenditure for the year. The increase from last year reflects our overall risk assessment.</p>
<p>Tolerable Error £420,000</p>	<p>Tolerable error (TE) - materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set it at £420,000 which represents 75% of planning materiality.</p>
<p>Summary of Audit Differences £28,000</p>	<p>Summary of Audit Differences (SAD) Nominal amount - the amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. The Code requires that auditors report at no more than £0.25 million. We have set it at £28,000, which represents 5% of planning materiality.</p>

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

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

We have set out the significant risks (including fraud risks) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Significant risk – risk of fraud in income and expenditure recognition

What is the risk?	Our identified response to the risk
<p>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.</p> <p>Given the nature of Scottish Funding Council (SFC) funding to the College, we rebut the presumed revenue recognition risk for this income stream. However we recognise a revenue recognition risk for tuition income and other material income in respect of possible manipulation of cut-off around the financial year end.</p> <p>We also recognise the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10.</p>	<p>Our response will include:</p> <ul style="list-style-type: none"> ➤ review and test all relevant income and expenditure policies against the relevant accounting standards and SORP ➤ review, test and discuss with management any accounting estimates on income and expenditure recognition for evidence of bias ➤ develop a testing strategy to test material income and expenditure streams ➤ review and test income and expenditure cut-off around the year end. <p>Included in our work will be consideration of any provisions requiring to be made as at the balance sheet date for any restructuring arrangements entered into by the College.</p>

Significant risk – risk of management override

What is the risk?	Our identified response to the risk
<p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.</p> <p>The risk of management override is pervasive to the audit and impacts the testing of all areas. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk. This takes account of the fact that management are in a unique position to override controls which otherwise appear to be operating effectively.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ➤ identifying fraud risks during the planning stages ➤ inquiry of management about risks of fraud and the controls put in place to address those risks ➤ consideration of the effectiveness of management's controls designed to address the risk of fraud ➤ determining an appropriate strategy to address those identified risks of fraud ➤ focusing our audit procedures on manual journals that could be used by management to manipulate the true and fair position of the College's financial statements.

- Significant risks identified in the audit relate to the risk of fraud in income and expenditure recognition. We also perform general procedures in all audits to respond to the risk of misstatement due to fraud or error caused by management override of controls.
- We will report our findings in these areas to you within our 2017/18 Annual Audit Report.

We have set out the significant risks (including fraud risks) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Significant risk – accounting for funding arrangements for the new campus

What is the risk?	Our identified response to the risk
<p>As part of the funding package for the new Falkirk campus, the College has disposed of its surplus Branshill site for £2.1 million, against a carrying value of £1.4 million. The proceeds are due to be 'reimbursed' to the SFC and subsequently then provided as capital grant funding as part of the SFC's funding towards the new Falkirk campus.</p> <p>Given the interaction of annual resource accounting and the College's financial accounting under the SORP, as well as potential implications of relevant charity legislation, we have asked management to set out the accounting transactions and the intended treatment in the year end financial statements.</p>	<p>We will review the sales documentation as well as correspondence from the SFC to consider management's proposed accounting treatment against the requirements of the SORP, taking into consideration the substance of the transaction.</p> <p>We will also ask management to consider if there are any statutory or regulatory considerations to be made as part of the accounting for each stage in the transaction.</p>

- A significant risk has also been identified in the audit relating to the disposal of the Branshill site and the associated treatment of the funding package in respect of the Falkirk campus build.
- We will report our findings in these areas to you within our 2017/18 Annual Audit Report.

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Inherent risk – Valuation of Property, Plant and Equipment

What is the risk?	Our identified response to the risk
<p>The College's property portfolio totals £42.9 million as at 31 July 2017, with the major elements of this being in respect of land and buildings. Land and buildings are revalued to fair value with a full revaluation taking place at least every five years.</p> <p>A valuation of existing land and buildings was undertaken as at 31 July 2017.</p> <p>Given the size of this balance and the fact that a number of assumptions are made in the valuation, we assign a higher inherent risk to property, plant and equipment.</p> <p>We do not, however, at the planning stage have any specific concerns over management's approach to property valuations.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ➤ analysis of the source data and inquiries as to the procedures used by management's specialist to establish whether the source data is complete ➤ assessment of the reasonableness of the assumptions and methods used, including their compliance with the SORP ➤ consideration of the appropriateness of the timing of when the specialist carried out the work ➤ assessment of whether the substance of the specialist's findings are properly reflected in the financial statements.

Inherent risk – Valuation of Pension Liabilities

What is the risk?	Our identified response to the risk
<p>The College participates in two pension schemes; the Falkirk Pension Fund (FPF), and the Scottish Teachers Superannuation Scheme (STSS). While both are defined benefit pension schemes, the College is unable to identify its share of the underlying assets and liabilities of the STSS scheme on a consistent and reasonable basis and therefore, the scheme is accounted for as if it were a defined contribution scheme.</p> <p>FPF is accounted for as a defined benefit scheme. The net pension liabilities on the balance sheet arising from participation in the scheme at 31 July 2017 were £19.2 million.</p> <p>In addition the College recognises a provision for future early retirement liabilities of £7.3 million.</p>	<p>Our approach will include:</p> <ul style="list-style-type: none"> ➤ obtaining an actuarial report at the year end date for the scheme and considering the reasonableness and consistency of assumptions underpinning such reports, in light of guidance available ➤ ensuring compliance with funding agreements ➤ we will utilise our in-house actuaries to assess the reasonableness of key assumptions such as discount rate, inflation and expected market return ➤ we will perform substantive testing on the verification of the pension assets ➤ we will also review the calculation of the College's valuation of future early retirement liabilities at 31 July.

➤ The valuation of property, plant and equipment and accounting for net pension deficit are assessed as inherent risks. Management involves specialists in the preparation of these accounting valuations and estimates. We utilise our own specialists, as appropriate, to support the core audit team in the performance of audit procedures on these balances.

We also plan and perform certain general audit procedures on every audit which may not be directly related to financial statement account assertions. Examples of such procedures compliance with applicable laws and regulations, litigation and claims and related parties.

Other audit considerations

Data analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular covering journal entries and payroll. These tools:

- Help identify specific exceptions and anomalies to direct more traditional substantive audit tests.
- Give greater likelihood of identifying errors than random sampling techniques.

Use of specialists

When auditing key judgements, such as the valuation of property, plant and equipment, or certain assets and liabilities, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the College's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable.
- Assess the reasonableness of the assumptions and methods used.
- Consider the appropriateness of the timing of when the specialist carried out the work.
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Management may use their own specialists in the preparation of the financial statements.

Internal audit

We will review internal audit plans and the results of their work, including the discussion of audit findings at the Audit Committee and management's response to findings.

We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements or our wider responsibilities.

**2. Wider scope
audit risks**

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2. Wider Scope Audit Risks

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

Basis for risk assessment

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

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

Outcome of risk assessment

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

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

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

In line with auditing standards, as part of our consideration of the College's governance arrangements this year, we have written to the College Audit Committee to confirm how those charge with governance ensure oversight of management and appropriate governance arrangements are in place, This is not reflective of specific risks identified at the College but rather in line with our process to periodically make formal inquiries beyond standard management meetings and representations.

3. Timing and deliverables; fees

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3. Timing and deliverables



We deliver our audit in accordance with the timeline set by the College, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

	Audit Activity	Deliverable	Expected Timing
MAR			
APR			
MAY	<ul style="list-style-type: none"> ➤ Audit planning and setting scope and strategy for the 2017/18 audit 	Annual Audit Plan	27 June 2018
JUNE			
AUG			
SEPT			
OCT	<ul style="list-style-type: none"> ➤ Year-end substantive audit fieldwork on unaudited financial statements ➤ Conclude on results of audit procedures ➤ Issue opinion on the College's financial statements 	Certify Annual Financial Statements Issue Annual Audit Report Submit Audit Scotland minimum dataset request	31 December 2018
NOV			
DEC			

3. Fees



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

Audit fees		
Component of fee:	2017/18	2016/17
<i>Auditor remuneration</i>	£20,630	£20,430
Pooled costs	£1,320	£1,280
Contribution to Audit Scotland costs	£1,150	£1,160
Total fee	£23,100	£22,870

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

We have agreed with management to set the auditor remuneration at the expected fee element, being £20,630, with a total audit fee for 2017/18 of £23,100 (2016/17: £22,870).

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Appendices

- A – Code of Audit Practice: responsibilities
- B – Required communications with the audit committee
- C – Auditor independence

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The Code of Audit Practice (the Code) 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	<p>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.</p>
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	<p>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.</p>
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	<p>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.</p>

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

Relationships, services and related threats and safeguards

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We are not aware of any relationships between Ernst & Young LLP and the College that may reasonably be thought to bear on our independence as of the date of this letter.

As part of our considerations for any non-audit engagement, we review potential threats in respect of self-interest, self-review, acting as management and advocacy. There are no non-audit services provided to the College at this time.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate any potential threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, your audit engagement partner and the audit engagement team have not been compromised.

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</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>Our responsibilities are as set out in our engagement letter.</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, any limitations and the significant risks identified.</p>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	<p>Annual Audit Plan 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>Annual Audit Report</p>
<p>Misstatements</p> <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	<p>Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	<p>Annual Audit Report</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>

Required communication	Reference
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	<p>No such matters have been identified.</p> <p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>
<p>Representations</p> <p>Written representations we are requesting from management and/or those charged with governance</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>

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1. Purpose

To present members with correspondence from the College's current external auditors, Ernst & Young, to the Committee seeking information on the Committee's oversight of the College.

2. Recommendation

That members consider the content of the letter (Appendix 1) and approve the proposed response developed by the College for the Chair (Appendix 2).

3. Background

The College external auditors are appointed by Audit Scotland and are, at this time, Ernst and Young.

4. Key Considerations

The letter attached as Appendix 1 forms part of Ernst and Young's annual review of oversight performed by the Audit Committee.

The letter has been reviewed by both the Board Secretary and Depute Board Secretary who have identified that, owing to the Committee structure of the College, not all questions relate directly to the work of the Audit Committee. Where this is the case, this has been identified and explained in the proposed response in Appendix 2.

5. Financial Implications

Please detail the financial implications of this item – None

6. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not applicable

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

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		X
Low		
Very Low	X	

Please describe any risks associated with this paper and associated mitigating actions – Failure to ensure adequate oversight of systems in use by the College can lead to issues of poor performance or fraud. The College and Board mitigate this via a strong internal and external audit function, regular reporting to Board and Committees.

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

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 144 Morrison Street ey.com
 Edinburgh
 EH3 8EB



16 APR 2018

RECEIVED PRINCIPAL

Members of the Audit Committee
 Forth Valley College
 Grangemouth Rd
 Falkirk
 FK2 9AD

06 April 2018

Ref: SR/KM/SC

Direct line: 0131 777 2839

Email: SReid2@uk.ey.com

Forth Valley College

Dear Sirs,

Auditing standards require us to formally update our understanding of your arrangements for oversight of management processes and arrangements annually. Therefore, I am writing to ask that you please provide a response to the following questions.

1) How does the Audit Committee, as 'those charged with governance' at Forth Valley College ("the College"), exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
- identifying and responding to risks of fraud in the College, including any specific risks of fraud which management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behaviour, for example by updating, communicating and monitoring against the College's code of conduct;
- encouraging employees to report their concerns about fraud; and
- communicating to you the processes for identifying and responding to fraud or error?

2) How does the Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

3) Is the Audit Committee aware of any:

- breaches of, or deficiencies in, internal control; and
- actual, suspected or alleged frauds during 2017/18?

4) Is the Audit Committee aware any organisational or management pressure to meet financial or operating targets?

- 5) How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2017/18?
- 6) Is the Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?
- 7) How does the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?
- 8) How does the Audit Committee satisfy itself that the College has arrangements to ensure compliance with the Scottish Funding Council's ("SFC") Accounts Direction and Financial Memorandum?
- 9) How does the Audit Committee satisfy itself that the College has arrangements to ensure compliance with its requirements as an independent charity as set out by OSCR?
- 10) How does the Audit Committee satisfy itself that the College has arrangements to monitor and maintain the regularity of income and expenditure?

Thank you for your assistance. Please respond to the inquiries above (or if you have any queries in respect of this letter) by emailing Keith Macpherson/Sarah Croft at kmacpherson@uk.ey.com /scroft@uk.ey.com.

Yours faithfully



Stephen Reid
Partner
For and on behalf of Ernst & Young LLP

Appendix 2 – Proposed Response

27 June 2018

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

Dear Mr Reid,

Thank you for your letter (Ref SR/KM/SC) to the Audit Committee of Forth Valley College of Further and Higher Education.

The Audit Committee has reviewed the content of your letter and agreed the following responses to your queries –

1) How does the Audit Committee, as ‘those charged with governance’ at Forth Valley College (“the College”), exercise oversight of management’s processes in relation to:

- **Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);** The Audit Committee relies on a number of measures to obtain comfort in relation to the financial statements. These include –
 - The work undertaken by Internal and External auditors, as guided by the Audit Committee, into providing assurance on the efficacy of College controls
 - The College Anti-Fraud policy
 - The regular reports taken to our sister Committee, the Finance Committee, which would highlight unexpected and/or significant expenditure
 - The joint annual meeting between the Audit and Finance Committee’s to consider the annual accounts at which the external auditors provide written assurance as to the accuracy and materiality of the accounts
 - The Audit Committee also meets at least annually in private with both Internal and External Auditors who can raise any concerns they might have without College management being present
 - **Identifying and responding to risks of fraud in the College, including any specific risks of fraud which management has identified or that have been brought to its attention, or classes of transactions, account balances or disclosures for which a risk of fraud is likely to exist;** Along with the anti-fraud policy referred to in the previous response, all Committee and Board papers have a requirement for risk to be identified along with mitigating actions. Committee members take cognisance of risks which are identified in this manner and, should a risk be deemed too high, the Committee would not approve the item under consideration.
-

Additionally, any expenditure of £25k or over is managed via the contracted APUC procurement specialists. This ensures quality, independent procurement advice and systems is adhered to for material levels of expenditure. The Board of Management review and approve the College Procurement policies.

- **Communicating to employees its views on business practice and ethical behaviour, for example by updating, communicating and monitoring against the College's code of conduct.** The primary method of communication is via the Policies approved by the Board which clearly set out the conduct and actions expected of staff members.
- **Encouraging employees to report their concerns about fraud; and** The College has a comprehensive whistleblowing policy in place for all staff. Additionally, in line with the Code of Good Governance adopted by the Board of Management, the Board Secretary and Depute Board Secretary both have a duty to report issues of concern to the Board which would include instances of fraud.
- **Communicating to you the processes for identifying and responding to fraud or error?** The anti-fraud policy outlines the required notifications. In relation to errors, this would be communicated by the relevant member of the senior management team or the Board Secretary/Depute Board Secretary as appropriate.

2) How does the Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Beyond the anti-fraud policy, the Audit Committee reviews and approves the internal audit plan which is based in part on the College risk register. The Audit Committee meets privately with the Internal and External Auditors each year so any matters of concern can be raised then without management being present if necessary.

3) Is the Audit Committee aware of any:

- **Breaches of, or deficiencies in, internal control; and**
- **Actual, suspected or alleged frauds during 2017/18**

No. Through ongoing Internal Audit activity, areas of improvement in internal controls are identified, however none of these have been categorised as "red" by the internal auditors.

4) Is the Audit Committee aware any organisational or management pressure to meet financial or operational targets? The Audit Committee is aware that the College continues to operate in a challenging financial environment whilst having ambitious operational targets in order to achieve its Outcome Agreement with the Scottish Funding Council. It is not the impression of the Committee however that this would result in management malfeasance to achieve these targets.

5) How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2017/18? The Audit Committee gains assurance via a rolling programme of internal audits which examine areas within the College for legislative compliance and the implementation of best practice. The Audit Committee is not aware of any instances of non-compliance during 2017/18.

6) Is the Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements? No

7) How does the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements? The Audit Committee relies upon the report from the External Auditors and feedback from Finance Committee colleagues to be able to confirm going concern status.

8) How does the Audit Committee satisfy itself that the College has arrangements to ensure compliance with the Scottish Funding Council's ("SFC") Accounts Direction and Financial Memorandum? The Audit Committee relies on the report from the External Auditors which accompanies the annual accounts. All Board members are also provided with copies of the Financial Memorandum during induction which they can refer to if needed.

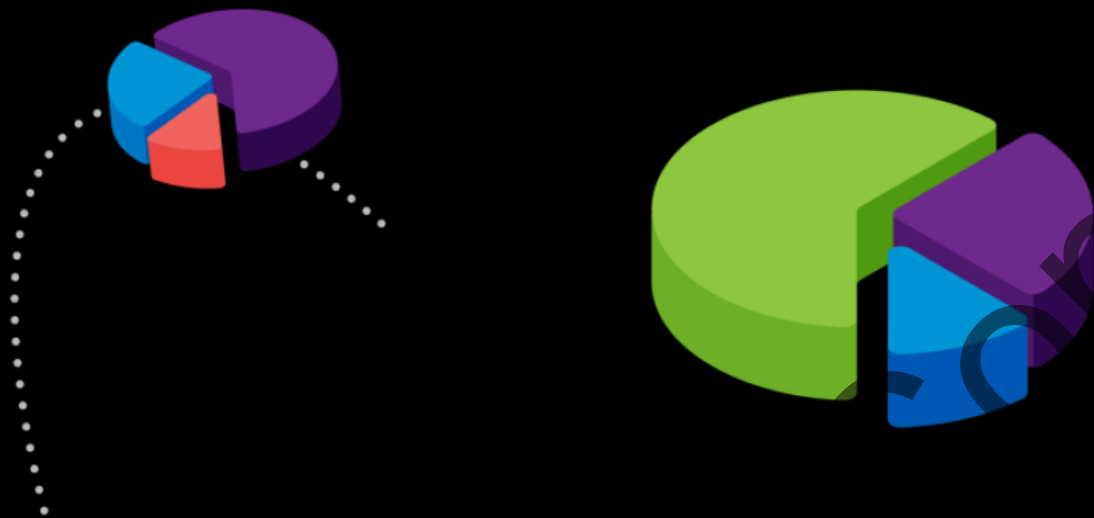
9) How does the Audit Committee satisfy itself that the College has arrangements to ensure compliance with its requirements as an independent charity as set out by ODSCR? The Audit Committee relies upon the judgement of the External Auditors in preparing the annual accounts. Additionally, any correspondence from OSCR would be brought to the relevant Committee or the full Board.

10) How does the Audit Committee satisfy itself that the College has arrangements to monitor and maintain the regularity of income and expenditure? The Audit Committee satisfies itself that this is monitored by the Finance Committee of the Board through ensuring compliance with financial regulations. Additionally, each Committee Chair is afforded the opportunity at Board meetings to raise any items of concern.

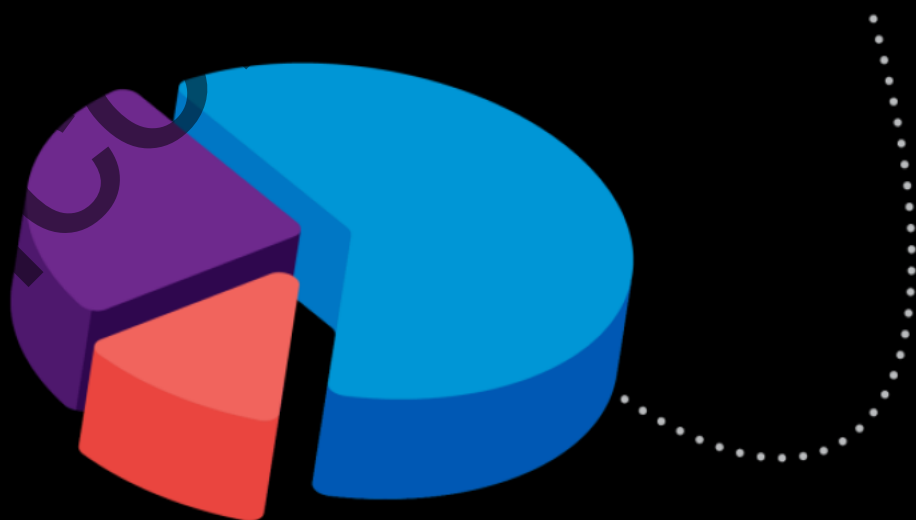
I hope the above responses meet your requirements. Should you require further clarification, please do not hesitate to contact me via Alison Stewart (alison.stewart@forthvalley.ac.uk)

Yours sincerely

Lorna Dougall
Chair
Audit Committee



Forth Valley College
Internal Audit Report 2017/18
Payroll and Expenses
March 2018



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Forth Valley College

Internal Audit Report 2017/18

Payroll and Expenses

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Audit Sponsor	Key Contacts	Audit team
<p><i>Alison Stewart, Vice Principal and Finance and Corporate Affairs</i></p>	<p><i>Jacqueline Kane, Payroll and Pensions Coordinator</i> <i>Louise Burnett, Finance Manager</i></p>	<p><i>Gary Devlin, Partner</i> <i>Cathie Wylie, Audit Senior Manager</i> <i>Danyelee Higgins, Auditor</i></p>

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Executive Summary

Conclusion

We have gained assurance that Forth Valley College (the College) has generally well designed controls in place around payroll and expenses. However, we have identified a number of improvements that could be made to specific controls over the accuracy of payroll data.

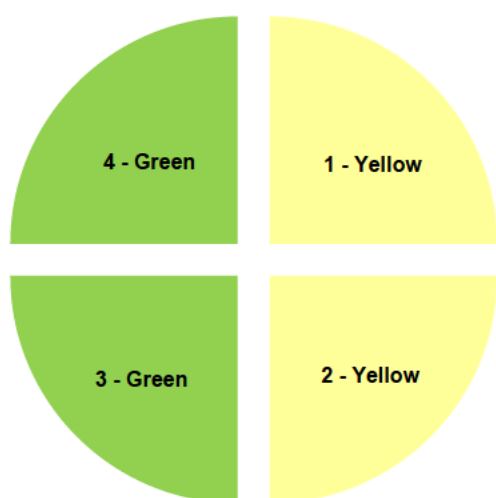
We have noted five opportunities for improvement that should be considered as part of payroll and expenses arrangements.

Background and scope

Forth Valley College employs 629 staff members and reported staff costs of £23.5m for the 12 month period to 31 July 2016, representing 66% of total comprehensive expenditure of £35.6m.

It is therefore essential that the payroll function is subject to robust controls to ensure staff are remunerated appropriately, laws and regulations are complied with and Forth Valley College's funds are safeguarded.

Control assessment



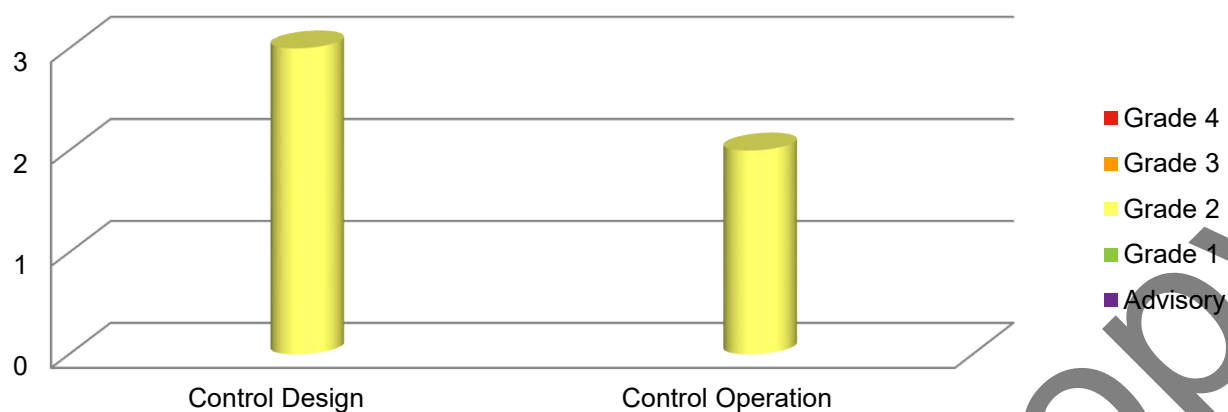
■ 1. Payroll payments are made to valid employees only, at the correct and authorised rate

■ 2. Changes to payroll standing data (including addition of starters, removal of leavers and processing of salary changes) are authorised and processed on a timely basis

■ 3. Payroll data is held securely and unauthorised access is prevented

■ 4. Only valid travel and subsistence expenses are paid at the correct and authorised rate

Improvement actions by type and priority



5 improvement actions have been identified from this review, 2 of which relate to compliance with existing procedures, rather than the design of controls themselves. See Appendix A for definitions of colour coding.

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Key findings

Good practice

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

- The College utilises the SAGE 50 payroll software to run monthly payrolls. There is one Payroll and Pensions Coordinator who is supported by the Finance Manager and the Head of Finance.
- The Finance Manager acts as the administrator for the payroll system and is responsible for setting up and removing users on the system to ensure access remains secure. We confirmed during our audit work that only relevant staff have access to the payroll system and their level of access was appropriate for their job role. Security around the payroll system appeared robust with a limited number of users and access to the system was password protected.
- The College operates a standard pay grading system. All overtime forms must be approved prior to being processed as part of the pay run. Tax and National Insurance payments are automatically set in the system to be deducted in each pay run. A report for deductions made is produced for every payroll run, which provides a list of every employee that paid such a deduction and the value of that deduction. Other allowances are processed during the payment processing including adjustments for expenses.
- A Payroll Variance Report is generated from the system which documents gross wages, the total cost of deductions, additional payments that were issued and changes in staff numbers. The Payroll and Pensions Coordinator and the Finance Manager analyse this report to monitor the payroll figure, to make comparisons between previous months and to identify any significant variances, before processing the payroll for payment.
- A Staff Expense Policy is in operation at the College which requires employees to submit expense claims online through the Employee Records System. Claims for expenses should be approved by the employees line manager. Claims should be supported by receipts in line with the documented policy. Our testing of expense claims identified that these controls were operating effectively and expenses are being paid in a timely manner.

Areas for improvement

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

- We identified a weakness in the process for enrolling new members of staff and ensuring that their employment details (per their contract of employment) are checked before being input to the payroll system. This is explained further in the management action plan.
- Notification of changes to staff pay details come to payroll in various different forms and there is no standard process for making changes to payroll data, including obtaining appropriate authorisation to make such changes. There is therefore a risk that inaccurate or inappropriate changes could be made to payroll data.
- There is no payroll masterfile change report run from the payroll system to review all changes made to employee data. We have been informed that the Colleges current version of SAGE 50 does not have this functionality. Whilst controls are in place to monitor changes in staff numbers and total pay, other

changes including changes to bank details are not subject to an independent review to highlight any potentially fraudulent changes or errors.

- We identified one instance where a new employee was added to the payroll without their proof of identification, we are aware this was an ex-employee whom the finance team knew personally. This is explained further in the management action plan below.

These are further discussed in the Management Action Plan below.

Impact on risk register

The College's corporate risk register included the following risks relevant to this review:

- Risk 3: Government accounting rules restrict Colleges ability to use available resource at the Board's discretion (Risk rating: 20 – High)
- Risk 5: National bargaining will impact on the salary structure and terms and conditions of both support and teaching staff (Risk rating: 20 – High)
- Risk 10: Financial restrictions limit the ability to fund pay increases (Risk rating: 16 – High)

We have not identified any findings that would suggest the above risks were scored inappropriately.

Acknowledgements

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

Management Action Plan

Control Objective 1: Payroll payments are made to valid employees only, at the correct and authorised rate



1.1 Payroll policies and procedures

Payroll policies and procedure documents are both outdated, with versions produced in January 2010 and October 2014 respectively. These documents were due for review in January 2013 and October 2015 respectively. We appreciate that many such documents are not routinely required by the team, given their cumulative knowledge and experience. However, we have identified a number of areas where these documents do not reflect current practice. Including; the policy document sets out the policy for the College operating 5 payrolls when in fact the College now only operate 3, therefore there is information included in this document which is obsolete. Payroll procedure documents indicate that all changes and amendments to employees pay are firstly documented by HR and then passed to Payroll for processing, this is not current practice with some amendments being alerted to and processed by only the Payroll Officer. Procedure documents also indicate that all changes to personal data are notified directly to HR, with the implementation of the new employee records system, employees notify the College of changes to personal details through the employee records.

Risk

Policies and procedures may be out of date, with potential adverse impact when there are personnel changes or extended absence.

Recommendation

The College should review the payroll policies and procedures and, where necessary, update them. Given the good working practices and experience within the payroll team at present this is not deemed to be a significant risk.

Management Action

Polices will be reviewed and updated in line with current practice.

Grade 2
(Operation)

Action owner: Louise Burnett

Due date: 01/09/2018

Control Objective 2: Changes to payroll standing data (including addition of starters, removal of leavers and processing of salary changes) are authorised and processed on a timely basis



2.1 Employee new start forms

New employee forms are completed by the Human Resources (HR) department and sent to payroll for processing. Attached to the new start forms are a new scheme member notification form (for enrolment in their local government pension scheme) and an individual's proof of identification (for right to work checks). The new start forms do not show that the information (employee personal details, post, pay grade) has been reviewed by another member of the HR team to ensure it is accurate before being sent to payroll for processing.

The Payroll and Pensions Coordinator adds the new employee details to the payroll system based on the information on this form, as no backup documentation is provided. It is therefore not possible for the Payroll and Pensions Coordinator to confirm if the details being input to the payroll system are accurate and that the new employee is remunerated at the correct rate.

Risk

Without a secondary review or all supporting documentation being provided to payroll there is a risk that the information being processed on to the payroll system is inaccurate and employees are paid at incorrect rates.

Recommendation

All new start forms should be reviewed by a second member of HR, and the review evidenced by a signature on the new start form, before being sent to payroll for processing. The review should include agreeing details on the new start form to supporting documentation (employment contract) to ensure all details are correct and this review should be documented on the new start form. If HR cannot complete this check, all supporting documentation should be provided to payroll accompanying the new start report to enable the Payroll and Pension Coordinator to agree pay details before adding the new member of staff to the payroll system.

Management Action

Grade 2
(Design)

The New Start form is a form that originates within the HR department. The Payroll and Pensions Coordinator has spoken with the Head of Human Resources, Ralph Burns and he has confirmed that a second signature will be added as a check that information has been taken correctly from the new staff contract.

Action owner: Ralph Burns

Due date: 25/05/18

2.2 Standard amendment forms

The Payroll and Pensions Coordinator is informed of changes to staff pay in various forms (email, standard amendments to contract forms, phone calls). We tested a sample of 15 amendments and are satisfied the changes were appropriately authorised and the correct amendments were made to payroll data. However, staff are able to contact the Payroll and Pensions Coordinator directly to make changes to their payroll data which leaves it to the Payroll and Pensions Coordinator's judgement if they think the change has the appropriate level of authorisation and if the change is reasonable.

Risk

There is a risk that unauthorised or inappropriate changes are made to staff's payroll data.

Recommendation

We recommend that all changes to payroll data are processed using a standard amendments form. This form should document with details of the change to be made and who is authorising the change. The Payroll and Pensions Coordinator should not make any changes to payroll data without this documentation.

Management Action

Payroll currently receives various requests in a number of ways, for example: an amendment to contract can come through the Sharepoint system or as a memo from HR; an acting up allowance usually comes as an email from the SMT member responsible for HR. We will review all of these amendments and ensure that a common process is implemented and clear guidance is provided on the level of authorisation required for each change.

Action owner: Louise Burnett

Due date: 01/08/18

Grade 2
(Design)

2.3 Master-file Change Reports

There is no payroll masterfile change report run from the SAGE 50 payroll system on a periodic basis to review all changes made to employee data. A Payroll Control Sheet is produced for each pay run and reviewed by the Finance Manager. This control sheet details the number of new starts and leavers in the period, and compares the current month's final payroll figure with the previous months. Whilst the control sheet does capture some changes made to the data masterfile, other changes including changes to bank details are not reviewed.

Risk

There is a risk that unauthorised changes are made to the payroll masterfile where an independent periodic check of changes made is not performed.

Recommendation

Management should enquire with the software provider to confirm whether a periodic masterfile change report can be run on the payroll system. Each month a report should be generated from the payroll system detailing all the changes that have been to the masterfile in the period, such as changes in personal and bank details etc. This report should be reviewed by an individual independent of making changes to ensure that changes made tie to supporting documentation and are valid.

Management Action

Grade 2
(Design)

The College has requested this report from Sage, however when we tried to run it at the time of the audit, it crashed the system. Sage suggested an update but this unfortunately had an impact on our yearend payroll figures. Since this is a business critical time for payroll, we have not pursued this further at the present time.

With the current controls within the recruitment approval process there is a low risk of fraudulent employees being added. However we do acknowledge this is an important report and once we have processed the payroll year end, and set up for the new tax year we will work with IT and Sage to resolve the issues with this report.

Action owner: Louise Burnett

Due date: 01/09/18

2.4 New start added without proof of ID

During our testing of starters, 1 new employee was added to the payroll system without proof of identification. Discussions with the Payroll and Pensions Coordinator and the Finance Manager identified that this individual was an ex-employee who had previously worked in the finance department and was returning to the College as an invigilator. The individual was added to the payroll without a copy of identification being on file as they were known personally by Payroll and Finance staff. Also, no proof of identification was uploaded to the payroll system to perform the employee right to work assessment, which is a requirement by HMRC.

Risk

There is a risk that the adding new employees to the payroll without obtaining a copy of their identification could result in identity fraud and non-compliance with HMRC requirements.

Recommendation

It should be reiterated to all applicable staff that proof of identification should be obtained from all new members of staff to facilitate identity checks and right to work assessment are completed. This must be completed for all new employees, including returning employees who have had checks completed when they first joined the College.

Management Action

All new employee's identification is obtained by HR and passed to Payroll, however on this occasion an individual, who was well known to the Payroll & Pensions Coordinator, had returned to the College as an invigilator having previously worked at the College for a number of years. Staff will be reminded to check that they receive identification for returning employees as well as new staff.

Action owner: Louise Burnett

Due date: 27/04/18

Grade 2
(Operation)

Control Objective 3: Payroll data is held securely and unauthorised access is prevented

Green

No weaknesses identified

Personnel files are held in locked cabinets overnight. These cabinets are open during the day when they are being used by the Payroll and Pensions Coordinator and there is always a member of the Finance or Payroll Team in the office.

Access to the payroll data held within the SAGE 50 system is restricted to the Payroll and Finance Teams, HR have no access to this data. IT also has access to carry out routine system updates. In total, 5 employees have access. We reviewed current user access to the payroll system including individual's levels of access and given our knowledge of staff roles and responsibilities within the payroll process, deem current user access reasonable.

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Control Objective 4: Only valid travel and subsistence expenses are paid at the correct and authorised rate

Green

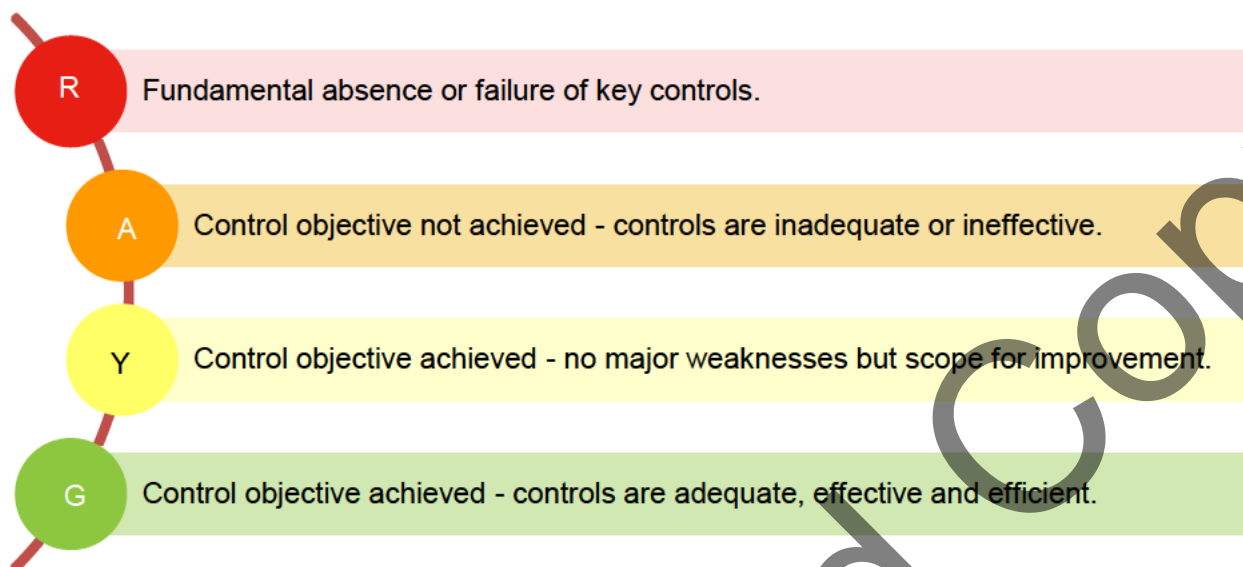
No issues identified

Travel and subsistence claims are paid on a weekly basis by the College. Claims are submitted by staff through the online Employee Records System. Staff upload supporting evidence with their claims which enable line managers to review and approve the expense to be paid. We tested a sample of 24 staff expenses paid in the last 12 months and confirmed these were appropriately authorised, details agree to backup documentation, the nature of the claim is in line with the Colleges expenses policy and the expense was reimbursed on a timely basis. No issues were identified during our testing.

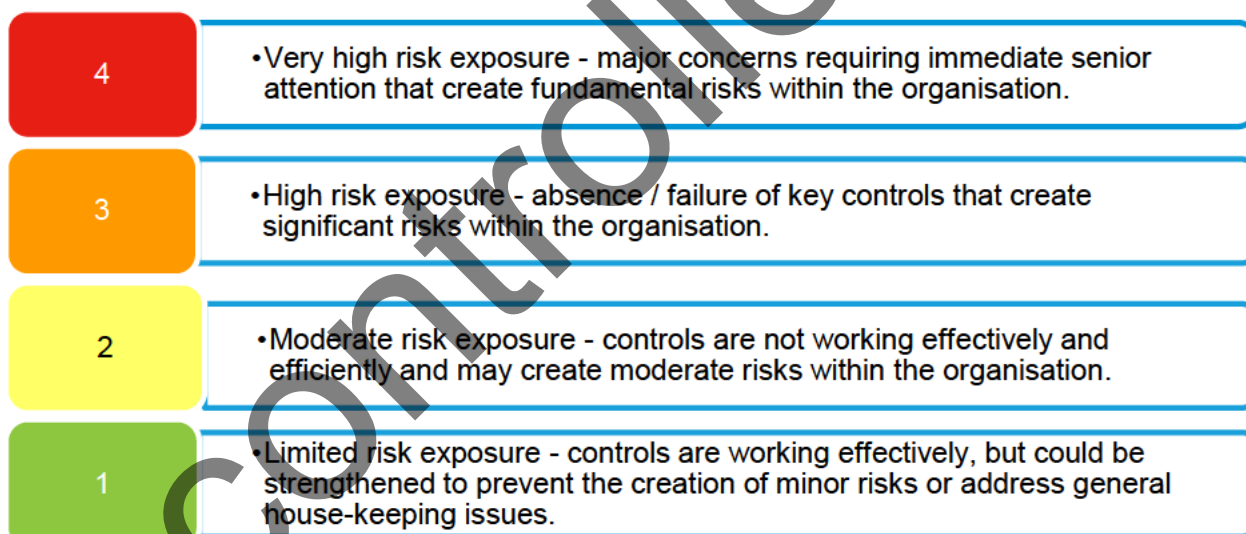
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Appendix A – Definitions

Control assessments



Management action grades



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Forth Valley College
2017/18 Internal Audit Plan
Progress Report

June 2018



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Forth Valley College

Internal Audit 2017/18

Progress Report – June 2018

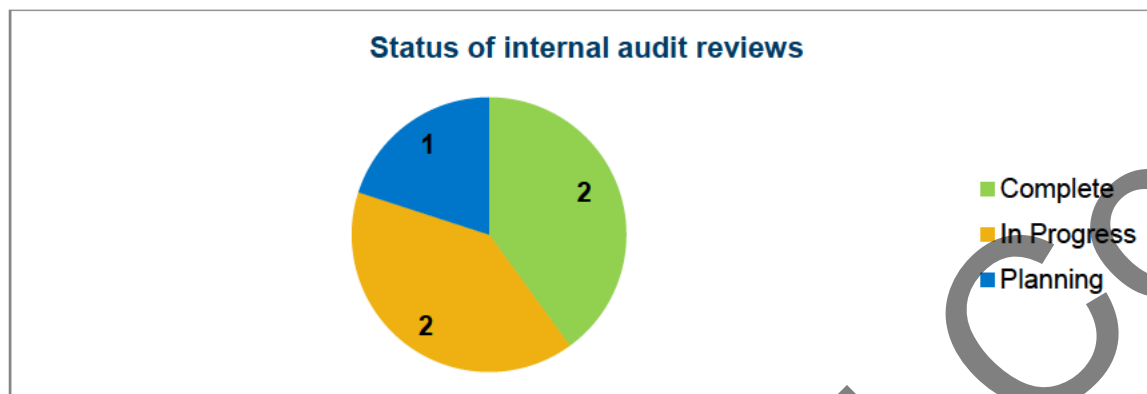
Summary of Progress	2
Audits Completed	3
Appendix 1 – Progress against 2017/18 Internal Audit Plan	4

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Summary of Progress

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

Progress against annual audit plan



As at June 2018, two audits are complete: Credits and Payroll and Expenses. We agreed delays to the remaining two audits with management (Student Experience and Information Governance), which are due to be provided to the next Audit Committee meeting in August 2018.

Appendix 1 sets out the status of the 2017/18 internal audit programme and further details on the delayed audits.

Plan for next quarter

We will present the following reports to the August 2018 Audit Committee:

- Student experience
- Information governance
- Follow up
- Annual report 2017/18
- Annual internal audit plan 2018/19

Action for Audit Committee

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

Gary Devlin, Audit Partner

gary.devlin@scott-moncrieff.com

0131 473 3500

Claire Stevenson, Audit Manager

claire.stevenson@scott-moncrieff.com

0141 567 4500

Audits Completed

The table below sets out the reports completed during 2018/19 to-date. There were no Grade 4 recommendations (very high risk exposure) and there are no control objectives assessed as red. Full definitions for the colour coding and the grading structure are set out below.

Review	Control objective assessment	No. of issues per grading			
		4	3	2	1
Credits	N/A*			2	
Payroll and expenses				5	

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

Definitions

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

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

Recommendations are graded as follows:

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

Appendix 1 – Progress against 2017/18 Internal Audit Plan

Shaded areas denote completion.

Name of report	Status	Audit start	Draft report issued	Management responses	Final report issued	Planned Audit C'ttee meeting	Actual Audit C'ttee meeting
Payroll and expenses	Complete	Jan 2018	Feb 2018	Feb 2018	March 2018	March 2018 – cancelled June 2018	June 2018
Student Experience	In progress	Feb 2018	Mar 2018	Mar 2018	Apr 2018	Jun 2018*	
Information Governance	Planning	Feb 2018	Mar 2018	Mar 2018	Apr 2018	Jun 2018**	
Credits	Complete	Aug 2017	Sept 2017	Sept 2017	Oct 2017	Nov 2017	Nov 2017
Follow up	In progress	June 2018	July 2018	July 2018	Aug 2018	Aug 2018	
Annual report	-	-	-	-	-	Aug 2018	
Annual Internal Audit Plan 2018/19	-	-	-	-	-	Aug 2018	

* Audit delayed due to staff availability and agreement of audit scope. The audit took place during the first week in June and will be presented to the August meeting of the Committee.

** This audit was originally due to review the College's GDPR readiness; however it was agreed with management to refocus the review on post-implementation compliance and conduct the audit later than originally planned. We intend to complete the review in July and present the audit report to the Committee in August, pending agreement with the audit sponsor.

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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 19 June 2018.

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.

There are 9 recommendations covered in Appendix 1.

Since the last meeting of the Audit Committee, 4 of the 9 recommendations has reached a stage where the College considers them to be complete. These completed recommendations are highlighted in grey in the appendix.

The College is seeking extensions for the remaining recommendations and appendix 1 contains further information on this.

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

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

	N	D	O	O									

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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.

The score for the risk relating to the General Data Protection Regulations (Risk ID 5) has been reduced owing to the development of a suit of policies and procedures as well as the appointment of a Data Protection Officer.

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>June 2018 - Sector currently in dispute with both unions regarding pay offer</p> <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 destruction to students. NRPA now signed of by sector with EIS pay award for 15/16 & 16/17 now completed.</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>June 2018 - Lecturer and promoted scale points agreed and harmonisation will be complete by April 2019. for support staff job evaluation is yet to begin and is to be concluded September 2019.</p> <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>	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>June 18 - Review of international activity completed with a more refined focus on partnership working with HE sector</p> <p>Nov 17 - Review of Business Development completed which 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	VPFACA	VH	VH	25	VH	H	20	↔	Nov-15
4	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>June 18 - SFC are reviewing the current funding model for implementation in 20/21. In the meantime the Guidance for 5 year financial plans gives indicative allocations for Colleges over that period.</p> <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>	B	P	P	H	H	16	H	H	16	↔	March 2016 Score Increase May 2016 Score decrease Nov 2017

Forth Valley College Strategic Risk Register

5	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>June 18 - Data Protection Officer appointed through University and Colleges Shared Service. Policies and procedures written/revised to reflect legislative changes. Information Asset register populated for all core systems, retention periods reviewed, with data deleted/anonymised in light of these revisions. Staff training available to all staff</p> <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	VPISC	VH	H	20	M	H	12		Sep-17
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>June 18: 260 places secured for 2018-2020 contract and recruitment is improving but still eliciting small numbers for some groups. Costs revisited to reduce these where possible. Early indications are that the funding model may not yet be stabilised for the 2019-2021 tender, so this continues to need monitored as a risk.</p> <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 know. Tender for 2018-2020 FA contract submitted and result awaited, so levels of funding offered not yet know. 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</p>	F	VPLQ	VPLQ	H	M	12	H	M	12		Nov-16
7	Estates					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>June 18: the college's EREP for 2016-2017 was endorsed by Education Scotland and SFC and received positive feedback. The reporting model has been changed somewhat for the 2017-2018 report, due in October 18 and this will also be the first year in which Grades will be published, so this risk remains until the process is fully established.</p> <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>Jun 18 - As part of the Public Sector Cyber Catalyst Programme, College staff have participated in workshops preparing for introduction of SG's Public Sector Action Plan on Cyber Resilience. Part of this is the requirement for Public Sector Organisations to be attain Cyber Essentials certification.</p> <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 No further update</p> <p>August 2015 An additional high-speed internet connection was installed in May to provide resilience</p> <p>May 2015 An additional internet connection to provide resilience should there be any disruption to our main connection has been purchased and will be configured and tested this month.</p> <p>March 2015 We are planning to install an additional internet connection to provide resilience should there be any disruption to our main connection.</p> <p>November 2014 No Further Update</p>	F	VPISC	VPISC	L	VH	10	L	H	8		Jun-14

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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>June 18 - while the sector is currently in dispute with both unions, the management offer made has been budgeted for.</p> <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 depute with Unison in which the offer has not been accepted. Talks are currently underway between NJNC, Unison and ACAS to agree a solution.</p> <p>Aug 16 Following a ballot by Unison the current pay offer was rejected and we have notification of industrial action</p> <p>May 16 EIS pay award now completed for 15/16 & 16/17 Unison pay ward for 15/16 completed Negotiations still on going for 16/17</p> <p>March 2016 - Unison have now accepted a pay award backdated to April 2015. Unison have also tabled a pay awards for 16/17 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>	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"> Full review of business continuity conducted by Baker Tilly resulting in a number of recommendations Initial investigation of engaging external specialist to conduct review of BCP and implementation of audit recommendations Creation of BCP policy which will govern frequency of update and testing of new plan 	<p>June 18 - The snow closures in March 2018 allowed the College to test the BCP under real world conditions. Overall the process worked very well, with areas of improvement identified to further streamline communications.</p> <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>June 18 - The Outcome Agreement for 2018/21 is going to the June meeting of BOM for approval.</p> <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>	SDC	VPISC	VPISC	L	VH	10	L	M	6	Aug-13

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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 Barclay's bank.	Could require immediate repayment or seek to renegotiate facility on less favourable terms	<ul style="list-style-type: none"> • Barclays have been kept informed through the year on the implications of ONS and the possibility of a breach of covenants. 	<p>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>	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.	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		
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	

Preparing for the General Data Protection Regulation (GDPR)

12 steps to take now

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Preparing for the General Data Protection

Regulation (GDPR) 12 steps to take now

For Information

1

Awareness

You should make sure that decision makers and key people in your organisation are aware that the law is changing to the GDPR. They need to appreciate the impact this is likely to have.

2

Information you hold

You should document what personal data you hold, where it came from and who you share it with. You may need to organise an information audit.

3

Communicating privacy information

You should review your current privacy notices and put a plan in place for making any necessary changes in time for GDPR implementation.

4

Individuals' rights

You should check your procedures to ensure they cover all the rights individuals have, including how you would delete personal data or provide data electronically and in a commonly used format.

5

Subject access requests

You should update your procedures and plan how you will handle requests within the new timescales and provide any additional information.

6

Lawful basis for processing personal data

You should identify the lawful basis for your processing activity in the GDPR, document it and update your privacy notice to explain it.

7

Consent

You should review how you seek, record and manage consent and whether you need to make any changes. Refresh existing consents now if they don't meet the GDPR standard.

8

Children

You should start thinking now about whether you need to put systems in place to verify individuals' ages and to obtain parental or guardian consent for any data processing activity.

9

Data breaches

You should make sure you have the right procedures in place to detect, report and investigate a personal data breach.

10

Data Protection by Design and Data Protection Impact Assessments

You should familiarise yourself now with the ICO's code of practice on Privacy Impact Assessments as well as the latest guidance from the Article 29 Working Party, and work out how and when to implement them in your organisation.

11

Data Protection Officers

You should designate someone to take responsibility for data protection compliance and assess where this role will sit within your organisation's structure and governance arrangements. You should consider whether you are required to formally designate a Data Protection Officer.

12

International

If your organisation operates in more than one EU member state (ie you carry out cross-border processing), you should determine your lead data protection supervisory authority. Article 29 Working Party guidelines will help you do this.



Introduction

This checklist highlights 12 steps you can take now to prepare for the General Data Protection Regulation (GDPR) which will apply from 25 May 2018.

Many of the GDPR's main concepts and principles are much the same as those in the current Data Protection Act (DPA), so if you are complying properly with the current law then most of your approach to compliance will remain valid under the GDPR and can be the starting point to build from. However, there are new elements and significant enhancements, so you will have to do some things for the first time and some things differently.

It is important to use this checklist and other Information Commissioner's Office (ICO) resources to work out the main differences between the current law and the GDPR. The ICO is producing new guidance and other tools to assist you, as well as contributing to guidance that the Article 29 Working Party is producing at the European level. These are all available via the ICO's [Overview of the General Data Protection Regulation](#). The ICO is also working closely with trade associations and bodies representing the various sectors – you should also work closely with these bodies to share knowledge about implementation in your sector.

It is essential to plan your approach to GDPR compliance now and to gain 'buy in' from key people in your organisation. You may need, for example, to put new procedures in place to deal with the GDPR's new transparency and individuals' rights provisions. In a large or complex business this could have significant budgetary, IT, personnel, governance and communications implications.

The GDPR places greater emphasis on the documentation that data controllers must keep to demonstrate their accountability. Compliance with all the areas listed in this document will require organisations to review their approach to governance and how they manage data protection as a corporate issue. One aspect of this might be to review the contracts and other arrangements you have in place when sharing data with other organisations.

Some parts of the GDPR will have more of an impact on some organisations than on others (for example, the provisions relating to profiling or children's data), so it would be useful to map out which parts of the GDPR will have the greatest impact on your business model and give those areas due prominence in your planning process.

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1 Awareness

You should make sure that decision makers and key people in your organisation are aware that the law is changing to the GDPR. They need to appreciate the impact this is likely to have and identify areas that could cause compliance problems under the GDPR. It would be useful to start by looking at your organisation's risk register, if you have one.

Implementing the GDPR could have significant resource implications, especially for larger and more complex organisations. You may find compliance difficult if you leave your preparations until the last minute.

2 Information you hold

You should document what personal data you hold, where it came from and who you share it with. You may need to organise an information audit across the organisation or within particular business areas.

The GDPR requires you to maintain records of your processing activities. It updates rights for a networked world. For example, if you have inaccurate personal data and have shared this with another organisation, you will have to tell the other organisation about the inaccuracy so it can correct its own records. You won't be able to do this unless you know what personal data you hold, where it came from and who you share it with. You should document this. Doing this will also help you to comply with the GDPR's accountability principle, which requires organisations to be able to show how they comply with the data protection principles, for example by having effective policies and procedures in place.

3 Communicating privacy information

You should review your current privacy notices and put a plan in place for making any necessary changes in time for GDPR implementation.

When you collect personal data you currently have to give people certain information, such as your identity and how you intend to use their information. This is usually done through a privacy notice. Under the GDPR there are some additional things you will have to tell people. For example, you will need to explain your lawful basis for processing the data, your data retention periods and that individuals have a right to

complain to the ICO if they think there is a problem with the way you are handling their data. The GDPR requires the information to be provided in concise, easy to understand and clear language.

The ICO's [Privacy notices code of practice](#) reflects the new requirements of the GDPR.

4 Individuals' rights

You should check your procedures to ensure they cover all the rights individuals have, including how you would delete personal data or provide data electronically and in a commonly used format.

The GDPR includes the following rights for individuals:

- the right to be informed;
- the right of access;
- the right to rectification;
- the right to erasure;
- the right to restrict processing;
- the right to data portability;
- the right to object; and
- the right not to be subject to automated decision-making including profiling.

On the whole, the rights individuals will enjoy under the GDPR are the same as those under the DPA but with some significant enhancements. If you are geared up to give individuals their rights now, then the transition to the GDPR should be relatively easy. This is a good time to check your procedures and to work out how you would react if someone asks to have their personal data deleted, for example. Would your systems help you to locate and delete the data? Who will make the decisions about deletion?

The right to data portability is new. It only applies:

- to personal data an individual has provided to a controller;
- where the processing is based on the individual's consent or for the performance of a contract; and
- when processing is carried out by automated means.

You should consider whether you need to revise your procedures and make any changes. You will need to provide the personal data in a structured commonly used and machine readable form and provide the

information free of charge.

5 Subject access requests

You should update your procedures and plan how you will handle requests to take account of the new rules:

- In most cases you will not be able to charge for complying with a request.
- You will have a month to comply, rather than the current 40 days.
- You can refuse or charge for requests that are manifestly unfounded or excessive.
- If you refuse a request, you must tell the individual why and that they have the right to complain to the supervisory authority and to a judicial remedy. You must do this without undue delay and at the latest, within one month.

If your organisation handles a large number of access requests, consider the logistical implications of having to deal with requests more quickly. You could consider whether it is feasible or desirable to develop systems that allow individuals to access their information easily online.

6 Lawful basis for processing personal data

You should identify the lawful basis for your processing activity in the GDPR, document it and update your privacy notice to explain it.

Many organisations will not have thought about their lawful basis for processing personal data. Under the current law this does not have many practical implications. However, this will be different under the GDPR because some individuals' rights will be modified depending on your lawful basis for processing their personal data. The most obvious example is that people will have a stronger right to have their data deleted where you use consent as your lawful basis for processing.

You will also have to explain your lawful basis for processing personal data in your privacy notice and when you answer a subject access request. The lawful bases in the GDPR are broadly the same as the conditions for processing in the DPA. It should be possible to review the types of processing activities you carry out and to identify your lawful basis for doing so. You should document your lawful bases in order to

help you comply with the GDPR's 'accountability' requirements.

7 Consent

You should review how you seek, record and manage consent and whether you need to make any changes. Refresh existing consents now if they don't meet the GDPR standard.

You should read the [detailed guidance](#) the ICO has published on consent under the GDPR, and use our consent checklist to review your practices. Consent must be freely given, specific, informed and unambiguous. There must be a positive opt-in – consent cannot be inferred from silence, pre-ticked boxes or inactivity. It must also be separate from other terms and conditions, and you will need to have simple ways for people to withdraw consent. Public authorities and employers will need to take particular care. Consent has to be verifiable and individuals generally have more rights where you rely on consent to process their data.

You are not required to automatically 'repaper' or refresh all existing DPA consents in preparation for the GDPR. But if you rely on individuals' consent to process their data, make sure it will meet the GDPR standard on being specific, granular, clear, prominent, opt-in, properly documented and easily withdrawn. If not, alter your consent mechanisms and seek fresh GDPR-compliant consent, or find an alternative to consent.

8 Children

You should start thinking now about whether you need to put systems in place to verify individuals' ages and to obtain parental or guardian consent for any data processing activity.

For the first time, the GDPR will bring in special protection for children's personal data, particularly in the context of commercial internet services such as social networking. If your organisation offers online services ('information society services') to children and relies on consent to collect information about them, then you may need a parent or guardian's consent in order to process their personal data lawfully. The GDPR sets the age when a child can give their own consent to this processing at 16 (although this may be lowered to a minimum of 13 in the UK). If a child is younger then you will need to get consent from a person holding 'parental responsibility'.

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This could have significant implications if your organisation offers online services to children and collects their personal data. Remember that consent has to be verifiable and that when collecting children's data your privacy notice must be written in language that children will understand.

9 Data breaches

You should make sure you have the right procedures in place to detect, report and investigate a personal data breach.

Some organisations are already required to notify the ICO (and possibly some other bodies) when they suffer a personal data breach. The GDPR introduces a duty on all organisations to report certain types of data breach to the ICO, and in some cases, to individuals. You only have to notify the ICO of a breach where it is likely to result in a risk to the rights and freedoms of individuals – if, for example, it could result in discrimination, damage to reputation, financial loss, loss of confidentiality or any other significant economic or social disadvantage.

Where a breach is likely to result in a high risk to the rights and freedoms of individuals, you will also have to notify those concerned directly in most cases.

You should put procedures in place to effectively detect, report and investigate a personal data breach. You may wish to assess the types of personal data you hold and document where you would be required to notify the ICO or affected individuals if a breach occurred. Larger organisations will need to develop policies and procedures for managing data breaches. Failure to report a breach when required to do so could result in a fine, as well as a fine for the breach itself.

10 Data Protection by Design and Data Protection Impact Assessments

It has always been good practice to adopt a privacy by design approach and to carry out a Privacy Impact Assessment (PIA) as part of this. However, the GDPR makes privacy by design an express legal requirement, under the term 'data protection by design and by default'. It also makes PIAs – referred to as 'Data Protection Impact Assessments' or DPIAs – mandatory in certain circumstances.

A DPIA is required in situations where data processing is likely to result in high risk to individuals, for example:

- where a new technology is being deployed;
- where a profiling operation is likely to significantly affect individuals; or
- where there is processing on a large scale of the special categories of data.

If a DPIA indicates that the data processing is high risk, and you cannot sufficiently address those risks, you will be required to consult the ICO to seek its opinion as to whether the processing operation complies with the GDPR.

You should therefore start to assess the situations where it will be necessary to conduct a DPIA. Who will do it? Who else needs to be involved? Will the process be run centrally or locally?

You should also familiarise yourself now with the [guidance the ICO has produced on PIAs](#) as well as [guidance from the Article 29 Working Party](#), and work out how to implement them in your organisation. This guidance shows how PIAs can link to other organisational processes such as risk management and project management.

11 Data Protection Officers

You should designate someone to take responsibility for data protection compliance and assess where this role will sit within your organisation's structure and governance arrangements.

You should consider whether you are required to formally designate a Data Protection Officer (DPO). You must designate a DPO if you are:

- a public authority (except for courts acting in their judicial capacity);
- an organisation that carries out the regular and systematic monitoring of individuals on a large scale; or
- an organisation that carries out the large scale processing of special categories of data, such as health records, or information about criminal convictions. The Article 29 Working Party has [produced guidance for organisations on the designation, position and tasks of DPOs](#).

It is most important that someone in your organisation, or an external data protection advisor, takes proper responsibility for your data protection compliance and has the knowledge, support and authority to carry out their role effectively.

12 International

If your organisation operates in more than one EU member state, you should determine your lead data protection supervisory authority and document this.

The lead authority is the supervisory authority in the state where your main establishment is. Your main establishment is the location where your central administration in the EU is or else the location where decisions about the purposes and means of processing are taken and implemented.

This is only relevant where you carry out cross-border processing – ie you have establishments in more than one EU member state or you have a single establishment in the EU that carries out processing which substantially affects individuals in other EU states.

If this applies to your organisation, you should map out where your organisation makes its most significant decisions about its processing activities. This will help to determine your 'main establishment' and therefore your lead supervisory authority.

The Article 29 Working party has produced [guidance on identifying a controller or processor's lead supervisory authority](#).