

Zoom @ 4.30pm

AGENDA

1. Declarations of interest
2. Apologies

FOR APPROVAL

3. Minutes of meeting of 17 November 2020
4. Matters Arising
 - a) A/20/025 Presentation of Internal Audit Reports
5. External Audit Plan Ernst & Young
6. Internal Audit Annual Plan 2021/22 MHA Henderson
Loggie

FOR DISCUSSION

7. Presentation of Internal Audit Reports MHA Henderson
Loggie
 - a) 2019/20 Student Activity Data
8. 2020/21 Internal Audit Plan Progress Report MHA Henderson
Loggie
9. Progress Report on Audit Recommendations Stephen Jarvie
10. Risk Management Alison Stewart
11. Review of Risk
12. Any other competent business

FOR INFORMATION

Forward Programme of Committee Business
Audit Scotland - Covid-19 Going Concern in the Public Sector
Board Calendar of Meetings

Zoom (commencing at 5.00pm)

Present: Lorna Dougall (Chair)
Hazel Burt
Steven Torrie (Co-opted Member)
Mandy Wright (Co-opted Member)

In Attendance: Ken Thomson, Principal
Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
Senga McKerr, Head of Finance (HOF)
Olga Potapova, Ernst and Young
Steven Reid, Ernst and Young
David Archibald, MHA Henderson Loggie
Stuart Inglis, MHA Henderson Loggie

A/20/016 Annual Report and Financial Statements 2019/20

The HOF presented the annual report and financial statements for 2019/20. She discussed the content of the statements noting that, owing to technical accounting treatments, the true picture for the College was somewhat obscured.

She referred members to page 14 of the statements which showed, after removal of non-cash elements, that the College had reached an adjusted operating surplus for the year.

She highlighted to members that the external auditors had requested a formal assessment of the College as a going concern which was included in the papers issued to members. She confirmed that the College, external auditors and the Scottish Funding Council (SFC) all agreed there were no going concern issues for the College.

Members noted the impact of the revised pension position and capital grants on the net liability position of the College and that, when these were removed and with confirmation that the College still generates cash, noted that the College was in a positive position.

a) Members commended the Annual Report and Financial Statements 2019/20 to the Board of Management for approval

A/20/017 Draft External Audit Annual Report to the Board of Management

Steven Reid, Ernst and Young, presented the draft report to members. He recognised the amount of work from the Finance team under unusual circumstances to support this and have the accounts in place in line with normal timescales.

He confirmed that the report will be submitted to Audit Scotland in due course giving an unqualified opinion on the financial statements.

He discussed the four wider scope areas they were required to review as part of the external audit, highlighting that there were no material matters to draw to the Committee's attention. He noted the impact of the current external environment presents additional risks to the College's financial sustainability and that this has been categorised as an amber risk.

Members expressed concern about the tone of some areas of the report. Steven Reid agreed to look at the issues highlighted.

The VPFACA highlighted the amount of additional work undertaken and expressed her concerns on this matter. Members queried whether this level of work would be required next year. Steven Reid noted that the additional work required related to a new auditing standard on the assessment of going concern and the uncertainty created by Covid 19. He stated that he would expect this to be the new norm depending upon any additional guidance from Audit Scotland.

Members queried the impact of the additional work on the fee for the College. Steven Reid confirmed he was in discussions with the College on this.

a) Members noted the content of the report and Steven Reid will review the language in the report

A/20/018 Declarations of Interest

None

A/20/019 Apologies for Absence

Beth Hamilton

A/20/020 Minutes of meeting of 5 October 2020

The minutes of the meeting of 5 October 2020 were approved.

Ratification of Governance Statement Approval

The Chair noted that the statement had been issued in advance for comment and that there had been some discussion on the wording although no changes had been made.

The VPFACA noted that the audit had resulted in an additional paragraph at the request of the external auditors to refer to the move to virtual Board and Committee meetings.

a) Members ratified the prior electronic acceptance of governance statement

A/20/021 Matters Arising

a) A/20/006 Annual Audit Plan Addendum Year ended 31 July 2020

As noted earlier, this matter is still ongoing between the College and Ernst and Young.

b) A/20/012 Audit Scotland – Guide for Audit and Risk Committees

The Chair noted that the document appeared to be quite comprehensive.

The VPFACA noted that the document had been included with the papers for information.

A/20/022 Chairs Report to the Board

The Chair presented her standard annual report to the Board from the Committee.

a) Members approved the Chairs report for submission to the Board of Management

A/20/023 Response to Ernst & Young Letter to those charged with Governance

The Chair presented the draft response to the annual letter from Ernst and Young. She highlighted the changes to the letter exploring the management of Covid by the College and the range of actions the College highlighted in the response.

a) Members approved the response

A/20/024 Internal Audit Progress Report

Stuart Inglis, MHA Henderson Loggie, presented the progress report in relation to the 20/21 internal audit plan.

He noted the proposed timings for the audits in the plan which had been agreed by management.

He highlighted in relation to the Credits audit that, while the fieldwork had been completed a while ago, they had made a request to SFC in relation to some distance learning classes as the current guidance did not cover this under Covid related circumstances. He noted that he had expected to receive a response and, despite chasing this up with SFC, this had not been received at this point. As such, the report cannot be issued until a response is received. It is not expected that there will be any material difference to the final report.

a) Members noted the content of the report

A/20/025 Presentation of Internal Audit Reports

Stuart Inglis, MHA Henderson Loggie, presented two internal audit reports to the Committee.

Credits

Please see text in A/20/024

Student Support Funds

He reported on the audit, noting that this is a statutory annual report. He stated that they were able to certify all fund statements for the year and submit these to the appropriate bodies, without reservation.

The VPFAA discussed the error highlighted in the report and outlined the improvements already made to the system to mitigate against this.

A/20/026 Progress Report on Audit Recommendations

The VPFAA presented the report on progress against audit recommendations.

She highlighted that there were two recommendations, one of which was complete and the other which is not due until February next year. She confirmed this recommendation would be completed at the February Board Strategic session.

a) Members noted the content of the report

A/20/027 Risk Management

The VPFAA presented the strategic and Covid-19 risk registers.

In relation to the strategic register, she highlighted the addition of the estates risk. She also highlighted the request to remove the succession planning risk and outlined the reasons for this.

She noted that a full review of the risk register would occur in December with the Senior Management team to bring to the Board in February for discussion.

For the Covid-19 register, the College is proposing to remove three risks and outlined the reasons for these.

Members queried whether the action short of strike item should be added as a risk.

The Principal agreed that this would be reviewed and added to the register.

a) Members noted the content of the reports

A/20/028 Audit Committee Self-Assessment

The VPFAA presented the updated self-assessment to members for comment, noting that a number of comments were the same as the previous year.

The Chair noted it was important that the Committee agree the content.

a) Members noted the content of the report

A/20/029 Review of Risk

No new risks identified

A/20/030 Any Other Competent Business

None

A/20/031 Private Discussion between members and auditors

The Committee members, Internal and External Auditors had held a private meeting after the October Committee meeting and so the November private meeting was short. Discussion confirmed that Committee members were pleased to receive an unqualified external audit report and did not raise any further areas of interest which had not previously been discussed.

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Forth Valley College

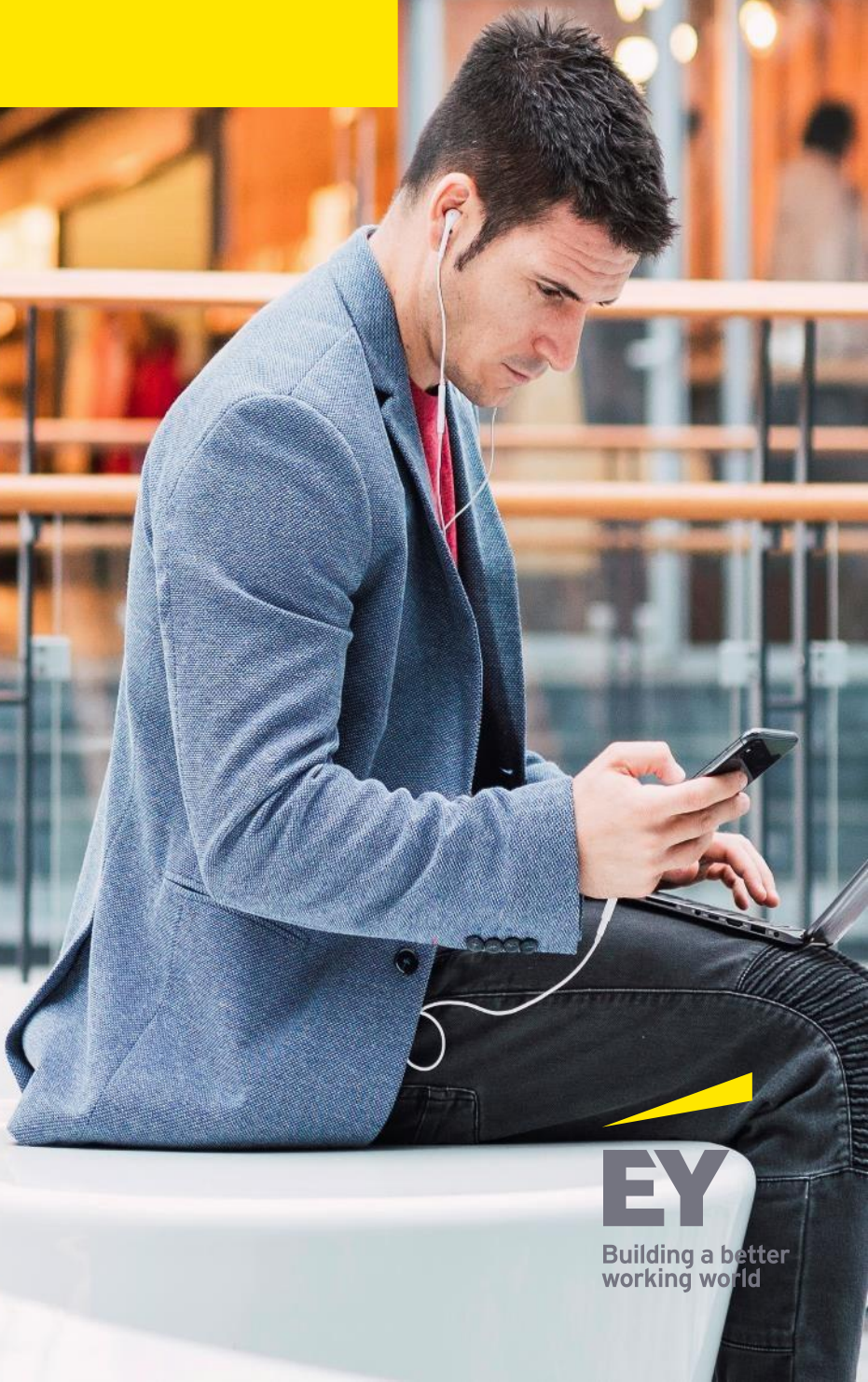
Annual Audit Plan

Draft for Discussion

Year ending 31 July 2021

Audit Committee

20 May 2021



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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 College ("the College") for financial years 2016/17 to 2020/21. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22. We undertake our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

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

1. Executive summary

Our key contacts:

Stephen Reid
Partner
sreid2@uk.ey.com

Olga Potapova
Manager
opotapova@uk.ey.com

Our independence

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

Purpose of this report

In accordance with the Public Finance and Accountability (Scotland) Act 2000, Audit Scotland appointed EY as the external auditor of Forth Valley College (the College) for the five year period 2016/17 to 2020/21. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22.

This Annual Audit Plan, prepared for the benefit of College management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 July 2021, the fifth 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 operating.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the College employs best practice and where processes can be improved. We use these insights to form our audit recommendations to support the College in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. These are highlighted throughout our reporting together with our judgements and conclusions regarding arrangements.

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

Scope and Responsibilities

This Annual Audit Plan covers the work that we plan to perform to provide you with our opinion on whether the College's financial statements (the financial statements) give a true and fair view of the College's affairs as at 31 July 2021 in accordance with applicable law and the financial reporting framework. We also report on the regularity of transactions, as required by the Scottish Funding Council.

We undertake our audit in accordance with the Code of Audit Practice ('the Code'), issued by Audit Scotland in May 2016; International Standards on Auditing (UK); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the College and the auditor, more details of which are provided in Appendix A.

Our Financial Statement Audit

We are responsible for conducting an audit of the financial statements of the College. We provide an opinion 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 2021 and its surplus or deficit for the year then ended;
- ▶ 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; and
- ▶ whether 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 the financial statements.

Materiality

Materiality levels have been set at the planning stage of the audit as follows:

Planning Materiality

£880,000

2% of the College's gross forecast expenditure

Tolerable Error

£660,000

Materiality at an individual account level

Nominal amount

£44,000

Level that we will report misstatements to committee

Based on considerations around the expectations of financial statement users and qualitative factors, we apply a lower materiality level to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of related party transactions to both parties.

Wider Scope audit

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

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Governance and transparency; and
- ▶ Value for Money

Our audit work over the wider scope audit dimensions complements our financial statements audit. We have updated our understanding of the risks impacting the College through discussions with management, review of relevant committee reports, and our knowledge of the education sector.

Audit Risk Dashboard

Key Financial Statement Risks

Fraud Risk: Risk of fraud in revenue and expenditure recognition	In accordance with ISA (UK) 240, we consider the presumed fraud risk in respect of improper income recognition. 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. During 2020/21, we will consider the impact of additional Covid-19 income streams on the College.
Fraud Risk: Misstatement due to fraud or error	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.
Inherent risk: Valuation of property, plant and equipment	The value of property, plant and equipment (PPE) represent significant balances in the College's financial statements. Management is required to make material judgemental inputs, including the assessment of any required impairment, and to apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Inherent risk: Valuation of pension assets and liabilities	<p>Accounting for the Local Government Pension Scheme (LGPS) involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The Falkirk Council Pension Fund triennial valuation was completed as at 31 March and will therefore inform the valuation as at 31 March 2021.</p> <p>ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts, the assumptions underlying fair value estimates, and the valuation of the College's share of scheme assets and liabilities at the year end.</p>
Financial Sustainability: Medium Term Financial Planning	<p>The full impact of the global pandemic on the College's education and financial plans has continued to evolve throughout 2020/21. In the short term, there is the impact of government funding, including furlough income, and direct financial support from the Scottish Funding Council. The College has also managed the move to blended learning well, with relatively few deferrals to 2021/22. As a result, the acute financial pressures facing the College in 2020/21 have eased.</p> <p>The College is due to prepare an updated financial forecast in June 2021. Our expectation is that this will continue to reflect significant financial pressures in the medium to long term.</p>

2. Sector developments

In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the College operates to inform our audit approach.

The context for financial sustainability in the FE sector

As we noted within our Annual Audit Report, during 2020, the Scottish Funding Council released three reports considering the future of colleges and universities. In October 2020 the Scottish Funding Council (SFC) published their review of coherent provision and sustainability which considered how best the SFC can fulfil its mission of securing coherent provision by post-16 education bodies, and the undertaking of research in these changing times. The review covered future provision, delivery, outcomes and targets, funding models and support for research activity across the college and university sector in Scotland.

Specifically, as part of this review, the SFC published their updated analysis of the sector within their report, The Financial Sustainability of Colleges and Universities in Scotland. This reflects on the specific financial challenges the sector was facing prior to the impact of Covid-19, including cost pressures from cost of living pay awards, employers' pension contributions, maintaining the college estate and the UK's exit from the European Union, and notes that colleges were already implementing transformation plans to address those challenges. Covid-19 has, in some cases, resulted in the delay of these transformation plans, particularly where they relate to severance and commercial income growth. The main impact of Covid-19 is considered to be felt most by the sector during the 2020/21 financial and academic year.

Recognising the financial challenges facing colleges in the upcoming period, the SFC has identified a number of actions to further support colleges including:

- ▶ Targets - SFC will not recover funds for shortfalls against outcome agreement targets where these are related to Covid-19;
- ▶ Capital Funding - £2.3 million of additional funding for colleges has been awarded to support the provision of ICT equipment to help tackle digital poverty. In addition, the SFC announced £6.5 million of additional capital funding to support the economic recovery in 2020/21;
- ▶ Cash advances - SFC has provided flexibility in grant drawdowns to several colleges encountering liquidity challenges; and
- ▶ Flexibilities in relation to Flexible Workforce Development Fund, Student Support funds and credits.

We will continue to review the full impact of the financial savings requirements outlined in the Financial Forecast Return (FFR) against the College's strategic objectives as part of our work on financial sustainability.

Additional Funding for Colleges 2020/21

Additional non-recurring Covid-19 support funding was announced as part of the Scottish Government's budget update statement on 16 February 2021. This included an additional £60 million for further and higher education, specifically to support universities and colleges maintain research activity, project jobs, help students and boost research and knowledge exchange.

The SFC subsequently announced additional funding of £15.3 million for colleges on 24 March 2021, applicable for the financial year 2020/21. The SFC noted that this funding will help address the major impact that Covid-19 has had on colleges, including:

- ▶ Reduced income, including from commercial contracts and residencies, affecting research funding and putting jobs at risk;
- ▶ Additional costs such as adjustments to campuses and facilities to allow for social distancing; and
- ▶ General weakening of financial sustainability.

Recognising that all colleges are facing financial pressures, the additional £15.3 million has been allocated to colleges in proportion to their respective core teaching grant allocations for Academic Year 2020/21. The conditions of the grant funding are further outlined within the SFC's *Additional funding for Colleges in FY 2020/21* report, as well as confirmation that the release of this additional funding is to be used for FY 2020/21.

2021/22 Budget

The SFC announced the indicative funding allocations for the Academic Year 2021/22 on 24 March 2021. The indicative funding allocations set out are based on the Scottish Government's draft budget 2021/22 announcement on 28 January 2021 which was approved by the Scottish Parliament on 9 March 2021. The approved Scottish Budget 2021/22 set a College Resource (Revenue) budget for the financial year 2021/22 of £675.7 million, an increase of £35.7 million (5.6%) from 2020/21.

The SFC provides indicative funding allocations to help colleges plan for the forthcoming academic year, with final funding allocations to be published by the end of May 2021. The SFC's indicative funding announcement notes that:

- ▶ The SFC's revenue budget for 2021/22 has increased by 10.8% (£70.2 million) from AY 2020/21;
- ▶ Teaching funding has been increased by 8% (£29.8 million);
- ▶ Student support funding has increased by 1.9% (£2.6 million), and there is additional student support contingency funding set aside;
- ▶ The other programme funding budget, which includes national sector-wide services and strategic projects, has increased by £13.1 million;
- ▶ Student activity (credit) volume for the sector has been increased by 3.6% (circa 63,000 credits), largely as a result of creditors for Foundation Apprenticeships and deferred students; and
- ▶ Capital funding has decreased by £2 million, with sector-wide capital maintenance reducing by 6.2% (£1.8 million).

3. Financial Statement Risks

Introduction

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 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 2021 and its surplus or deficit for the year then ended;
- ▶ 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; and
- ▶ whether 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 report on the regularity of transactions, as required by the Scottish Funding Council, and review and report on the consistency of the other information prepared and published by the College along with the financial statements.

Other Statutory Information

The management commentary and narrative reporting continues to be an area of increased scrutiny as a result of rising stakeholder expectations, including continuing interest by the Financial Reporting Council. We will therefore continue to work with the finance team to support the continued improvement of the financial statements, including narrative disclosures, in 2020/21.

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.
- ▶ 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 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 2020/21 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 expectations regarding our detection of misstatements in the financial statements if required.

Materiality Level	Rationale
Planning Materiality £880,000	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 2020/21 has been set at £880,000. This represents approximately 2% of the College's forecast expenditure for the year.
Tolerable Error £660,000	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 £660,000 which represents 75% of planning materiality.
Summary of Audit Differences £44,000	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 £250,000. We have set it at £44,000, which represents 5% of planning materiality.

In 2019/20, we reduced our materiality due to rapid changes in the external environment in which the College operates. We have determined that in 2020/21 it is appropriate to reinstate materiality at 2%, given the reduced immediate uncertainties in the external environment.

The bases for the materiality outlined are consistent with our approach in previous years. 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.

Based on these considerations, we apply lower materiality levels to the following areas we consider to be material by nature rather than size:

- ▶ Remuneration Report; and
- ▶ Related Party Transactions.

We will therefore review the disclosures related to the above areas in greater detail compared to the materiality thresholds outlined above.

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.

Going Concern compliance with ISA 570

We outlined in our 2019/20 reporting to the committee the impact that the Covid-19 pandemic had on the further education sector, and the increased levels of uncertainty within the forecasts used as part of the College's going concern assessment. As a result, in 2019/20, we placed additional focus on significant judgements made to conclude whether events or conditions indicate that a material uncertainty existed that may cast significant doubt on the College's ability to continue as a going concern. The judgements made determined the appropriate disclosures to be made in the financial statements, and allowed us to consider the impact on our audit opinion.

A revised auditing standard relating to our work on going concern, ISA 570, is effective for the audit of the College's 2020/21 financial statements. The revised standard increases the work we have been traditionally required to perform when assessing whether the College is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards, and much more in line with the required work undertaken by management and the audit team in 2019/20.

Auditing standards have been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly afterwards.

The revised standard requires:

- ▶ challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the College obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the College is not one of these three entity types listed, we will ensure compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

A revised version of Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the UK (PN 10) was issued in November 2020. A significant aspect of PN 10 is the guidance on applying ISA (UK) 570 Going Concern to the public sector. This notes the importance of the applicable financial reporting framework in determining the extent of the auditor's procedures. Our work will also take cognisance of recent guidance issued by Audit Scotland. As in prior years, due to the anticipated continuation of service provision, the going concern basis of accounting will continue to be appropriate for the College.

Covid-19 - Impact on Financial Statements

In our reporting through 2020, we outlined how the ongoing disruption to daily life and the economy as a result of the Covid-19 virus was having a pervasive impact upon the preparation of financial statements for all bodies across the further education sector, and will do so for the foreseeable future. Financial statements now need to reflect the impact of Covid-19 on the College's financial position and performance. There continues to be a wide range of ways in which Covid-19 can impact the financial statements, potentially impacting the accounting and disclosure requirements throughout. We have outlined through this report how these may include, at a minimum:

- ▶ Management's assessment of going concern.
- ▶ Revenue recognition accounting for where activity has materially changed and where new income streams have occurred such as from government support.
- ▶ The valuation of fixed assets, in particular the ongoing use of the College estate.
- ▶ The valuation of future pension liabilities and scheme assets.
- ▶ Potential impairment of receivables.
- ▶ Financial statement disclosures, including the Annual Governance Statement.

We will report on the full impact of Covid-19 on the College's financial statements, and how we have responded to the additional risks of misstatement, as part of our reporting at the yearend to the committee, including supplementing this audit planning report with any material changes to our detailed risk assessment and audit approach for the yearend audit, where required.

Covid-19 - Impact on Audit Process

The extensive nature of the Covid-19's impact on the financial statements and underlying accounting arrangements drives our assessment that the risk is considered pervasive to the financial statement audit. In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on management's ability to produce financial statements and our ability to complete the audit to the planned timetable. For example, it will continue to be more difficult than usual for finance teams to collate and for us to access the supporting documentation necessary to support our audit procedures. As with the 2019/20 audit, this will need to be mitigated by additional audit procedures to respond to the additional risks caused by the factors noted above.

We have outlined the planned timing for the key deliverables of the audit process in Appendix D. These reflect the agreed intention to continue to work closely with management to review timeframes and logistics for the completion of the audit in 2020/21. All deadlines will continue to be reviewed throughout the year as circumstances change, however the FRC and Audit Scotland have made clear that any deadlines are secondary to the primacy of audit quality and ensuring completeness of work regardless of the environment in which audit takes place.

We will aim to continue to take a pragmatic and flexible approach in the current environment.

Significant Risks

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 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

Under ISA 240 there is a presumed risk that income 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 means we also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Other than income and expenditure recognition, we have not identified any specific areas where management override will manifest as a significant fraud risk, however we will continue to consider this across the financial statements throughout the audit.

We consider there to be a specific risk around SFC income and expenditure recognition through:

- ▶ Incorrect income and expenditure cut-off recognition to alter the College's financial position around the financial year end.
- ▶ Incorrect recognition applied to grant income with conditions.

We also recognise a revenue recognition risk for other SFC grants where performance conditions are in place, tuition fee income and other grants and operating income in respect of possible manipulation of cut-off around the financial year end.

We recognise the same risk around incorrect recognition of other operating expenditure in line with Practice Note 10.

Work we will undertake:

- ▶ review and test all relevant income and expenditure policies against the relevant accounting standards and SORP
- ▶ review, test and challenge management around any accounting estimates on income and expenditure recognition for evidence of bias
- ▶ develop a testing strategy to test all material income and expenditure streams
- ▶ test all material grant income with performance conditions to ensure the income is recognised correctly in line with the outlined requirements
- ▶ review and perform focused testing on income and expenditure around the year end to ensure correct recognition around cut-off between financial periods
- ▶ perform testing for any evidence of clawback of income where conditions for entitlement have not been met
- ▶ review and develop a testing strategy for Covid-19 related income streams, including furlough income and additional Covid-19 related grant income
- ▶ assess and challenge manual adjustments or journal entries by management around the year end for evidence of management bias and evaluation of business rationale and evidence

Fraud Risk - Misstatement due to fraud or error

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.

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 auditor, 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.

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

- ▶ identifying fraud risks during the planning stages
- ▶ inquiry of management about risks of fraud and the controls put in place to address those risks including segregation of duties
- ▶ 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
- ▶ performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- ▶ specific focus on the accounting for any identified key areas of judgement and estimates in the financial statements and significant and unusual transactions. This will include consideration of any provisions requiring to be made as at the balance sheet date for any restructuring arrangements entered into by the College, as applicable.

From 2020/21, our work around estimates in particular will be required to comply with the requirements around the revised ISA (UK) 540.

We will report our findings in these areas to you within our 2020/21 Annual Audit Report.

Inherent Risk - Valuation of Property, Plant & Equipment

The College's property portfolio totals £125.836 million as at 31 July 2020, 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. Management engaged external valuers to conduct a full valuation of the land and buildings estate as at 31 July 2020.

The valuation of property, plant and equipment is assessed as an inherent risk. Management involves specialists in the preparation of these accounting valuations. We utilise our own specialists, as appropriate, to support the core audit team in the performance of audit procedures on these balances.

The College is required to consider annually that the valuation of the College estate remains appropriate outside of formal revaluation cycles.

In the prior year the College has completed construction of a new £78 million Falkirk Campus. Management commissioned a valuation as at 31 July 2020. The sale of the old campus was renegotiated and agreed at £2 million (previously valued at £4 million) creating a funding shortfall for the new campus. At the yearend there was also a degree of uncertainty surrounding the repayment of the £2 million sale proceeds which was advanced to the College from SFC.

Given the size of this balance and the number of assumptions that are made in the valuation, we assign a higher inherent risk to property, plant and equipment. The impact of Covid-19 on the use of assets and future plans means that we will place significant scrutiny on management's assessment of impairment.

Our approach will focus on:

- ▶ 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
- ▶ consideration of the material uncertainty that management's specialist may add to their valuation reports due to Covid-19, and the potential impact on our audit approach and opinion. We may consult as required.
- ▶ assessment of the potential for impairment across the College estate that has not been reflected in the financial statements or most recent formal valuation
- ▶ assessment of specialist's findings for assets held for resale, and whether these valuations have been correctly processed in the financial statements through testing of accounting entries
- ▶ assessment of the College's backlog maintenance estates plans, including consideration of whether backlog maintenance expenditure in the year has been correctly accounted for as capital or revenue expenditure
- ▶ considering the appropriateness of the accounting treatment for the Falkirk Campus sale proceeds that require to be repaid to the SFC.

Inherent Risk – Valuation of Pension Liabilities

The College participates in two pension schemes: the Local Government Pension Scheme (Falkirk Council Pension Fund (FPF)), and the Scottish Teachers Superannuation Scheme (STSS). While both are defined benefit pension schemes, the College is unable to identify its share of the underlying assets and liabilities of the STSS scheme on a consistent and reasonable basis and therefore, the scheme is accounted for as if it were a defined contribution scheme.

The Further and Higher Education SORP and the SFC Accounts Direction require the College to make extensive disclosures within the financial statements regarding its membership of the Falkirk Council Pension Fund. The information disclosed is based on the report issued by the College's actuary.

Triennial valuations of Scottish Local Government Pension Schemes (LGPS) were completed in March 2021. This will identify the funding level in each scheme and inform future funding and investment strategies as well as determining the level of employer and employee contribution rates from 2021/22 onwards.

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 2020 were £26.7 million (2018/19: £14 million).

Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The College engages an actuary to undertake the calculations on their behalf.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach will include:

- ▶ 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
- ▶ performing substantive testing on the verification of the pension assets, by engaging with the auditor of Falkirk Council Pension Fund in line with the assurance protocols laid out by Audit Scotland for IAS 19
- ▶ engage our actuarial specialists to assess the work of the actuary (Hymans Robertson), including the assumptions they have used and their assessment of the liability due to recent legal rulings including McCloud and Goodwin
- ▶ we will also review the calculation of the College's valuation of future early retirement liabilities at 31 July 2021
- ▶ review and test the accounting entries and disclosures made within the College's financial statements in relation to IAS 19.

Other audit considerations

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 includes compliance with applicable laws and regulations, litigation and claims and related parties.

Accounting Framework: Updated SFC Accounts Direction

The SFC's Accounts Direction is published annually in July and provides College's with guidance on disclosure requirements for the financial statements. We will work with management during 2020/21 to ensure the correct application of new requirements.

Changes to Auditing Standards

A revised ISA (UK) 701 applies from 2020/21 and aims to secure enhancements to auditor reporting. Our Annual Audit Report will therefore include:

- ▶ a description of the most significant assessed risks of material misstatement that were identified by the auditor which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the audit team;
- ▶ how each of the above significant risks of material misstatement was addressed including, as a new requirement of the ISA, significant judgements made with respect to each one;
- ▶ specifying the materiality threshold for the financial statements as a whole and, as new requirements, specifying performance materiality and providing an explanation of the significant judgments in determining these amounts; and
- ▶ an overview of the scope of the audit, including an explanation of how it addressed each of the significant assessed risks of material misstatement and how it was influenced by the auditor's application of materiality.

ISA(UK) 540 on accounting estimated was issues in December 2019. Guidance on inherent risk factors relevant to the public sector includes examples to be considered such as:

- ▶ a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, such as liabilities relating to defined benefit pension schemes
- ▶ areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets
- ▶ the existence of possible constructive obligations created by political statements or past practice of carrying out actions that may be expected of public authorities but are not required by law; and
- ▶ political uncertainty and the possibility of future changes in public policy having an impact on the assumptions used to prepare accounting estimates.

Use of specialists

When auditing key judgements, such as the valuation of property, plant and equipment, defined benefit pension scheme assets and liabilities, 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.

Internal audit

We will review the internal audit plan and the results of internal audit's work, including the discussion of audit findings at the Audit Committee and management's response to findings. We will reflect the findings from internal audit reports, together with reports from any other work completed in the year, in our plan for the audit, where they raise issues that could have an impact on the financial statements or our wider responsibilities.

Cyber Security

As outlined by Audit Scotland within their report *Fraud and Irregularity Update 2019/20*, the Covid-19 pandemic has brought significant challenges across the public sector as bodies have sought to continue to deliver services during extremely difficult times. In such emergency situations, existing controls may be compromised and it can be difficult to put in place robust controls for new processes.

The report highlights that there has been an increase in cybercrime, as more public sector staff connect remotely, including the use of various online video conferencing services for meetings which pose security issues. The report also highlights an increase in phishing emails and scams which, if accessed, allow fraudulent access to public sector systems.

We will discuss with management their assessment of whether internal controls at the College are sufficiently robust to mitigate the risk of cyber attacks.

Other audit responsibilities

Under the terms of our appointment, our role and responsibilities include a number of other assurance activities. This includes the provision of information to support Audit Scotland national reports and studies.

Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 came into force on 26 June 2017 and replace The Money Laundering Regulations 2007. The regulations impose an obligation on the Auditor General to inform the National Crime Agency if he knows or suspects that any person has engaged in money laundering or terrorist financing. As appointed auditor we will consider arrangements for the College to identify and report any instances of money laundering in line with Audit Scotland reporting arrangements.

Data analytics

Where possible and appropriate, we will use our bespoke data analysers to enable us to capture whole populations of your financial data, in particular covering journal entries and payroll transactions. These analysers help identify specific exceptions and anomalies within populations of data to focus substantive audit tests more effectively than traditional audit sampling.

We will report the findings of our work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee through the yearend audit reporting process.

4. Wider Scope Dimensions: Risk assessment and approach

Covid-19 is a pervasive risk that impacts all wider scope dimensions. This will be an area of audit focus for 2020/21 considering how the College has adapted and the implications for the College's finances.

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 bodies in Scotland. These are:

- ▶ Financial management;
- ▶ Financial Sustainability;
- ▶ 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.

As part of our risk assessment procedures, we have reviewed each dimension to assess potential areas of risk. We set out our areas of focus, along with any specific significant risks relating to each dimension below.

Financial Management

In our 2019/20 Annual Audit Report, we concluded that the College's financial management arrangements overall were satisfactory. The College has an established budgeting framework which includes presentation of financial updates to the Board and Finance and Resources Committee.

As in 2019/20, we will continue to assess the impact of Covid-19 and the subsequent lockdowns on any core financial management arrangements. We will therefore consider:

- ▶ How internal control arrangements are being adapted and monitored to respond to ongoing remote working arrangements.
- ▶ How the College continued to respond to budgetary pressures, including the loss of non-SFC income.
- ▶ Whether financial reporting to the Board and Finance and Resources Committee continued and whether there was a clear articulation of the financial risks.

Financial Sustainability

Financial sustainability considers the medium and longer term outlook for the College to determine if planning is effective to support service delivery. We focus on the arrangements to develop viable and sustainable financial plans.

In 2019/20, the College prepared a three-year financial forecast for the period 2020 to 2023 and submitted these to the SFC in the form of the template Financial Forecast Return ('FFR'). The forecast is based on assumptions provided by the SFC in addition to College specific assumptions for areas such as other income and staff numbers, as included within the College's Budget 2020/21 and Financial Plan 2021/22 to 2022/23.

Medium term financial planning

The full impact of the global pandemic on the College's education and financial plans has continued to evolve throughout 2020/21. In the short term, there is the impact of government funding, including furlough income, and direct financial support from the Scottish Funding Council. The College has also managed the move to blended learning well, with relatively few deferrals to 2021/22. As a result, the acute financial pressures facing the College in 2020/21 have eased.

The College is due to prepare an updated financial forecast in June 2021. Our expectation is that this will continue reflect significant financial pressures in the medium to long term.

Our work for the year will consider:

- ▶ Has the College revised medium term financial plans to take account of the materialising risks in relation to Covid-19 and has appropriate scenario planning taken place?
- ▶ Where gaps in financial plans are identified, the approach adopted by the College to engage with the Scottish Funding Council and other stakeholders to address these gaps.

Governance and Transparency

We will continue to consider how governance arrangements were adapted during the Covid-19 pandemic to ensure good governance arrangements remained in place.

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

In our 2019/20 Annual Audit Report we concluded that the College had in place the key requirements for good governance, and concluded that these key features of good governance remained in place and were operating effectively throughout the Covid-19 lockdown. We concluded that the Annual Governance Statement materially complied with the SFC's 2019/20 Accounts Direction.

Our work for the year will consider:

- ▶ How the College ensured the quality of arrangements to support good governance during the Covid-19 pandemic, including ensuring that there is sufficient transparency around governance and decision making arrangements?
- ▶ Is the Annual Governance Statement within the financial statements complete and does it reflect key matters impacted by Covid-19, such as delays in the completion of internal audit work and non-compliance with the code of good governance where actions were not able to be implemented?
- ▶ Progress against prior year audit recommendations from both internal and external audit, including the College's arrangements for ensuring these are monitored and reported on a routine basis.
- ▶ Internal audit arrangements during 2020/21, including whether the internal audit programme was able to be completed.

In line with auditing standards, as part of our consideration of the College's governance arrangements, we will be writing 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 annually make formal inquiries beyond standard management meetings and representations.

Value for money

In our 2019/20 Annual Audit Report we concluded that the College's arrangements for ensuring value for money were overall appropriate. A revised strategic plan for the period 2017 - 2022 was introduced from the start of the 2017/18 academic year and performance indicators developed to measure delivery and form part of the Colleges operational planning and staff performance reviews on an annual basis.

Our work for the year will consider whether:

- ▶ The College used resources effectively to help support students and other stakeholders during the Covid-19 pandemic and evaluates how lessons learned during the pandemic could be used to support changes to service delivery.
- ▶ The College has arrangements to ensure value for money through the use of public funds, including a robust procurement framework that is used by all employees and is subject to regular scrutiny, and a robust governance process for the approval of exit arrangements.

Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit Committee

D - Timing and deliverables of the audit

E - Audit fees

F - Additional audit information

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including Audit Committees or equivalent) in monitoring these arrangements.

Financial Statements and related reports

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- ▶ 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.
- ▶ 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.

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.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Financial Position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified
- ▶ compliance with any statutory financial requirements and achievement of financial targets
- ▶ balances and reserves, including strategies about levels and their future use
- ▶ how they plan to deal with uncertainty in the medium and longer term
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

Best Value

The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

Appendix B: Independence Report

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 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

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

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

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

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal 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.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Group. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's Ethical Standard and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC Ethical Standard, and if necessary agree additional safeguards or not accept the non-audit engagement. At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0% (Appendix E), and will continue to be monitored through the audit engagement. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you.

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

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

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

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

Other threats

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

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

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal 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.

- ▶ Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates;
- ▶ A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries;
- ▶ A narrow list of permitted services where closely related to the audit and/or required by law or regulation;
- ▶ Absolute prohibition on the following relationships applicable to UK PIE and its affiliates, including material significant investees/investors:
 - ▶ Tax advocacy services
 - ▶ Remuneration advisory services
 - ▶ Internal audit services
 - ▶ Secondment/loan staff arrangements
- ▶ An absolute prohibition on contingent fees;
- ▶ Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential;
- ▶ Permitted services required by law or regulation will not be subject to the 70% fee cap;
- ▶ Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms;
- ▶ A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards;
- ▶ A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2019 which has been effective from 1 August 2020.

At the time of writing this report (May 2021) we do not currently provide any non-audit services which would be prohibited under the new standard.

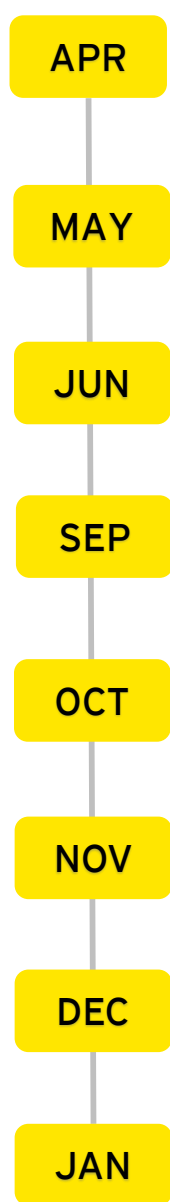
Appendix C: Required Communications

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</p> <p>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 ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	<p>Annual Audit Report</p>

Required communication	Our reporting to you
<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 	Annual Audit Report or as occurring if material.
<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 	Annual Audit Report or as occurring if material.
<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>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Annual Audit Plan Annual Audit Report
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	Annual Audit Report
<p>Representations</p> <p>We will request written representations from management and/or those charged with governance.</p>	Annual Audit Report
<p>Subsequent events</p> <p>Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements.</p>	Annual Audit Report
<p>Material inconsistencies and misstatements</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	Annual Audit Report
<p>Fee Reporting</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Annual Audit Plan Annual Audit Report

Appendix D: Timing and deliverables of the audit

We deliver our audit in accordance with guidance from Audit Scotland. We would note that we continue to operate in a Covid environment and therefore continue to experience delays in audit processes. The delivery of deadlines will be reviewed through the year as circumstances change, however the FRC has made clear that any deadlines are secondary to the primacy of audit quality and ensuring completeness of work regardless of the environment in which audit takes place. We will work with management and the committee secretariat to agree a timetable for the completion of the audit that ensures a smooth governance process.



Audit Activity	Deliverable	Timing
<ul style="list-style-type: none"> Audit planning and setting scope and strategy for the 2020/21 audit 	Annual Audit Plan	May 2021
<ul style="list-style-type: none"> Walkthrough Visit 	Completion of internal documentation	April-May 2021
<ul style="list-style-type: none"> Review of current issues impacting the College Review of reported frauds 	Quarterly current issue return submission Quarterly fraud return submission	Quarterly Quarterly
<ul style="list-style-type: none"> Year-end substantive audit fieldwork on unaudited financial statements 	Audited Financial Statements	TBC
<ul style="list-style-type: none"> Conclude on results of audit procedures 	Issue Annual Audit Report	TBC
<ul style="list-style-type: none"> Issue opinion on the College's financial statements 	Submit Audit Scotland minimum dataset request	TBC

Appendix E: Audit 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	2020/21	2019/20
Component of fee:		
Auditor remuneration - expected fee	£22,250	£21,600
Additional audit procedures (see below)	£2,000	£6,000
Audit Scotland fixed charges:		
Pooled costs	£1,440	£1,230
Contribution to Audit Scotland costs	£940	£1,180
Total fee	£26,630	£30,010

The expected fee for each body, which for 2020/21 has been set centrally by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and supporting schedules, and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year and an unqualified audit opinion resulting from the audit.

As the College's situation departs from any of these circumstances throughout the audit, it is expected that additional costs will be incurred through the course of the audit which will be subject to recovery in line with the agreed process and rates set out by Audit Scotland. Under this process, fees can be agreed between the auditor and audited body by varying the auditor remuneration by up to 20% above the level set, or more with the approval of Audit Scotland. As such we have included in the fee estimate for the year our current estimate of the costs related to additional work which can be reasonably estimated at this stage of our planning. The fee variation of £2,000 reflects our additional work which will be required around going concern under the new ISA 570 standard as outlined on page 11.

We will continue to consider the impact of changes to our risk considerations for the College, such as the impact of Covid-19 and any changes to requirements around the auditing of pensions, on the audit throughout 2020/21. Should any additional audit requirements arise we will raise these with management through the course of the audit and agree variations as appropriate, and report the final position to the Audit Committee with our annual audit report. All fee variations will depend on the progress made by management in providing robust impact assessments and supporting schedules in line with the underlying accounting requirements outlined by the Scottish Funding Council and Audit Scotland guidance. Where further additional work is required, fee variations will be agreed with management and reported to the Audit Committee in our 2020/21 Annual Audit Report.

Appendix F: Additional audit information

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identify and assess 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.
- ▶ Obtain 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.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the going concern basis of accounting.
- ▶ Evaluate 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.
- ▶ Read other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, 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.

Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: [Quality of public audit in Scotland annual report 2019/20 | Audit Scotland \(audit-scotland.gov.uk\)](#).

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2020: [EY UK Transparency Report 2020 | EY UK](#)

About EY

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

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Forth Valley College

Internal Audit Annual Plan 2021/22

Internal Audit Report 2022/01

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Introduction

1.1 The purpose of this document is to present for consideration by management and the Audit Committee the annual operating plan for the year ended 31 July 2022. The plan is based on the proposed allocation of audit days for 2021/22 set out in the Audit Needs Assessment and Strategic Plan 2019 to 2022. The preparation of the Strategic Plan involved dialogue with management, and the Audit Committee approved the plan at its meeting on 5 September 2019.

1.2 The annual operating plan for 2021/22 shows a number of changes to the allocation set out in the above Strategic Plan. Following discussion with the College Leadership Team:

- two assignments originally proposed for 2020/21, Student Application Process BPR and Corporate Planning / Service Redesign, were deferred to 2021/22. In their place, two assignments were moved from 2021/22 to 2020/21, Corporate Governance and Staff Recruitment, Retention and Succession Planning. There were minor variations in the number of days allocated for each assignment;
- the proposed four-day review of Cyber Security in 2021/22 has been removed from the plan and will be covered as part of the IT Network Arrangements assignment planned for 2020/21. An extra two days have been added to this review to allow sufficient time for the work required; and
- a four-day review of Creditors and Purchasing / Procurement has been added to the plan for 2021/22.

Overall, the total programme days each year remains the same at 42.

1.3 A copy of the revised Strategic Plan is included at Section 2 of this report.

1.4 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment to be undertaken during 2021/22, together with the proposed audit approach. These have been arrived at following consideration by the College Leadership Team. The outline scopes will be refined and finalised after discussion with responsible managers in each audit area.

1.5 Separate reports will be issued for each assignment with recommendations graded to reflect the significance of the issues raised. In addition, audit findings will be assessed and graded on an overall basis to denote the level of priority that should be given to each report.

Strategic Plan 2019 to 2022

Proposed Allocation of Audit Days

			Actual	Actual	Planned
Category	Priority		19/20	20/21	21/22
			Days	Days	Days
Reputation					
<i>Publicity and Communications</i>	Gov	M			
<i>Health and Safety</i>	Gov	M		5	
Student Experience					
<i>Curriculum planning</i>	Perf	M			
<i>Quality assurance</i>	Perf	M			
<i>Student support</i>	Perf	M			
<i>Student application process BPR</i>	Perf	M/H			5
<i>Student recruitment and retention</i>	Fin/Perf	H			
<i>Student Engagement/ Students' Association</i>	Gov	H	5		
Staffing Issues					
<i>Staff recruitment, retention & succession planning</i>	Perf	M/H		5	
<i>Staff development</i>	Perf	M			
<i>Sickness absence</i>	Perf	M			
<i>Workforce planning</i>	Perf	M			
<i>Payroll</i>	Fin	L/M			
Estates and Facilities					
<i>Estates maintenance</i>	Fin/Perf	M/H	5		
<i>Estates strategy / capital projects</i>	Fin/Perf	M			
<i>Space management</i>	Perf	M			
<i>Asset / fleet management</i>	Perf	M/H			
Financial Issues					
<i>Budgetary control</i>	Fin	L/M			
<i>Financial planning</i>	Fin	H	3		
<i>Student fees and contracts / registry</i>	Fin	M			
<i>General ledger</i>	Fin	L/M			
<i>Procurement and creditors / purchasing</i>	Fin	M			4
<i>Debtors/ Income</i>	Fin	L/M			
<i>Cash & Bank / Treasury management</i>	Fin	M			
<i>Fraud prevention, detection and response</i>	Fin	M			

Internal Audit Annual Plan 2021/22 – DRAFT

Proposed Allocation of Audit Days (Continued)

			Actual	Actual	Planned
	Category	Priority	19/20	20/21	21/22
			Days	Days	Days
Commercial Issues					
Business Development Process BPR	Fin/Perf	M/H	10		
Organisational Issues					
Risk Management	Perf	M			
Business Continuity	Perf	H			5
Corporate Governance	Gov	L/M		6	
Corporate Planning/Service Redesign	Perf	M/H			5
Performance reporting / KPIs	Perf	M			
Partnership Working	Gov/Perf	L			
Equalities	Gov	M			
Information and IT					
IT network arrangements)	Perf	M		7	
Cyber Security)	Perf	M			
Data protection	Gov	M			4
FOI	Gov	L			
Systems development / implementation	Perf	M			
IT strategy	Perf	M			
Other Audit Activities					
Credits audit		Required	5	5	5
Student Support Funds		Required	7	7	7
Management and Planning)			5	5	5
External audit / SFC)					
Attendance at Audit Committee)					
Follow-up reviews		Various	2	2	2
Total					
			42	42	42
			====	====	====

Key:

Category: Gov = Governance; Perf = Performance; Fin = Financial

Priority: H – High; M – Medium; L – Low

BPR = Business Process Review

Outline Scope and Objectives

Audit Assignment:	Student Application Process BPR
Priority:	Medium / High
Fieldwork Timing	November 2021
Audit Committee Meeting:	19 May 2022
Days:	5

Scope

The scope of this assignment will be to carry out a review of the current procedures for the various stages of the student application process with a view to identifying and removing waste from the current process and enhancing the student experience and learner journey, and proposing new procedural improvements for 2022/23. The review will include consideration of the College's responsiveness to students and how the College keeps students 'warm'.

Objectives

To objectives of the review will be to ensure that:

- The anticipated outcomes for all internal stakeholders from the student application process are clearly defined;
- The value of services provided as part of the application process are quantified from a student perspective;
- The steps in the value chain are identified;
- Steps which do not add value are identified with a view to eliminating them;
- Steps that create value occur in tight sequence and are reflected in a new student application process; and
- Arrangements are in place to deliver consistency in the student application process by embedding any agreed revisions to the process in updated operating procedures for the College.

Audit Assignment:

Student Application Process BPR
(Continued)

Our audit approach will be:

Through a facilitated workshop or interviews with key staff nominated by the College we will use a range of business improvement tools to identify internal stakeholder and student needs; identify opportunities for removing inefficiency and waste from the current student application process and map out revised processes which will create a flow between value creating steps to improve the process for academic year 2022/23.

We will then prioritise the issues, in discussion with key College staff, and develop an action plan to drive improvement. This action plan will consider any changes required to existing operating procedures to ensure that any changes to the application process are deliverable and embedded across the College.

Internal Audit Annual Plan 2021/22 – DRAFT

Audit Assignment:	Procurement and Creditors / Purchasing
Priority:	Medium
Fieldwork Timing	September 2021
Audit Committee Meeting:	16 November 2021
Days:	4

Scope

This audit will focus on the systems of internal control in place for the ordering of goods and services and the payment of invoices.

We will also consider whether the procurement strategy followed and procedures in place support best value purchasing across the College in relation to non-pay spend.

Objectives

The specific objectives of the audit will be to ensure that:

- the College's Procurement Policy, Strategy and procurement guidance are comprehensive, kept up-to-date and in line with the Procurement Reform (Scotland) Act 2014 ('the Act') and The Procurement (Scotland) Regulations 2016 ('the Regulations');
- procurement procedures ensure that:
 - ◆ areas of high spend across the College are monitored appropriately;
 - ◆ opportunities for pooling of expenditure are identified in order to achieve best value; and
 - ◆ collaborative procurements and frameworks available to the College are utilised where appropriate;
- purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers, with the risk of unauthorised and excessive expenditure being minimised;
- the College's procurement guidance on quotes and tenders are being complied with;
- all liabilities are fully and accurately recorded;
- all payments are properly authorised, processed and recorded; and
- appropriate controls are in place over the amendment of standing supplier data on the finance system.

Internal Audit Annual Plan 2021/22 – DRAFT**Audit Assignment:**Procurement and Creditors / Purchasing
(Continued)***Our audit approach will be:***

From discussions with Procurement staff, and a sample of budget holders, we will establish what procurement strategies, procedures and monitoring arrangements are in place within the College. These will then be evaluated to establish if they follow recognised good practice.

Specifically, we will seek to establish whether the procurement procedures ensure that areas of high spend across the College are monitored appropriately, identifying opportunities for pooling of expenditure in order to achieve best value, and ensuring that joint purchasing arrangements available to the College are utilised where appropriate.

We will also document controls in place within the purchasing / payments system through interviews with Finance staff and also seek to establish whether the expected key controls are in place by reference to standard control risk assessment templates. We will also perform compliance testing where considered necessary to determine whether key controls are working effectively, including selecting a sample of items of expenditure from the financial ledger and testing to ensure compliance with the College's Financial Regulations and Procedures.

Internal Audit Annual Plan 2021/22 – DRAFT

Audit Assignment:	Business Continuity
Priority:	High
Fieldwork Timing	January 2022
Audit Committee Meeting:	19 May 2022
Days:	5

Scope

We will undertake a review of business continuity planning to consider whether there are adequate plans in place to minimise disruption to College operations following loss of life, buildings or equipment. This will include a specific focus around the work that was undertaken to allow College operations to continue during the COVID-19 pandemic and reopen College campuses as the lockdown was eased. At the specific request of the College Leadership Team the review will look at the student experience through the lockdown period.

Objectives

To obtain reasonable assurance that:

- Business Continuity / Contingency Plans (including ICT Business Continuity plans) are in place covering all of the College's activities and locations;
- the Business Continuity Plans / Contingency Plans are workable, properly communicated to members of staff, and have been adequately tested;
- the processes and procedures in place follow recommended good practice;
- the work that was undertaken to allow College operations to continue during the COVID-19 pandemic minimised, as far as possible, the impact on the student experience; and
- appropriate preparations were made and robust plans developed to ensure that College campuses could safely reopen when the COVID-19 lockdown was eased, taking into account all Scottish Government and Health and Safety Executive Guidance relevant to education providers.

Our audit approach will be:

Obtain copies of Business Continuity / Contingency Plans in place and consider whether they cover all of the College's activities and locations. Obtain and review specific plans in place to continue College operations during the COVID-19 pandemic and plans developed for College campuses to reopen when lockdown restrictions were eased.

Discuss the College's approach with senior management, and other key staff in the Estates and IT teams, and review evidence of how plans have been communicated to staff and students and the extent to which plans have been tested. Discuss the impact of the lockdown on the student experience with student representatives and identify any lessons learned for the College.

An assessment of the key processes and internal controls will be performed with reference to relevant good practice guidance.

Internal Audit Annual Plan 2021/22 – DRAFT

Audit Assignment:	Corporate Planning / Service Redesign
Priority:	Medium / High
Fieldwork Timing	February 2022
Audit Committee Meeting:	19 May 2022
Days:	5

Scope

The scope of this audit will be to consider whether the College's planning process is working effectively, particularly in relation to the development of the Strategic Plan and the linkage between the Strategic Plan, the Regional Outcome Agreement, and the detailed operational plans. Service redesign is a central pillar of the new Strategic Plan and this will be considered, where relevant, as part of the audit.

Objectives

The overall objective of the audit will be to obtain reasonable assurance that the College's planning process accords with good practice.

Specific objectives will be to obtain reasonable assurance that:

- the corporate planning process was adequately planned and challenged for robustness;
- linkages between the Strategic Plan, the Regional Outcome Agreement and operational plans are clearly defined and communicated;
- Operational plans are robust and include detailed prioritised action plans;
- the Strategic Plan, Regional Outcome Agreement and operational plans are being appropriately monitored and controlled, including through the use of key performance indicators; and
- there is effective linkage between planning and budgeting at all levels.

Our audit approach will be:

Through discussions with key staff we will document the planning process adopted by the College covering the setting of aims and objectives; operational planning; budgeting; implementation; monitoring and control.

A sample of the operational plans will be obtained and reviewed to ensure there are clear linkages to the Regional Outcome Agreement, the Strategic Plan and the key strategies that relate to the core activities of the College.

Internal Audit Annual Plan 2021/22 – DRAFT

Audit Assignment:	Data Protection
Priority:	Medium
Fieldwork Timing	October 2021
Audit Committee Meeting:	16 November 2021
Days:	4

Scope

The EU General Data Protection Regulation (GDPR), which came into force on 25 May 2018 and was enshrined in law as part of the Data Protection Act 2018 (DPA 2018), included an expanded definition of what personal data was, a greater number of specific responsibilities, and implemented significant fines for non-compliance. The EU GDPR no longer applies in the UK after the end of the Brexit transition period on 31 December 2020. With effect from 1 January 2021, the DPPEC (Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit)) Regulations 2019 amended the EU GDPR to form a new, UK specific data protection regime that works in a UK context after Brexit to sit alongside the DPA 2018. This new regime is known as 'the UK GDPR'.

We will carry out a review of the College's implementation of the Data Protection Act 2018, including the UK GDPR, to ensure that processes and procedures are in place to allow compliance with this.

Objectives

To obtain reasonable assurance that:

- appropriate action has been taken by the College to comply with the Data Protection Act 2018, including the UK GDPR; and
- adequate procedures are in place for the ongoing monitoring of compliance with data protection legislation.

Our audit approach will be:

Through discussion with relevant managers and staff we will establish the action taken to date by the College, and any further action planned, to implement the Data Protection Act 2018, including the requirements of the UK GDPR. The Information Commissioner's Office guidance will be used as the basis for this discussion, and any additional action required will be highlighted.

Internal Audit Annual Plan 2021/22 – DRAFT

Audit Assignment:	Credits Audit
Priority:	Required audit
Fieldwork Timing	September 2021
Audit Committee Meeting:	16 November 2021
Days:	5

Scope

Credits Audit Guidance, issued by SFC, requests that colleges obtain from their auditors assurances as to the reasonableness of procedures used in the compilation of the Credits related element of the FES return.

Objectives

To obtain reasonable assurance that:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- the FES return contains no material misstatements.

Our audit approach will be:

Through discussion with College staff, and review of relevant documents, we will record the systems and procedures used by the College in compiling the returns and assess and test their adequacy. We will carry out further detailed testing, as necessary, to enable us to conclude that the systems and procedures are working satisfactorily as described to us.

Detailed analytical review will be carried out obtaining explanations for significant variations from previous year's activity.

Our testing will be designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to the Credits Audit Guidance and the key areas of risk identified in Annex D.

We will also review the final error report from the FES on-line checks.

Internal Audit Annual Plan 2021/22 – DRAFT

Audit Assignment:	Student Support Funds
Priority:	Required Audit
Fieldwork Timing	September 2021
Audit Committee Meeting:	16 November 2021
Days:	7

Scope

We will carry out an audit on the College's student support funds for the year ended 31 July 2021 and provide an audit certificate. Three specific fund statements will require an audit:

- Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return;
- Higher Education Discretionary Fund; and
- Education Maintenance Allowance (EMA) Return.

Objectives

The audit objectives will be to obtain reasonable assurance that:

- the College complies with the terms, conditions and guidance notes issued by the SFC, SAAS and the Scottish Government;
- payments to students are genuine claims for hardship, childcare, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- the information disclosed in each of the returns for the year ended 31 July 2021 is in agreement with underlying records.

Our audit approach will be:

- Reviewing new guidance from the SFC, SAAS and the Scottish Government and identifying internal procedures through discussion with College staff, and review of relevant documents;
- Agreeing income to letters of award;
- Reconciling expenditure through the financial ledger to returns, investigating reconciling items;
- Reviewing for large or unusual items, obtaining explanations where necessary; and
- Carrying out detailed audit testing, on a sample basis, on expenditure from the funds.

Audit guidance issued by SFC will be utilised. This includes 'Areas of risk and audit considerations' for bursaries and for the discretionary funds and childcare, and 'Guidance on the audit requirements for EMA.'

Internal Audit Annual Plan 2021/22 – DRAFT

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Fieldwork Timing	August 2022
Audit Committee Meeting:	September 2022
Days:	2

Scope

This review will cover reports from the 2021/22 internal audit programme and reports from earlier years that have either not already been subject to follow-up or where previous follow-up identified recommendations outstanding.

Objectives

To establish the status of implementation of recommendations made in previous internal audit reports.

Our audit approach will be:

- for the recommendations made in previous reports ascertain by enquiry or sample testing, as appropriate, whether they have been completed or what stage they have reached in terms of completion and whether the due date needs to be revised; and
- prepare a summary of the current status of the recommendations for the Audit Committee.

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Forth Valley College

2019/20 Student Activity Data

Internal Audit Report No: 2021/02

Draft issued: 30 November 2020

Final issued: 11 December 2020

Now, for tomorrow

 **mha**
HENDERSON LOGGIE

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Management Summary

Introduction

The Guidance Notes issued by the Scottish Funding Council (SFC) on 16 July 2020, '*2019-20 data return for funding purposes (FES return) and audit guidance for colleges*', requested submission by Forth Valley College ('the College') of the FES return for session 2019/20, which includes the Credits data relating to College activity for the academic year 2019/20.

Guidance on completion of the 2019/20 return was issued by the SFC on 3 July 2019.

The Credits Audit Guidance requests that colleges obtain from their auditors their independent opinion on the accuracy of the FES return.

Scope of Audit

In accordance with the Credits Audit Guidance we reviewed and recorded the systems and procedures used by the College in compiling the returns and assessed and tested their adequacy. We carried out further detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily as described to us.

Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Price Group.

Our testing was designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to Credits Audit Guidance and the key areas of risk identified in Annex D.

Audit Staffing

An Audit Director with 27 years' experience in the further and higher education sectors had overall responsibility for the planning, control and conduct of the audit and supervised and reviewed work performed by a Senior Auditor with four years' experience in the sector. A Manager with 15 years' experience in the sector was also involved at the planning, review and reporting stage.

The quality of audit work undertaken by the firm is enhanced through continuous review of procedures and the implementation of individual training programmes designed to address the needs of each team member.

The total number of audit days was 6, split 1½ days for the Audit Director, ½ day for the Manager and 4 days for the Senior Auditor.

Audit Findings

The points that we would like to bring to your attention have been grouped together under the following headings to aid your consideration of them:

- Introduction
- Systems and Procedures for Compilation of Returns
- Analytical Review

The action that we consider necessary on each issue is highlighted in the text for clarity and an action plan for implementation of these recommendations can be found in section 2.

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. These gradings are as follows:

Priority 1	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.
Priority 2	Issue subjecting the College to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Conclusion

Our report was submitted to the SFC on 30 November 2020. We reported that, in our opinion:

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

A copy of our Audit Certificate is included at Appendix I to this report.

Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during our audit visit.

Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.2.1 - 2.2.4	<p>Systems and Procedures for Compilation of Returns</p> <p>Distance Learning</p> <p>R1 The College should ensure that a schedule of milestones agreed at enrolment is maintained for all distance learning programmes. This should include a record of the estimated amount of time that students are expected to take to complete each element of the course, to evidence eligibility of the Credits value claimed.</p>	2	<p>As per Credit guidance, for non-credit rated units, an estimate of planned learning hours is used as the basis for claiming Credits. This information is recorded within the College's Curriculum Planning System. For FES/Credit purposes there is no need, or mechanism, for recording granular information below unit level, nor is this level of granularity required for any College purpose.</p> <p>Consideration will be given to how College systems can be adapted / built to capture this additional granular information with the minimum of additional work for College staff.</p>	Yes	Vice Principal Information Systems / Learning Services Co-ordinator	May 2021

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.3.1	<p>Part-Time Fee Waiver</p> <p>R2 In order to accurately capture the part-time fee waiver status of students the format of the part-time fee waiver form should be amended to include separate fields for Job Seekers Allowance and Universal Credit and the associated source of finance codes.</p>	3	The College's part-time fee waiver form will be amended to reflect the separation of Job Seekers Allowance and Universal Credit, which used to be reported together.	Yes	Student Records Manager	December 2020

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Main Report

1. Introduction

1.1 SFC Guidance

1.1.1 The Credits Audit Guidance issued by the Scottish Funding Council (SFC) on 16 July 2020 sets out, at Annex D, the key areas of risk in relation to the preparation of the FES return. These are:

- identification of non-fundable activity, both courses and students;
- classification as higher education or further education;
- classification as full-time or other than full-time;
- identification and counting of infill students;
- allocation of Price Group code;
- capturing of enrolments and identification and recording of student withdrawals;
- allocation of Credit values;
- claims for related study;
- recording of fee waivers;
- recording of progress for students on open / distance learning programmes;
- claims for non-accredited work experience / placement; and
- claims for collaborative provision.

1.1.2 This is the second year that we have carried out the Credits audit for the College. For academic year 2019/20 we established that there had been no significant changes to the systems and procedures used in the compilation of the returns. We then carried out detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily. Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Price Group.

1.1.3 As requested by the Credits Audit Guidance this report indicates: the scope of the audit; the approach taken; an indication of analytical review work performed; the extent of checking undertaken; details of any additional testing carried out as a result of errors found in initial sampling; the external data examined; review of prior year recommendations; and the main findings from our audit work. No errors were found during the course of the audit in the number of Credits claimed.

2. Systems and Procedures for Compilation of Returns

2.1 Introduction

2.1.1 Detailed testing at the year-end Credits audit included two main tests on courses and individual students.

2.1.2 The following tests were carried out for a sample of 15 courses selected from the UNIT-e system:

- a) Ensured that the course met the criteria for fundable activity set out in the Credits guidance;
- b) Where applicable, ensured that the course met the definition of further or higher education set out in the Credits guidance;
- c) Ensured that courses recorded as full-time met the definition for full-time as set out in the Credits guidance;
- d) Checked the student total for a programme against course / class lists or course / class register. Checked calculation of the required date and ensured that students who had withdrawn prior to this date had been excluded from the Credits count; and
- e) Checked allocation of Credits to courses is in accordance with the Credits guidance.

2.1.3 For a total of 89 students selected from the above courses the following tests were carried out, where applicable:

- a) Ensured that the student met the criteria for fundable activity set out in the Credits guidance;
- b) Checked back to signed enrolment forms, or electronic equivalent, for the 2019/20 academic year;
- c) For infill courses, ensured that Credits were allocated according to the modules attended by individual students rather than by the default value for the courses being infilled;
- d) Checked to student attendance records and, for withdrawals (including a further sample of 15 full-time students who withdrew within two weeks after the Credits qualifying date), checked that the withdrawal date noted on the system was the last date of physical attendance;
- e) For students following courses of open / distance and work-based learning vouched to study plan etc. and ensured that required criteria was met; and
- f) For students undertaking work experience ensured that the Credits value had been calculated in line with the Credits guidance.

2.1.4 The following tests were carried out by reviewing records for all College courses:

- a) Confirmed that there were no claims for more than one full-time enrolment per student for 2019/20 and ensured that Credits had not been claimed in respect of courses that were related in respect of subject area, unless progression could be clearly established;
- b) Confirmed that there were no claims for overseas students and students enrolled on full cost recovery commercial courses; and
- c) Confirmed that Credits had not been claimed for distance learning student's resident outwith Scotland.

2.1.5 In relation to European Social Funds (ESF), for a sample of 10 students selected from the College's ESF funded programmes testing was carried out on the College's systems for administering the additional funding, in line with conditions of grant. This included:

- a) reviewed the eligibility of students flagged for ESF Credits;
- b) ensured that supporting documentation was held for ESF students, including: a completed participant form; proof of nationality; proof of permanent residence; and appropriate notification issued to the student; and
- c) ensuring that Credits are only claimed for completed modules.

2. Systems and Procedures for Compilation of Returns (continued)

2.1 Introduction (continued)

- 2.1.6 It was confirmed by the Vice Principal, Information Systems and Communications that there had been no collaborative activity during 2019/20 and no such courses were identified during our audit testing.
- 2.1.7 Before signing our audit certificate, we reviewed the final FES online report and the explanations for remaining errors.
- 2.1.8 From our review and testing of the systems and procedures used in the compilation of the returns, we concluded that overall, they were adequate to minimise risk in the areas identified in Annex D of the Credits Audit Guidance and were working satisfactorily as described to us.
- 2.1.9 The remainder of this report discusses issues identified during our review of the 2019/20 student activity data.

2.2 Distance Learning

- 2.2.1 The Credits guidance states that the number of Credits claimed for distance learning provision should be commensurate with the **college** staff time spent on developing and delivering the course. The Credits audit guidance requires that colleges should have procedures to agree the likely duration of study for open / distance learning programmes. Records of work of such students which record formal progress against a schedule with milestones agreed at enrolment must be maintained.
- 2.2.2 The Credits guidance also notes that in cases where the units delivered do not have a credit value, the fundable credits should be derived on the basis of the planned learning hours divided by 40 (1 Credit = 40 hours of learning). Planned learning hours should represent a realistic and sensible estimation of the number of hours that students will normally be required to undertake in their programme of learning.
- 2.2.3 In 2019/20 the College delivered an Introduction to Remote Learning course claiming 1 Credit per student for 3,395 students who completed the course. The course framework provided by the College from its Curriculum Planning system shows a course start date of 19 June 2020 and end date of 31 July 2020, and 40 planned learning hours. There was a total of 3,714 enrolled students. College management advised that the course was developed in response to COVID-19, offered through its website, and delivered online to anyone who may be considering entering college or university. It was a generic course to providing introduction to a range of tools which are commonly used to support remote learning. We were advised that the course was designed to cover using MS Teams (20 hours), Moodle (10 hours), and using OneDrive and OneNote Classroom (10 hours). Representation was received from management that 40 planned learning hours was 'a realistic and sensible estimation of the number of hours that students will normally be required to undertake in their programme of learning'.
- 2.2.4 For a sample of students, we were able to verify online enrolment and that each student had been recorded as a pass in the student records system which was linked to the Moodle online learning platform which showed that the students had completed a Microsoft Teams quiz. There was no detailed breakdown of the estimated amount of time students would need to work through each element of the course although the College provided us with a range of learning materials used within the course, along with links to online materials and screen shots, to demonstrate what the students were required to do. There were tasks assigned to most of the learning materials to allow students to embed the learning from these materials.

2. Systems and Procedures for Compilation of Returns (continued)

2.2 Distance Learning (continued)

Recommendation

R1 The College should ensure that a schedule of milestones agreed at enrolment is maintained for all distance learning programmes. This should include a record of the estimated amount of time that students are expected to take to complete each element of the course, to evidence eligibility of the Credits value claimed.

- 2.2.5 Although there was obviously some development time spent by the College (management advised over 120 hours), and a time and resource commitment for delivering the course, this was relatively small in comparison to the Credits claimed based on planned learning hours. Taking a strict interpretation of the wording of the Credits guidance, the Credits claimed for the course did not appear to meet the SFC requirement that the Credits should be commensurate with the **college** staff time spent on developing and delivering the course. We sought clarification from the SFC on this point. The response received indicated that the SFC recognised the current exceptional circumstances giving rise to a higher volume of distance learning activity. The claim was acceptable for 2019/20 although the SFC would be monitoring activity in this area more closely in the years ahead.

2.3 Part-Time Fee Waiver

- 2.3.1 We reviewed the systems for recording fee waiver entitlement and carried out an analytical review to ensure the accuracy of the fee waiver element of the FES return. For a random sample of 12 part-time students we confirmed that College staff had verified the entitlement to benefit. We noted that seven students in our sample were recorded as a source of finance code 44 (Job Seekers Allowance (JSA)) within the FES data but review of supporting documents noted that they should have been code 53 (Universal Credit (UC)). The College's fee waiver form includes a single field to record the fee waiver category for JSA / UC but the source of finance code attached to this field is 44 - JSA. This resulted in the seven students in our sample who were in receipt of UC being coded as JSA in error.

Recommendation

R2 In order to accurately capture the part-time fee waiver status of students the format of the part-time fee waiver form should be amended to include separate fields for Job Seekers Allowance and Universal Credit and the associated source of finance codes.

2. Analytical Review

3.1 The analytical review by Price Group for the current year, included at Appendix II of this report, showed significant variances in Price Groups 1 and 2. These were discussed with College management. The explanations we received provided us with additional assurance that the Credits claim does not contain material errors:

- Price Group 1 – overall decrease of 1,701 Credits (13.8%). The reduction in Credits was through planned changes to the curriculum. There were a number of full-time courses that were offered in session 2018/19, which were not offered in session 2019/20 due to historical poor performance and falling recruitment. These included: Online Health & Safety (191 Credits); Introduction to FAs (718 Credits); FT Access to Degree Studies (540 Credits); FT Access to FE (126 Credits); and various VQ Admin courses (185 Credits); and
- Price Group 2 – overall increase of 1,793 Credits (4.9%). The increase in Credits was through planned changes to the curriculum. Several new full-time courses were offered for the first time in session 2019/20. These included: additional occurrence of FT HNC Care & Admin Practice (285 Credits); FT HNC Cyber Security (270 Credits); FT HNC Social Services (225 Credits); FT NC Beauty & Make-Up Artistry (270 Credits); FT NC Photography (252 Credits); and additional occurrence of FT NC Early Education & Childcare (254 Credits).

Appendix I – Copy of Audit Certificate

FORT250/DA/STI

Forth Valley College
Grangemouth Road
Falkirk
FK2 9AD

30 November 2020

Dear Sirs

Auditor's Report to the Members of the Board of Management of Forth Valley College

We have audited the FES return which has been prepared by Forth Valley College under the 'Credits' Guidance issued 3 July 2019 and updated guidance relating to 'one plus' activity and which has been confirmed as being free from material misstatement by the College's Principal in his Certificate dated 10 November 2020. We conducted our audit in accordance with guidance contained in the 2019-20 audit guidance for colleges and updated guidance relating to 'one plus' activity. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of the data. It also included examination, on a test basis, of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material misstatement.

In our opinion:

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

Stuart Inglis
Director
For and on behalf of MHA Henderson Loggie
Chartered Accountants
Dundee Office
stuart.inglis@hlca.co.uk

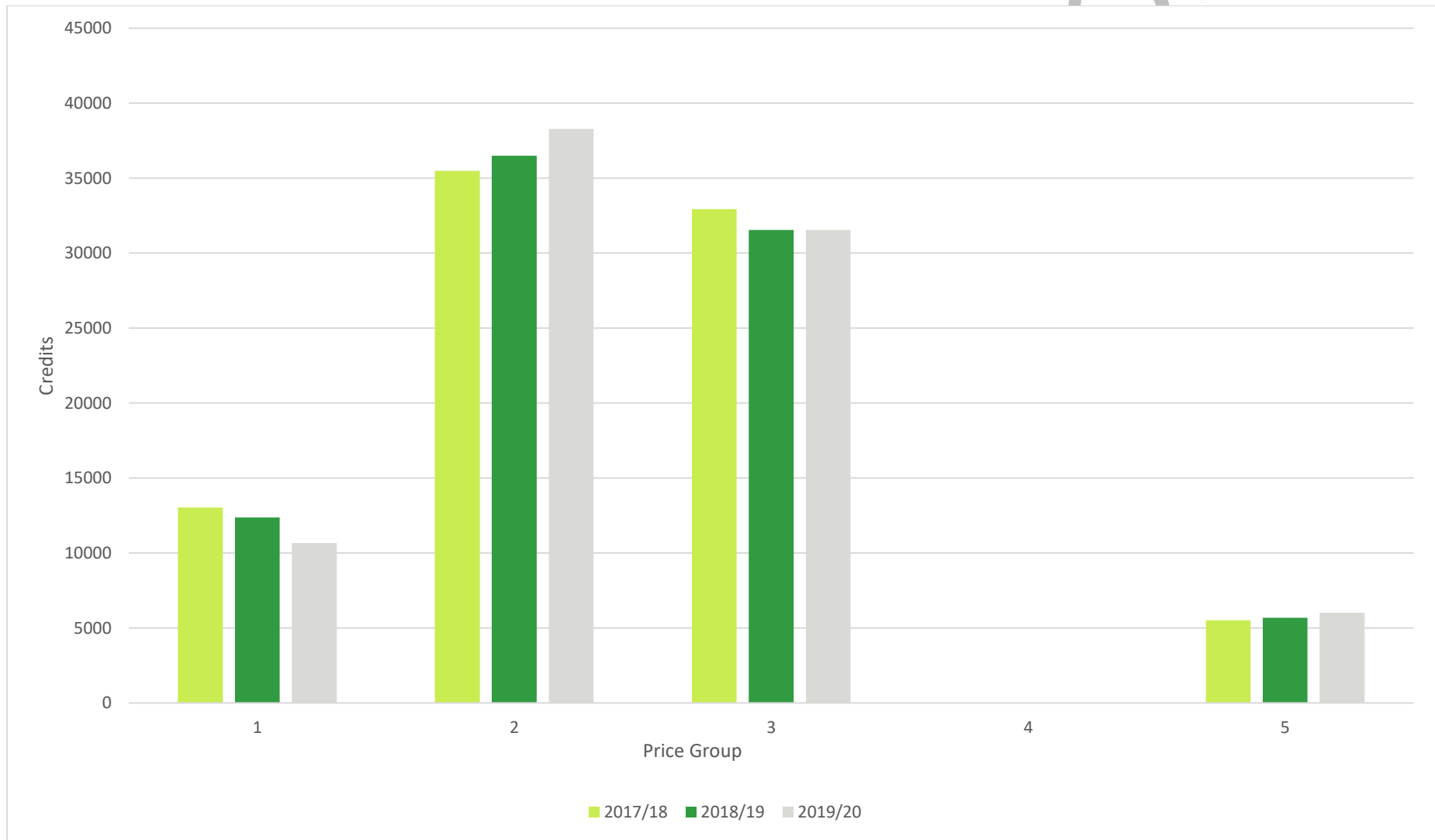
30 November 2020

Date FES returned: 7 October 2020

Appendix II – Price Group Analytical Review 2018/19 and 2019/20 – Figures

Price Group	2018/2019	2019/2020	Variance	Variance
	Credits	Credits	Credits	%
1	12,364	10,663	(1,701)	(13.8)
2	36,498	38,291	1,793	4.9
3	31,551	31,551	0	0
4	0	3	3	0
5	5,687	6,009	322	5.7
	86,100	86,517	417	0.5
Total Target Activity		86,320		
including ESF Target Activity of:		1,786		
ESF Actual Activity		1,860		

Appendix III – Price Group Analytical Review 2017/18 to 2019/20 – Graph



Appendix IV – Updated Action Plan – Student Activity Data 2018/19

Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at October 2020
<p>Systems and Procedures for Compilation of Returns</p> <p>Attendance Monitoring</p> <p>R1 The College should ensure that instances of non-attendance for students on school taster programmes are communicated to Student Records staff on a timely basis to ensure that the information in UNIT-e, which impacts the FES data and Credits claim, can be updated.</p>	3	A report will be written to identify any students on school taster programmes who have never attended, which will be passed to the School Partnership Coordinator for action.	Y	Student Records Manager	November 2019	<p>No similar issues noted from testing in 2019/20.</p> <p>Fully Implemented</p>

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Forth Valley College

Internal Audit Progress Report
2020/21 Annual Plan

20 May 2021

Now, for tomorrow

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Internal Audit Progress Report

May 2021

Progress made in delivering the annual plan for 2020/21, issued in May 2020, is shown below.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Internal Audit Annual Plan 2020/21	May 2020	Draft 13/05/20 Final 21/05/20	2021/01	N/A	21/05/20	
Health and Safety	May 2021	Draft 07/05/21 Final	2021/05	See comments		Fieldwork has been completed and draft report issued. College management has advised that due to annual and other leave the management response will not be available for the May 2021 meeting and this will now be reported in September.
Business Continuity	September 2021					College management has requested that this assignment be deferred into the 2021/22 programme, with fieldwork completed in January 2022.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Corporate Governance (EFER)	February 2021 (Board)	Draft 19/02/21 2 nd Draft 24/03/21 Final 30/04/21	2021/04	See comments	29/04/21 (Board)	The review highlighted areas of particular strength in relation to compliance with the Code of Good Governance and specific areas where there was perhaps scope for improvement or enhancement and recommendations were made.
IT Network Arrangements / Cyber Security	May 2021					College management has requested that fieldwork be deferred until August 2021 and this will now be reported at the September meeting.
Staff Recruitment, Retention and Succession Planning						College management has requested that this assignment be brought forward from the 2021/22 programme in place of Business Continuity. Fieldwork will be undertaken in July 2021 with reporting to the September meeting.
Credits audit	November 2020	Draft 30/11/20 Final 11/12/20	2021/02	Audit opinion unqualified	20/05/21	Issue of the report was delayed due to waiting on a Credits guidance clarification from the SFC.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Student Support Funds	November 2020	Final 06/11/20	2021/03	Audit opinions unqualified.	17/11/20	
Follow-Up Reviews	September 2021					Fieldwork planned for August 2021.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

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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

As reported at the meeting of 17 November 2020, all but 1 audit recommendations had reached a stage the College considered to be complete.

The remaining recommendation was intended to be completed following consideration by Board Members at the February 2021 Board Strategic session. As this session had to be postponed owing to Covid-19 restrictions, it is proposed to change the completion date for this recommendation to align it with the future intended date of the next Strategic session with the Board of Management in August 2021. The table below has been changed to reflect this date.

There was one report presented at the 17 November 2020 Committee meeting and a verbal update on another which was awaiting clarification from the Scottish Funding Council at the time of the meeting. The recommendations of these reports are included in the tracker which is attached as an appendix to this paper. One recommendation has been completed and for the other recommendation although it is currently in date it is requested that the completion date be extended to 31 August 21.

The table below represents a summary of the current position of the recommendations as at May 2021.

	Grade 1	Grade 2	Grade 3	Total
Live within date	0	1	0	0
Live recommendation passed implementation date	0	0	1	0
Completed since last report to Committee	0	0	1	0

5. Financial Implications

There are no unexpected financial implications expected.

6. Equalities

Assessment in Place? – Yes No

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.

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		

Audit recommendations are actively managed by the College and are reported on as a standing agenda item to the Audit Committee.

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

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

ID	Audit Name	Date of Audit	SMT Owner	Action Owner	Recommendation	Management Response	Priority	Evaluation	Scheduled Completion Date	Revised Completion Date	Evidence	Completed
1	Estates Maintenance	Aug-20	Alison Stewart	Alison Stewart	The College should review its strategic, governance and corporate oversight to identify a management group and / or a sub-committee of the Board that has a formal defined responsibility for the estates function to ensure that it maintains current teaching capability and any risks associated with the ability to maintain delivery of the curriculum are identified and mitigated.	This recommendation matches requests from the Board to ensure capital utilisation and maintenance is monitored. The Board Chair and Board Secretary have had discussions around how best to achieve this. Recommendations and a remit for this work will be taken to the Board of Management for consideration and approval in February 2021.	3	May 21 - with the cancellation of the February 2021 strategic session, the completion date for this recommendation has been changed to December 2021 to allow for consideration by members at the rescheduled Board strategic sessions November 2021. November 2020 - No update at this time as this recommendation	28/02/2021	31/12/2021		
2	2019/20 Student Activity Data	Nov-20	David Alison	David Alison	Systems and Procedures for Compilation of Returns - The College should ensure that a schedule of milestones agreed at enrolment is maintained for all distance learning programmes. This should include a record of the estimated amount of time that students are expected to take to complete each element of the course, to evidence eligibility of the Credits value claimed.	As per Credit guidance, for non-credit rated units, an estimate of planned learning hours is used as the basis for claiming Credits. This information is recorded within the College's Curriculum Planning System. For FES/Credit purposes there is no need, or mechanism, for recording granular information below unit level, nor is this level of granularity required for any College purpose. Consideration will be given to how College systems can be adapted / built to capture this additional granular information with the minimum of additional work for College staff.	2	May 21 - discussion ongoing between internal auditors and Flexible /Online learning team.	31/05/2021	31/08/2021		
3	2019/20 Student Activity Data	Nov-20	David Alison	David Alison	Part-Time Fee Waiver - In order to accurately capture the part-time fee waiver status of students the format of the part-time fee waiver form should be amended to include separate fields for Job Seekers Allowance and Universal Credit and the associated source of finance codes.	The College's part time fee waiver form will be amended to reflect the separation of Job Seekers Allowance and Universal Credit, which used to be reported together.	3	May 21 - Form updated	31/12/2020		Part Time Fee Waiver Form	Yes

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1. Purpose

To present members with the Strategic Risk and Covid-19 specific risk registers for the College.

2. Recommendation

That members note the content of the register attached to this paper and the actions taken to date.

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.

In line with the College Risk Management Policy, specific separate risk registers can be created for significant projects or to provide information on specific large-scale risks.

4. Changes to the risk register

Strategic Risk Register

As part of the Externally Facilitated Effectiveness Review, a desired to review the risk register and the Board risk appetite was identified.

The strategic risk register has undergone a full review, tying it back to the overarching strategic plan of the College. Additionally, to make the register more user friendly, a new column on the causes of risk has been added to outline clearly the source of each risk along with another new column to tie the risks back to the relevant internal committee.

The revised risk register is attached as appendix 1

COVID-19 Risk Register

The COVID-19 risk register (appendix 2) continues to be monitored to ensure the efficacy of mitigation actions. A review of the risk register has identified risks to be removed. The reasons for this are –

Risk ID 4 – increased cyber risks. With the deployment of multi factor authentication and the use of the Virtual Private Network, it is considered that the mitigations for this are now fully in place. While the College continues to monitor cyber threats on an ongoing basis, the Covid related aspect of this risk is considered to be addressed.

Risk ID 5 – Student applications may be unwilling to come to College. 2020/21 activity levels and applications for 2021/22 show that this risk has not been realised.

Risk ID 6 – Access to IT equipment. Significant investment by the College and SFC has led to an equipment stock that meets the overall needs of students and as such this risk is considered complete.

5. 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

6. Risk

	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

7. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes No

Health and Safety – Yes No

Paper Author – Stephen Jarvie

SMT Owner – Ken Thomson

No	There is a real or perceived risk that...	Risk Management and Mitigation			Actions/Progress to Date	Owners				Initial Risk Score			Score After Mitigation			Date Added and Date Score Updated	
		Causes	Potential Consequences	Mitigating Actions		College Committee	Board Committee	SMT Risk Owner	Action Owner	Likelihood	Impact	Risk Score	Likelihood	Impact	Risk Score		Change to score since last meeting
1	We are unable to maintain financial sustainability	- Political/regulatory changes - Changes in funding streams - Insufficient funding from Scot Gov/SFC to support core College activities - SFC new funding model potentially - Failure to meet commercial or student enrolment targets	- Inability to deliver high quality learning - Inability to react to changing economic and local environment - Inability to maintain College infrastructure - Impact on College performance indicators - Reputational Damage	- Principal and Chair represented on sector groups to lobby SFC/Scottish Government - Director of Business Development has strategic relationships with key stakeholders - Regular reporting on financial position to Leadership Team, Finance Committee and the Board	May 2021 - Funding allocation for 21/22 is positive and was presented to the Board in April 21. Work on medium term planning is underway and will be presented to FC & Board in June 21.	LMT	F	P	VPFACA	VH	VH	25	H	VH	20		Apr-21
2	We are unable to maximise the long term return on investment on the College estate	- Insufficient capital maintenance funding from SFC - Changes in working practices impact on demand	- We are unable to maintain our estate to an acceptable standard - Impact on Student Experience - Creation of backlog maintenance - Loss of commercial income	- Effective monitoring of lifecycle maintenance programme - Continue to secure best value for TFM contract - Development of commercialisation strategy - Review of campus utilisation	Apr 21 - Available capital allocation has been prioritised to cover the highest priority lifecycle maintenance in AY 21/22. Lifecycle maintenance for the next 5 years, particularly for Alloa and Stirling, is being reviewed by Head of Estates. There are quarterly review meetings of our TFM contract to ensure best value.	LMT	F	P	VPIC	H	VH	20	H	VH	20		Apr-21
3	National bargaining adversely impacts College staffing relationships and finances	- National bargaining process removes ability to implement local agreements - Issues at national level can impact on local union relations	- Impact on staff morale due to delay in implementation of pay awards/job evaluation - Action Short of Strike/Strike Action impacts on student experience - Reputational Damage	- Ongoing engagement with local union representatives and Employers Association	April 2021 - Continued engagement with Unions through monthly, and as required, LNCC and JNC meetings to ensure ongoing communication and relationship building. IA dispute meetings have been held weekly to support negotiations in an effort to seek a resolution. A resolution to the dispute has not been reached but both sides are still in dialogue.	LMT	HR	P	VPLSE	VH	H	20	VH	H	20		Apr-21
4	We fail to deliver a high quality learning experience and meet targets of outcome agreement	- Failure to deliver upon digital learning strategy - Curriculum fails to meet need of students/employers or other stakeholders - Inability to access campus resources owing to Pandemic - Failure to provide required support levels for individual student needs	- Impact on student experience with blended learning - Impact on student retention and attainment - Impact on College meeting credit and PI targets - Impact on student recruitment - Reputational damage with key stakeholders such as SFC - Failure to meet sustainability ambitions	- Implementation of the Digital Skills Academy - Success of Project NxGen - Student Engagement and Feedback - Effective staff structures to support the student experience	April 2021 - LDSA now launched with all staff in place. LDSA Ambitions document released and quarterly reports on progress to targets released to LMT. Project next GEN FVC launched. Continuous Curriculum Improvement process launched and running across all departments to help improve course performance and student outcomes. Learning Improvement and Student Experience Committee (LISEC) also launched to help improve student experience. LISEC will also monitor student engagement and feedback. ELS restructure launched to help improve student support and learning services as part of project NxGen FVC.	LIPSE	LSE	P	VPLSE	H	VH	20	M	VH	15		Apr-21
5	A major incident prevents the College from operating	- Loss of access to campuses - Loss of access to IT from network issues or cyber attack	- Inability to deliver learning and teaching and the impact on student experience - Additional costs (including ransomware demands) - Staff morale from uncertainty over College reopening - Data protection and other legal issues - Reputational damage	- Business Continuity Plan which is regularly tested - Specific IT cyber security plan and IT business continuity plan - Regular testing of Health and Safety systems inc fire drills	Apr 21 - Additional IT security measures have been introduced to reflect increased remote working. IT Security policy is being updated to reflect these changes. IT Security Incident Response procedure is being updated to reflect current best practice.	LMT	B	P	VPIC	H	H	16	M	H	12		Apr-21
6	We are unable to deliver on the ambitions of the People Strategy	- Changes to staffing establishment impacting on succession planning - Impact of Covid on staff time - Increase in demand for wellbeing support - Inability to recruit/retain staff - Long term affordability of staffing	- People strategy not achieved - Increased staff absence/decreased staff morale - Staffing establishment not adequate to meet operational requirement	- Additional support mechanisms - employee counselling system, mental health ambassadors, carers support forum, signposting to training and wellbeing support days in place. A dedicated space has also been created on SharePoint - Initiatives such as time for me, weekly recharge - Increase in flexible working and staff autonomy - Futures programme to deliver effective and efficient structures	May 21 - weekly recharge and time for you initiatives extended to July 21. Springback project launched and will look at increased flexible working.	LMT	HR	VPFACA	HHR	H	H	16	L	H	8		Apr-21
7	Failure to grow and influence strategic partnerships impacts on our reputation as a partner of choice	- Insufficient resource - Competition from other providers - Inability to adapt to changes in the political/economic environment	- Loss of commercial income - Reduction in Modern Apprentices/Foundation Apprentices - Lack of influence at a regional level - Curriculum becomes outdated	- Director of Business Development works closely with Scottish Government/SFC/SDS and other key stakeholders - FVC key partner in City Deals/Investment Zone activity across the region - Project NxGen	April 2021 - 4C* collaboration in place and delivered on nTTF** and YPG***, relationship will continue into 21/22. Progressing work in FIZ**** and S&C***** regional deal - skills work to be based in FVC as well as possible HQ for SIEC***** at Alloa campus. Fuel Change 1st round of challenges well received and road to COP26 planned. MA numbers down due to Covid-19 and delays on delivery for construction. UKRI bid and BP Senegal contract expected May 21. £353000 investment secured from SE to allow EnableSTEM digitisation to be accelerated.	LMT	B	P	DBDSR	M	H	12	L	H	8		Apr-21

* Four Colleges Collaboration (Forth Valley, Fife, Edinburgh, North East Scotland College)
 ** National Transition Travel Fund
 *** Young Persons Guarantee
 **** Falkirk Investment ZONE
 ***** Stirling and Clacks City Deal
 ***** Scottish International Environmental Centre

LIKELIHOOD, IMPACT AND CONSEQUENCES

LIKELIHOOD

Description	Scenario	Code Letter	Risk Rating Value	Guide Probability
Very High	Expected to occur	VH	5	100%
High	More likely to occur than not	H	4	75%
Medium	Fairly likely to happen	M	3	50%
Low	Low but not impossible	L	2	25%
Unlikely	Extremely unlikely to happen	VL	1	5%

IMPACT

Description	Scenario	Code Letter	Risk Rating Value
Very High	Critical or Major impact across the organisation	VH	5
High	Critical or Major impact on costs, objectives. Serious impact on output and/or quality and reputation. Medium to long-term effect and expensive to recover.	H	4
Medium	Reduces viability significant waste of time and resources and impact on operational efficiency, output, and quality. Medium term effect, which may be expensive to recover.	M	3
Low	Minor loss, delay, inconvenience or interruption. Short to medium term effect.	L	2
Very Low	Minimal loss, delay, inconvenience or interruption. Can be easily and quickly remedied.	VL	1

Committees

A	Audit Committee
B	Board of Management
F	Finance Committee
H	HR Committee
L	Learning and Student Experience Committee

Forth Valley College COVID-19 Risk Register

Risk Management and Mitigation					Owners			Initial Risk Score			Score After Mitigation			Date Added and Date Score Updated
No	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	Commercial activity levels and contribution to the College will be reduced owing to a) lockdown period, b) college resource being focussed on delivery of core activity and c) businesses reducing non-key CPD to address budget issues	- significant impact on College budgets - current commercially oriented staffing levels may become unsustainable for a period of time	- review of commercial offering to focus on potential future funding streams from SFC and Scot/UK Govs to support recently unemployed workers reskill or companies to implement efficient practices - sector advocating for the importance of continuation of flexible workforce development funding - If recession is worse then further reductions in budget may be needed	April 21 - Q2 reforecast indicates commercial training short courses are down however Modern Apprentice income has been maintained and tuition fee income increased. This in addition to additional SFC funding to compensate for loss of income due to Covid 19 has eliminated the impact on the current year budget. Nov 20 - 1st quarter review will be completed once October Management Accounts are available. Young Person Guarantee Funding to be announced 5/11/20. Sept 20 - Commercial income for 20/21 forecast to be lower than normal due to social distancing and predicted downturn in the economy. Both modern and foundation apprenticeships have recruited well. Flexible Workforce Development Fund (FWDF) has continued with unspent funding from 19/20 being carried forward into 20/21. May 2020 - first draft commercial budget for 20/21 revised to take account of risk, using data from last economic down turn ~£300,000 reduction, capacity adjusted to allow for social distancing and courses still returning a slight profit on this basis. - Discuss pre apprenticeship offerings with government bodies, managing agents and advertise and recruit for August / September start	B	P	VPFACA	VH	H	20	M	H	12	
2	the current situation will result in an increase in staff anxiety	- Staff may not be comfortable to return to College when we reopen - an increase in mental health related issues	This is being explored within the SLWG in line with planning out return to operational business . We are also considering Health & Wellbeing for home working	April 21 - Guidance issued to all managers regarding managing staff anxiety about returning to campus. Time for you and weekly recharge time implemented in January 21 to support staff well being. Nov 20 Following extensive work with staff, the Health & Safety Committee and students we are now in a place where safe working practises are in operation and working well. WE continue to monitor this in light of the changes to government guidelines. However there is a recognition that the college gone above the requirements made by SG. This is being continually monitored by the H&S Committee Aug 20 - Safe working guidelines and working from home guidelines have been produced, agreed with both union and are being implemented. A wide range of Mental Health and Wellbeing training has been delivered to staff. A COVID information section has also been added to staff records which allows them to record personal information if they have to self isolate May 2020 - A set of sub groups have been set up to develop clear actions for ensuring a safe working environment	B	P	VPFACA	M	H	12	M	H	12	
3	Insufficient staff resource to deliver against a model where class sizes are significantly reduced and spanned operating hours are in effect whilst there may also be elevated levels of staff absence (self isolation etc)	- impact on credit delivery - impact on student attainment - industrial relations with unions in relation to potential changes to working practices (hours, recording/streaming of lectures)	- Early and ongoing engagement with unions on what returning to campus operations may look like - forward planning to maximise return from existing resource and to identify gaps	April 21- due to lack of access to campus majority o learning has been restricted to online delivery with limited access on campus for workshop activity. Additional funding received from SFC to support additional staffing to reduce the amount of potential deferrals. Nov 20 Students who were deferred and now progressing to completion with only a few areas to be done prior to the end of block 1. All other timetables have been amended to support on line delivery and to ease the impact on workshop activity which has to take place on campus. This will remain under review to ensure we meet the demands of students and external stakeholders Aug 20 There is now a 'COVID' timetable in place which will ensure that although a reduction of students in college the other students will participate via live streaming. These groups within courses will be 'rotated' so that all student have an opportunity to attend campus. There has been no requirement to span opening hours at this time however this will be reviewed May 2020 - Union membership on short life working group, looking at models for reopening College - Work is ongoing to ensure we can deliver in a different way and one that allows all students access to learning either in college or virtually at the same time - Directors/cm's/managers maintaining contact to ascertain who will be able to come back and factoring this into planning.	B	P	VPFACA	VH	VH	25	M	M	9	Sep-20

Forth Valley College COVID-19 Risk Register

4	Increased remote working/learning will lead to increased cyber related risks to College systems	<ul style="list-style-type: none"> - potential breach (ransomware or data breach) impacting on College ability to operate for periods of time - home based systems utilised by staff and students could introduce malicious software to College devices 	<ul style="list-style-type: none"> - IT are monitoring increased attacks on College network and reacting to these - ensure up to date anti virus and system patching in place on all college systems - IT implementing two factor authentication - Implementation of VPN, with a move away from Remote Desktop 	<p>Nov 2020 - With the rollout of VPN, external access via Remote Desktop is being removed. Multi-Factor authentication is being further rolled out.</p> <p>Aug 2020 - Rollout of a VPN is now complete.</p> <p>May 2020</p> <ul style="list-style-type: none"> - Rollout of a VPN (Virtual Private Network) to replace Remote Desktop 50% complete. Geo-location enabled to block any attempt to access Remote Desktop from out with the UK. A Remote Desktop 'sin-bin' introduced for anyone using an incorrect password, where all services are suspended for 30 minutes on the account. 	B	P	VPIC	H	H	16	L	H	8	Sep-20
5	Student applicants may be unwilling to come to College whilst the pandemic is still underway	<ul style="list-style-type: none"> - reduction in student numbers will impact on credits - some classes may become unviable to run with reduced numbers, leading to the College having to cancel classes and lose further credits and impact on students who wanted to attend - may lead to disadvantage to poorer students who have to utilise public transport to travel to College and who are unwilling to do so 	<ul style="list-style-type: none"> - Clear communications for revisions to campus operations once they are in place to all students - alter timetabling where possible to avoid students (and staff) having to access public transport during peak times 	<p>Nov 20 A full revised timetable of delivery is now in place for all students with much of the activity now delivered on line. For those student who come in to campus safe operating guidelines are being adhered to at all times</p> <p>Aug 20 - Clear communications, including a student guide on returning to college have been issued to all students both new and returning students The Student Association have been involved in all aspects of this and have supported the college to ensure the correct messages have gone out. A high level of student enrolments, student inductions and student finance arrangements have been carried out on line. Timetables have been revised and issued to all students</p> <p>May 2020</p> <ul style="list-style-type: none"> - Short life working group has communications embedded into it's remit 	B	P	VPIC	M	H	12	L	H	8	Sep-20
6	Students do not have access to IT equipment or access to the internet	<ul style="list-style-type: none"> - Inability of students to engage in remote learning 	<ul style="list-style-type: none"> - Assess a student's ability to engage in remote learning - Provide IT equipment - Provide connectivity 	<p>Nov 2020 - Over 600 laptops have been issued to students in Session 2020/21. SFC provided additional funding to address Digital Exclusion which the College used to purchase additional laptops. An additional 250 laptops have been received, and are currently being built, with distribution beginning early November</p> <p>Aug 2020 - Over 400 laptops were built and issued to students in Session 2019/20. To date over 150 have been returned, approximately 100 are with continuing and progressing students, with the remainder with students who are still completing outstanding work, or are in the process of returning their laptop. A further 350 laptops have been purchased and built in preparation for loaning to students for Session 2020/21, with a further 250 recently ordered through funding made available through SFC to tackle digital poverty.</p> <p>May 2020 - Over 360 laptops built and delivered to students, and internet access purchased for the most at need students.</p>	B	P	VPIC	H	H	16	L	H	8	Sep-20
7	an increase in blended learning delivery impacts on student attainment	<ul style="list-style-type: none"> - Reduction in successful course completion can impact on the reputation of the College - Complaints from students to College and awarding bodies regarding quality of learning 		<p>April 2021 - Blended learning and on-line delivery is now established across all curriculum areas and is mainly working well although there are challenges created through the Tier 4 lockdown. This particularly impacted vocational courses. Curriculum Teams have worked hard to put mitigations in place to ensure students are not disadvantaged. Further Covid assessment guidance has been released by SQA for session 20/21 and has been embraced by all curriculum team to support students through delivery challenged brought about by Covid. Supply of IT kit to students has worked well.</p> <p>Nov 20 Blended learning and on line delivery is now taking place over all campuses and curriculum areas. Although challenging at the beginning this now seems to be both productive for staff and student. Any IT delivery issues have been rectified in a timely manner to allow smooth delivery of programmes</p> <p>Aug 20 - All IT equipment has now been updated and tested for use. A full review of quality arrangements have been completed and are now in place for</p>	B	P	VPLSE	M	H	12	VL	H	4	Sep-20

LIKELIHOOD, IMPACT AND CONSEQUENCES

LIKELIHOOD

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Committees

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B	Board of Management
F	Finance Committee
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L	Learning and Student Experience Committee

Audit Committee Agenda Items	2021/22		
	Sept	Nov	Future Years
Governance			
Terms of Reference	✓		
Governance Statement	✓		
Audit Committee Chair's Annual Report to Board		✓	
Audit Committee Self Assessment	✓		
Items to be discussed privately with Auditors		✓	
Internal Audit			
Appointment / Extension of Internal Auditors			May 22 / May 23
Internal Audit Plan Progress Report	✓	✓	
Annual Internal Audit Report	✓		
Internal Audit Reports	✓	✓	
Progress on Internal Audit Recommendations	✓	✓	
External Audit			
External Audit Report		✓	
Letter of Representation		✓	
Risk Management			
Risk Management	✓	✓	
Deep Dive Proposals	✓	✓	
Policies (Review every 3 years)			
Risk Management			Nov-22
Value for Money Policy	✓		
Fraud & Anti - Corruption		✓	
Modern Slavery		✓	
Whistleblowing	✓		Sep-22
Safeguarding / Prevent	✓		
GDPR	✓		
Other			
National Fraud initiative	✓		
Annual Complaints Report		✓	
Audit & Assurance Committee Handbook 2018			As required

Covid-19

Going concern in the public sector

Guide for auditors

 AUDIT SCOTLAND

Prepared by Audit Scotland
December 2020

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Introduction

1. Covid-19 has already had a significant impact on every aspect of society in Scotland. It has affected individuals and communities, public services and the economy. Scotland's public bodies are at the forefront of the response, working with their partners to address the social and economic impact on communities across the country.
2. Public bodies were already under pressure from increasing costs and increasing needs from communities before the pandemic. Covid-19 brings additional financial demands and pressures on budgets.
3. In the current context, particularly where public bodies and related organisations are facing extreme financial challenges, we are receiving many enquiries about whether it is appropriate for auditors to report matters related to going concern for public bodies.

This guide

4. This guide sets out how the concept of the going concern basis of accounting applies in the public sector. It has been prepared by Audit Scotland's Professional Support in response to auditor enquiries and is part of Audit Scotland's ongoing series of [publications](#) on Covid-19 related matters.
5. The guide explains auditors' responsibilities and differentiates going concern considerations from financial sustainability. It complements the more detailed operational [guidance](#) on financial sustainability that supplements the [Code of Audit of Practice](#).
6. In order to understand how going concern applies in the public sector, it is helpful to consider the different financial reporting and auditing frameworks in the private sector and the rationale that underlies them. This guide therefore summarises the private sector situation to help auditors understand the distinctive going concern position in the public sector.
7. The guide has been prepared with public sector auditors as its primary audience. Auditors are encouraged to discuss the issues in this guide with the organisations they audit. Please note that some hyperlinks link to documents in Audit Scotland's Technical Reference Library and are therefore active only for auditors.
8. Auditors have also raised questions in respect of the requirement for councils to set a balanced budget. A separate guide in this Covid-19 series, [Balancing the budget in councils](#), deals with that matter.

Contact point

9. The contact point in Professional Support for this guide for auditors is Paul O'Brien – pobrien@audit-scotland.gov.uk

Going concern in the private sector

Going concern – the concept and principles

10. The term 'going concern' applies to any entity unless its management intends to liquidate the entity or to cease trading or has no realistic alternative to doing so.

11. The ability of an entity to continue as a going concern means the ability to continue to adopt the going concern basis of accounting in the future.

12. Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity will continue its operations for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

13. Where an entity is to be liquidated or cease its operations, the assets' recoverable values may be significantly less than the carrying amount in the balance sheet. In order for the financial statements to give a true and fair view, the assets and liabilities would have to be measured on a 'break up' basis.

14. The international financial reporting standard which covers the going concern basis of accounting is [IAS 1](#). Paragraph 25 of IAS 1:

- requires the management of an entity to make an assessment of an entity's ability to continue as a going concern
- requires an entity to prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so
- requires the entity to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

15. Paragraph 26 of IAS 1 explains that the assessment of whether the going concern assumption is appropriate should take into account information about the future which is at least twelve months from the end of the reporting period.

16. Paragraph 26 also explains that the degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis.

The auditor's responsibilities

17. The relevant auditing standard is [ISA \(UK\) 570](#). It provides an interpretation of the term going concern on page 2 by explaining that:

- the term applies to any entity unless its management intends to liquidate the entity or to cease trading, or has no realistic alternative to doing so
- the phrase in IAS 1 'ability to continue as a going concern' means 'the ability to continue to adopt the going concern basis of accounting'.

18. The auditor's responsibilities are to conclude on:

- whether a material uncertainty related to the use of the going concern basis of accounting exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

19. These responsibilities apply even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern.

20. The collapse of high-profile companies led to revisions to ISA (UK) 570 in 2016 which require auditors to report by exception in the Independent Auditor's Report as to whether the going concern basis of accounting was appropriate and whether there were any material uncertainties.

Going concern in the public sector

21. The concept of going concern is applied in a different way in the public sector. Public bodies exist to deliver essential public services. It is reasonable to presume that those services will continue to be delivered using the same assets unless there is evidence to the contrary. This presumption continues to hold even where responsibility for delivery is transferred by the government to another body or bodies.

22. In determining the appropriateness of the going concern basis of accounting, the continued use of the assets to deliver services is more important than the continued existence of a particular public body.

Public sector financial reporting and going concern

23. The financial framework in the public sector recognises the presumption of the continuation of public services as follows:

- In local government, the Code of Practice on Local Authority Accounting in the UK requires the going concern basis of accounting to be adopted unless a body can be wound up without legislation in which case IAS 1 applies
- In other sectors, the Government Financial Reporting Manual also requires a going concern basis other than, for example, where a body is being wound up in which case there is a need to consider if the functions are to continue.

24. In the public sector, management's use of the going concern basis of accounting is driven by the requirements of the financial reporting framework (which presumes the continuation of service provision) rather than the financial sustainability of a particular body.

25. This means that management's assessment of the appropriateness of the going concern basis of accounting required by IAS 1 will be straight-forward (as provided for by paragraph 26 of IAS 1 highlighted earlier in this note). Other than in exceptional cases (eg, where a body's functions are to be discontinued or delivered outside the public sector), the use of the going concern basis of accounting will always be appropriate for public bodies. By definition, there also cannot be any uncertainty related to its use.

Public sector audit and going concern

26. The auditing framework in the public sector in respect of going concern currently reflects the different financial reporting framework.

27. [Practice Note 10](#) is issued by the Public Audit Forum as a Statement of Recommended Practice and applies the requirements of auditing standards to the audit of financial statements in the public sector.

28. Its guidance on applying ISA (UK) 570 is that in most public bodies, the use of the going concern basis of accounting is straight-forward because the applicable financial reporting frameworks envisage that it will apply where the body's services will continue to be delivered by the public sector. Auditors can therefore conclude

that a going concern basis of accounting is appropriate without detailed cashflow projections etc.

29. It is not expected that auditors will generally have to report any matter in the Independent Auditor's Report in respect of going concern, other than the standard wording required by ISA (UK) 570.

30. More work is appropriate where there is an intention by the government to discontinue a body's operations or transfer their functions outwith with the public sector (privatised).

31. If a body is to be discontinued, but its functions are to be transferred elsewhere in the public sector (eg, the body is merging with another existing body, or the functions are being transferred to another public body), the going concern basis of accounting is still expected to be appropriate.

32. For example, this was the case when [NHS Argyll and Clyde](#) was dissolved on 31 March 2006, and its assets, liabilities and the responsibility for delivering health services within its geographic boundaries were transferred to the successor boards, NHS Highland and NHS Greater Glasgow and Clyde.

33. If the body's functions are to be discontinued or privatised, auditors may seek confirmation from the sponsor department that the body continues to have financial backing to utilise its assets and meet liabilities as they fall due. If adequate confirmations are received, it is reasonable to conclude that the going concern basis is appropriate. If no such confirmation is provided, auditors may decide there is a material uncertainty to be disclosed.

Going concern and arm's-length external organisations

34. Arm's-length external organisations (ALEOs) are separate organisations used by public bodies to deliver services (eg, sport, leisure, museums and theatres). Although ALEOs are controlled or at least influenced by public bodies, they are not subject to the public sector accounting or auditing frameworks. ALEOs may however be included in the public body's group financial statements.

35. The auditor of an ALEO may report going concern issues. However, the going concern basis not being appropriate for an ALEO does not necessarily impact on the values of its assets and liabilities reflected in the group financial statements. For example, the auditors of the council establish what the arrangements are for discontinuing the ALEO. Where responsibility for delivering the service reverts back to the council, there may be an agreement that the assets and liabilities will transfer to the council at the same amount as they are carried in the ALEO's financial statements.

Financial sustainability

The relationship between going concern and financial sustainability

36. Financial sustainability as defined in the Code of Audit Practice is concerned with whether the public body has effective and appropriate arrangements in place to deliver its services in the medium and long term. The impact of Covid-19 could also threaten service delivery in the short term.

37. If a business in the private sector operates in a manner that is not financially sustainable, eventually it will be forced to cease to operate; it will stop being a going concern. The concepts are therefore inextricably linked.

38. Auditors in the private sector therefore generally do not distinguish financial sustainability from going concern. They report on going concern (encompassing financial sustainability) in the Independent Auditor's Report.

39. The relationship between the concepts of going concern and financial sustainability is different in the public sector. This is a product of the continuity of the delivery of public services compared with entities in the private sector that may have to stop trading and be liquidated.

40. In the public sector, the government can intervene to increase funding or adopt a different delivery model. The services would only cease to be delivered if the government changed policy and decided to stop their delivery. There is always a reasonable lead time for such an event.

41. The financial sustainability of a body and the services it provides is nevertheless important in the public sector. It is likely to be of greater public interest than the application of the going concern basis of accounting.

42. Even in more routine times, cost pressures and reduced funding in real terms can cause financial stress and create risks to a public body's financial sustainability. This has been exacerbated by the impact of Covid-19. However, this has no direct impact on the basis of accounting.

Audit reporting on financial sustainability in the public sector

43. The Code of Audit Practice requires auditors to conclude on the effectiveness and appropriateness of a body's arrangements for financial sustainability as part of the wider scope of public audit.

44. Auditors report their conclusion in their Annual Audit Report. Even where there are serious weaknesses in a body's arrangements and remedial action is required, it does not impact on the going concern basis of accounting. Auditors do not report matters concerned with financial sustainability in the Independent Auditor's Report.

Going concern in the public sector

Guide for auditors

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility 

For the latest news, reports and updates, follow us on:



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www.audit-scotland.gov.uk 

All meetings commence at 4.30pm unless indicated otherwise below.

Meeting	Academic Year 2020/21
Board of Management	Thursday 24 June 21 Falkirk
Remuneration	Thursday 24 June 21 Falkirk
Audit	Thursday 20 May 21 Stirling
Finance	Tuesday 15 June 21 Stirling
HR	
Learning & Student Experience	Thursday 27 May 21 Alloa

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Meeting	Academic Year 2021/22					
Board of Management	Thursday 26 August 2021 Falkirk	Thursday pm / Friday am 4 and 5 November 2021 Venue TBC (Strategic Discussion inc overnight stay)	Thursday 2 Dec 2021 Stirling (Morning Meeting and Xmas lunch)	Thursday 24 Feb 2022 Alloa	Thursday 28 Apr 2022 Falkirk	Thursday 23 June 2022 Stirling
Remuneration						
Audit		Thursday 9 Sept 2021 Falkirk	Tuesday 16 Nov 2021 5pm			Thursday 19 May 2022
Finance		Tuesday 21 Sept 2021	Tuesday 16 Nov 2021 4pm		Tuesday 22 Mar 2022	Tuesday 14 June 2022
HR			Thursday 4 Nov 2021		Thursday 21 April 2022	
Learning & Student Experience		Thursday 28 Oct 2021			Thursday 10 Feb 2022	Thursday 2 June 2022
Nominations	As required					