

Zoom call @ 4.30pm

**AGENDA**

1. Declarations of interest
2. Apologies

**FOR APPROVAL**

3. Minutes of meeting of 16 November 2021
4. Matters Arising - None
5. Extension of Internal Auditor Appointment Alison Stewart
6. External Audit Plan Ernst & Young

Elements of paper 6 are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.

**FOR DISCUSSION**

7. Presentation of Internal Audit Reports Henderson Loggie
    - a) Data Protection
    - b) Procurement and Creditors/Purchasing
  8. Internal Audit Progress Report Henderson Loggie
  9. Progress Report on Audit Recommendations Stephen Jarvie
  10. Risk Management Alison Stewart
  11. Risk Appetite Workshop Outputs Henderson Loggie
  12. Review of Risk
  13. Any other competent business
-

**Zoom (commencing at 5pm)**

Present: Lorna Dougall (Chair)  
Hazel Burt  
Paul Devoy  
Alistair McKean

In Attendance: Ken Thomson, Principal  
Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)  
David Allison, Vice Principal Infrastructure and Communications (VPIC)  
Senga McKerr, Director of Finance (DOF) for A/21/016 and 017  
Moirira France, Finance Manager (FM) for A/21/016 and 017  
David Archibald, Henderson Loggie  
Stephen Reid, Ernst & Young

Members of the Finance Committee joined for items A/21/016 and 017.

**A/21/016 Annual Report and Financial Statements 2020/21 (Joint item with Finance Committee)**

The DOF presented the annual report and financial statements 2020/21 (the accounts) for members consideration and commendation to the Board of Management for their final approval.

She confirmed that the accounts had been prepared in accordance with all relevant standards.

She highlighted that the College had completed a formal assessment of going concern and that this was appended to the report.

She informed members that neither the External Auditors, College Management nor the Scottish Funding Council had any issues with the College being a going concern.

She covered a range of key points within the accounts document and noted that the final version presented to the Board would include the external audit opinion. She noted some variances from the information presented to the Finance Committee in September 2021 and outlined the reasons for these changes.

Members queried for the minute whether the audit opinion was unqualified. Stephen Reid, Ernst & Young, confirmed that this was the case.

Asking for the accounts to be considered and commended for final approval

a) Members commended the accounts to the Board of Management for review and approval

**A/21/017 Draft External Audit Annual Report to the Board of Management (Joint item with Finance Committee)**

Stephen Reid presented the draft report to the Board for member's consideration and commendation to the Board of Management.

He highlighted the role the report plays in assisting the Board of Management in the discharge of their duties and confirmed that, once the financial statements are finalised and signed, he intended to issue an unqualified audit opinion.

He noted that it was an unremarkable audit with two issues identified, one relating to a prior year adjustment which had been made and one in relation to the Chair's remuneration.

He noted that there was one recommendation being made in relation to the time taken to obtain the necessary information from Board Members to prepare the disclosures on related parties for the accounts.

Members queried whether the issue regarding the Chairs remuneration was being addressed. The VPFACA confirmed that this was being actioned by the Chair.

Members welcomed the content of the report.

Members queried the wording in one section of the report and Stephen Reid agreed to have a further look at this.

Members recorded their thanks to the Finance team for the positive outcome of the audit and the preparation of the accounts.

a) Members commended the report to the Board of Management

**A/21/018 Declarations of Interest**

None

**A/21/019 Apologies for Absence**

Emma Meredith

**A/21/020 Minutes of meeting of 9 September 2021**

The minutes of the meeting of 9 September 2021 were approved.

**A/21/021 Matters Arising - None**

The Chair noted that, under A/21/010, she had taken an action to meet with the newer members and the Internal Auditors to discuss the annual audit plan. She confirmed that this had not happened to date but would be taken forward.

**A/21/022 Chairs Report to the Board**

The Chair presented the annual report to the Board on the activity of the Committee for member's consideration.

a) Members approved the report for submission to the Board

**A/21/023 Response to Ernst & Young Letter to those charged with Governance**

The Chair presented the draft response to the annual letter to the Committee from the College's External Auditors for member's consideration.

a) Members approved the response from the Committee

**A/21/024 Annual Report to the Board of Management and Principal on the Provision of Internal Audit Services for 2020/21**

David Archibald, Henderson Loggie, presented the annual report to members. He noted that a draft version had come to the September meeting of the Committee but that, at that time, the IT Network Arrangements audit report had not been finalised.

He confirmed it was now completed and included in the annual report.

He noted his thanks to College management for delivering on the annual audit plan given the challenges being experienced by others in the sector.

He noted to members that activity for the 2021/22 academic year had already commenced.

a) Members noted the content of the report

**A/21/025 Presentation of Internal Audit Reports**

David Archibald, Henderson Loggie presented a number of reports to the Committee.

**IT Network Arrangements / Cyber Security (20/21 Plan)**

He outlined the approach to the audit which had been based on the National Cyber Security Centre's recently updated 10 steps guidance.

He outlined the recommendations contained within the report.

Members noted the recommendation on a real-time test of recovery of the IT systems and queried if this had happened previously. The VPISC confirmed that it had been done on a number of individual systems but that the entire system had not tested in this manner. He did highlight that, as a result of the campus moves and the IT upgrades which had been performed as part of these, the staff did have experience of creating brand new networks for the College systems.

Members discussed a range of training techniques used within their own organisations and the use of ethical hacking to check systems reliability.

The VPISC confirmed that the College was looking at the use of ethical hacking.

a) Members noted the content of the report

#### **2020/21 Student Activity Data**

David Archibald presented the annual review of College credits. He highlighted that the review had resulted in a clean bill of health with only one minor issue being highlighted.

a) Members noted the content of the report

#### **Student Support Funds**

He presented the outcome of the Student Support Funds review and reported a completely clean bill of health and confirmed that they were comfortable all relevant returns were accurate.

a) Members noted the content of the report

#### **A/21/026 Progress Report on Audit Recommendations**

The CGPO presented an update on audit recommendation progress, noting the recommendations completed since the last meeting and those requesting an extension.

a) Members noted the content of the report

#### **A/21/027 Risk Management**

The VPFACA presented the Strategic Risk and Springback risk registers. She noted that there had not been any significant changes to the Strategic Risk register but that the Springback had a number of changes to risk scores now that mitigating action was underway.

Members noted the increasing risk from criminals in relation to payment diversion. The VPFACA noted that the College had procedures in place and outlined what these

are. She also reported a small process change had been picked up in a procurement audit regarding retention of emails and that this had been implemented.

a) Members noted the content of the report

**A/21/028 Review of Risk**

No new risks identified

**A/21/029 Any Other Competent Business**

None

**A/21/030 Private Discussion between Members and Auditors (Verbal)**

It was confirmed that both the External and Internal Auditors had confidence in the skilled Finance Team and in College governance in general. While there were some concerns about the uncertain financial environment in which all colleges operated, Forth Valley College was operating well.

The notable growth in commercial delivery and income over the last four years was discussed. While this generated much needed income, the complexities of current accounting requirements complicated profit retention. To address this, some colleges had formed arm's length companies to deliver commercial activities while others did not have capacity to deliver this type of activity so the sector picture was mixed. There was a risk of reliance on this income, which would not be supported by government in the event of further pandemic restrictions, but there were also significant benefits. It was of note that Forth Valley College staff engaged in community planning discussions which supported commercial income generation and resulted in strong links with business and industry.

As it had been the only area flagged by Internal Audit as requiring work, Health and Safety should maintain a high profile, particularly with staff returning to a new building in Falkirk and adopting new ways of working across all campus sites.

Building maintenance costs should also be kept an eye on as it was important to protect the current high quality of the estate.

All present were thanked for their positive engagement and stimulating discussion.

**1. Purpose**

To seek approval from members to extend the appointment of Henderson Loggie as internal auditors.

**2. Recommendation**

That members approve the extension of Henderson Loggie as Internal Auditors for a period of 1 year.

**3. Background**

Henderson Loggie were appointed as the College's Internal Auditors from 1 August 2019 following a competitive mini tender through the APUC Audit Services Framework. The initial contract was for a period of three years with the option to extend for a further year.

**4. Extension**

It is proposed that the existing contract be extended for a period of one year with a tender exercise being undertaken during 2022/23. Henderson Loggie have worked well with the College Executive Team and Audit Committee. The Audit Committee and Board of Management are currently working on our Risk Management with Henderson Loggie and it would make sense that Henderson Loggie complete the work which is currently underway.

**5. Financial Implications**

Costs will be in line with the original tender.

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

**7. Risk**

|           | Likelihood | Impact |
|-----------|------------|--------|
| Very High |            |        |
| High      |            |        |
| Medium    |            |        |
| Low       |            |        |
| Very Low  | X          | X      |

**Risk Owner** – Alison Stewart

**Action Owner** – Alison Stewart

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

**Paper Author** – Alison Stewart

**SMT Owner** – Alison Stewart

# Forth Valley College

**Annual Audit Plan**

**Year ending 31 July 2022**

**Audit Committee**

**19 May 2022**

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## About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Auditor General for Scotland has appointed us as external auditor of Forth Valley College ("the College") for financial years 2016/17 to 2020/21. 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 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](mailto:sreid2@uk.ey.com)

**Olga Potapova**  
Senior Manager  
[opotapova@uk.ey.com](mailto: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 2022, the sixth and final 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 2022 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 2022 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                             | Tolerable Error                            | Nominal amount                                       |
|--|--|--|
| <b>£800,000</b>                                  | <b>£600,000</b>                            | <b>£40,000</b>                                       |
| 2% of the College's gross prior year expenditure | Materiality at an individual account level | 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

|  |  |
|--|--|
| <p><b>Fraud Risk:</b><br/>Risk of fraud in revenue and expenditure recognition</p> | <p>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.</p>  |
| <p><b>Fraud Risk:</b><br/>Misstatement due to fraud or error</p>                   | <p>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.</p>  |
| <p><b>Inherent risk:</b><br/>Valuation of property, plant and equipment</p>        | <p>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.</p>  |
| <p><b>Inherent risk:</b><br/>Valuation of pension assets and liabilities</p>       | <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. 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> |

## Wider Scope Risks

|  |   |
|--|---|
| <p><b>Financial Sustainability:</b><br/>Medium Term Financial Position</p> | <p>The consequences of the global pandemic on the College's education and financial plans have become clearer during 2021/22. For some colleges, the level of enrolments against target has been challenging to achieve as a result of changed student behaviour including, for example, the attractiveness of applying directly to higher education institutions. Financial support from the Scottish Funding Council and effective blended learning eased acute financial pressures during 2020/21. The College is anticipating a large deficit in 2021/22 due to spending the operating surplus generated and reported in 2020/21.</p> <p>In the medium to longer term the impact of potentially challenging student numbers, together with inflationary pressures and national pay bargaining will make the financial position more difficult to sustain.</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.

### **Financial sustainability in the sector**

In June 2021, the Scottish Funding Council (SFC) released their latest report as part of a three phase review considering the future coherence and financial sustainability of colleges and universities. This was subsequently updated in a further report in March 2022. The review considers how best the SFC can fulfil its mission of securing coherent provision by post-16 education bodies, and the undertaking of research. The review covered future provision, delivery, outcomes and targets, funding models, and support for research activity across the college and university sector in Scotland.

The updated analysis reflected on the impact of Covid-19 on the sector. The analysis noted that colleges managed the impact of Covid-19 more positively than anticipated, assisted by the one-off £15 million SFC grant to colleges, no recovery of funds for shortfalls against outcome agreement targets (where the shortfall related to Covid-19), additional capital funding, discretionary funds, enhanced flexibility in drawdowns, and the Coronavirus Job Retention Scheme (CJRS) lowering staff and other operating costs. However, it noted that there were still challenges around longer-term financial sustainability.

It noted that key risks and challenges for the sector included cost pressures from cost of living pay awards, self-funding of staff restructuring, the continuing Covid-19 pandemic, the UK's exit from the European Union, backlog estates maintenance and modernisation of the ICT/digital capabilities of the colleges, the cost of staff restructuring and efficiencies made and the subsequent impact on the student experience, student outcomes, and college staff.

The final funding announcement for academic year 2021/22 highlighted that:

- ▶ The SFC's revenue budget increased by 10.8% (£70.2 million), which has resulted in an increase to teaching funding (£40 million), student support funding (£2.6 million) and other funding (£13 million).
- ▶ Student activity (credit) volume has increased by 3.6%.
- ▶ Capital funding decreased by £2 million.
- ▶ A one-off value of £10 million has been allocated to allow students whose studies were disrupted by Covid-19 to complete their courses in AY 2021-22.

We will continue to review the full impact of the 2021/22 funding announcement on the College's financial performance as part of our work on financial management.

## 2022/23 Budget

The SFC announced the indicative funding allocations for the Academic Year 2022/23 on 24 March 2022. The indicative funding allocations set out are based on the Scottish Government's draft budget 2022/23 announcement on 9 December 2021, which was approved by the Scottish Parliament on 10 February 2022. The approved Scottish Budget 2022/23 set a College Resource (Revenue) budget for the financial year 2022/23 of £675.7 million, maintained from the 2021/22 budget.

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 2022. The SFC's indicative funding announcement notes that:

- ▶ The SFC's revenue budget for 2022/23 has decreased by 1.9% (£13.1 million) from AY 2021/22;
- ▶ Teaching funding has been increased by 1.9% (£9.6 million);
- ▶ Student support funding has reduced by 4% (£5.6 million), and there is additional student support contingency funding of £2 million set aside;
- ▶ The other programme funding budget, which includes national sector-wide services and strategic projects, has decreased by £10.5 million;
- ▶ Student activity (credit) volume for the sector is unchanged from the baseline AY 2021-22 target of 1.73 million credits; and
- ▶ Capital funding has increased by £41 million (121.7%), with sector-wide capital maintenance increasing by 6.1% (£1.8 million).

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.

# 3. Financial Statement Risks

## Introduction

The annual financial statements allow 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 2022 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.

## Climate Change Reporting

Public interest in climate change is increasing. Scotland has set a legally binding target of becoming net zero by 2045, five years earlier than the rest of the UK, and has set several interim targets including a 75 per cent reduction in greenhouse gas emissions by 2030. In March 2022, Audit Scotland published a [briefing](#) (available on Audit Scotland's website) to draw out key themes and recommendations for public bodies in Scotland. The recommendations were compiled from a series of key reports, including those from Scotland's Climate Assembly and Committee on Climate Change.

The College, as a public body, is required to participate in mandatory climate change reporting under the Climate Change (Scotland) Act 2019. In our view climate-related risks and disclosures are likely to be increasingly relevant in the preparation and audit of the financial statements and we will therefore support management's improvements and reporting in this area.

## 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 2021/22 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<br>£800,000        | <b>Planning materiality (PM)</b> - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For planning purposes, materiality for 2021/22 has been set at £800,000. This represents approximately 2% of the College's gross expenditure in 2020/21.  |
| Tolerable Error<br>£600,000             | <b>Tolerable error (TE)</b> - 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 £600,000 which represents 75% of planning materiality.  |
| Summary of Audit Differences<br>£40,000 | <b>Summary of Audit Differences (SAD) Nominal amount</b> - 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 £40,000, which represents 5% of planning materiality. |

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 2020/21 reporting to the committee the impact that the Covid-19 pandemic has continued to have 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, since 2019/20, we have 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, 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.

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 the reporting process

Audit Scotland has set its reporting deadline for colleges in 2021/22 at 31 December 2022, recognising 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 have outlined the planned timing for the key deliverables of the audit process in Appendix D. We intend to take a hybrid approach to the 2021/22 audit with a blend of on-site and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit in 2021/22 under review.

# 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.

We will report our findings in these areas to you within our 2021/22 Annual Audit Report.

## Inherent Risk - Valuation of Property, Plant & Equipment

The College's property portfolio totalled £124.5 million as at 31 July 2021 (2019/20 £129.1 million), with the major elements of this being in respect of land and buildings. The College undertakes a full revaluation at least every five years and an interim valuation at year 3.

The valuation of property, plant and equipment is assessed as an inherent risk. Management involves specialists in the preparation of these accounting valuations. We use 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. The latest full valuation was performed as at 31 July 2020. For 2021/22 no desktop valuation exercise is planned to be performed and management need to ensure that the carrying value in the financial statements is not materially different to the fair value of property, plant and equipment.

Given the significance of the balance within the financial statements, 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 the pandemic on the use of assets and future plans means that we place significant scrutiny on management's assessment of impairment.

We do not, however, at this stage, have any specific concerns in relation to management's approach to property valuations.

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
- ▶ assessment of the potential for impairment across the College estate that has not been reflected in the financial statements
- ▶ assessment of whether the categorisation and therefore basis of valuation of assets is appropriate, particularly whether there has been a material change of use.
- ▶ assessment whether assets sold or held for sale 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.

## 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, therefore it 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 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 2021 were £27.3 million (2019/20: £26.7 million).

In addition, the College recognises a provision for future early retirement liabilities, totalling £7.2 million as at 31 July 2021 (2019/20: £7.0 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 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 2022
- ▶ performing testing over asset valuations to ensure they are appropriately valued
- ▶ review and test the accounting entries and disclosures made within the College's financial statements in relation to pensions ensuring compliance with the SORP.

## 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 colleges with guidance on disclosure requirements for the financial statements. We will work with management during 2021/22 to ensure the correct application of any new requirements.

### ***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 Report 2020/21*, 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. It was recommended that auditors should ensure appropriate governance structures are in place for the prevention and detection of fraud and that appropriate reviews and amendments to controls have taken place in light of remote working and that those controls are sufficiently strong.

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 review management's 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

Together the Accounts Commission and the Auditor General for Scotland agreed the four dimensions set out in the Code of Audit Practice which comprise the wider scope audit. 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**

The financial management dimension considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.

In our 2020/21 Annual Audit Report, we concluded that the College's financial management arrangements were satisfactory. An established budget setting and monitoring framework is in place which includes Board and Finance Committee consideration of financial updates throughout the year. This monitoring includes expenditure against budget and the forecast outturn for the year.

Our work will continue to consider how internal control arrangements are being adapted and monitored to respond to hybrid working arrangements.

## 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 2020/21, the College prepared a three-year financial forecast for the period 2021 to 2024 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 2021/22 and Financial Plan 2022/23 to 2023/24.

### Medium Term Financial Planning

The consequences of the global pandemic on the College's education and financial plans have become clearer during 2021/22. For some colleges, the level of enrolments against target has been challenging to achieve as a result of changed student behaviour including, for example, the attractiveness of applying directly to higher education institutions. Financial support from the Scottish Funding Council and effective blended learning eased acute financial pressures during 2020/21. The College is anticipating a large deficit in 2021/22 due to spending the operating surplus generated and reported in 2020/21.

In the medium to longer term, however, the impact of potentially challenging student numbers, together with inflationary pressures and national pay bargaining will make the financial position more difficult to sustain. The College is due to prepare an updated financial forecast in summer 2022, which we expect to outline a worsening financial position.

## Governance and Transparency

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 2020/21 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 2020/21 Accounts Direction.

Our work for the year will consider:

- ▶ How the College ensured the quality of arrangements to support good governance, including ensuring that there is sufficient transparency around governance and decision making arrangements?
- ▶ If the Annual Governance Statement within the financial statements is complete and reflects key matters arising during the year; and
- ▶ Internal audit arrangements during 2020/21, including whether the internal audit programme was able to be completed.
- ▶ 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

We will consider governance arrangements of the College and whether key features of good governance remained in place.

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 charged 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 2020/21 Annual Audit Report we concluded that the College's arrangements for ensuring value for money were appropriate. There is clear and timely reporting against performance indicators, and annual performance reports are published on the College's website.

The College has a strategic plan for the period 2017-2022, 'making learning work for all'. The plan identifies the six key strategic priorities for the College in order to build on its prior successes and remain at the forefront of college provision in Scotland.

The College Board considers regular updates against the Strategic Plan throughout the year, including updates on the agreed annual priorities.

Our work for the year will consider whether:

- ▶ 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 is in place for the approval of exit arrangements via the Voluntary Severance Scheme.

# 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

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# 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 2019, 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"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard</li> </ul> | <ul style="list-style-type: none"> <li>▶ 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;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ 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;</li> <li>▶ Written confirmation that all covered persons are independent;</li> <li>▶ 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;</li> <li>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</li> <li>▶ An opportunity to discuss auditor independence issues</li> </ul> |

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.

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.

## 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 College. 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, we provide no non-audit services. This 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 College. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision 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.



# Appendix C: Required Communications

| Required communication  | Our reporting to you   |
|---|--|
| <p><b>Terms of engagement / Our responsibilities</b></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><b>Planning and audit approach</b></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><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>   | <p>Annual Audit Plan<br/>Annual Audit Report</p>   |
| <p><b>Going concern</b></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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>   | <p>Annual Audit Report</p>   |
| <p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>   | <p>Annual Audit Report</p>   |
| <p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ 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"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility</li> </ul> | <p>Annual Audit Report</p>   |

## Required communication

## Our reporting to you

### Related parties

Significant matters arising during the audit in connection with the entity's related parties including, when applicable:

- ▶ 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.

### Consideration of laws and regulations

- ▶ 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.

### Independence

Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence

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

- ▶ The principal threats
- ▶ Safeguards adopted and their effectiveness
- ▶ An overall assessment of threats and safeguards
- ▶ Information about the general policies and process within the firm to maintain objectivity and independence

Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.

Annual Audit Plan

Annual Audit Report

### Internal controls

Significant deficiencies in internal controls identified during the audit

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### Representations

We will request written representations from management and/or those charged with governance.

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### Subsequent events

Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements.

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### Material inconsistencies and misstatements

Material inconsistencies or misstatements of fact identified in other information which management has refused to revise

Annual Audit Report

### Fee Reporting

- ▶ 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 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         |
|-----|--|---|----------------|
| APR | ▶ Audit planning and setting scope and strategy for the 2021/22 audit    | Annual Audit Plan                             | April 2022     |
| MAY | ▶ Walkthroughs   | Completion of internal documentation          | June 2022      |
| JUN | ▶ Review of reported frauds  | Quarterly fraud return submission             | Quarterly      |
| SEP | ▶ Year-end substantive audit fieldwork on unaudited financial statements | Audited Financial Statements                  | Oct - Dec 2022 |
| OCT | ▶ Conclude on results of audit procedures                                | Issue Annual Audit Report                     | December 2022  |
| NOV | ▶ Issue opinion on the College's financial statements                    | Submit Audit Scotland minimum dataset request | December 2022  |
| DEC |  |   |                |
| JAN |  |   |                |

# 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

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# Forth Valley College

## Data Protection

Internal Audit report No: 2022/05

Draft issued: 1 April 2022

Final issued: 5 May 2022



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## Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

|                             |   |
|-----------------------------|---|
| <b>Good</b>                 | System meets control objectives.  |
| <b>Satisfactory</b>         | System meets control objectives with some weaknesses present.             |
| <b>Requires improvement</b> | System has weaknesses that could prevent it achieving control objectives. |
| <b>Unacceptable</b>         | System cannot meet control objectives.                                    |

## Action Grades

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



# Management Summary

## Overall Level of Assurance

|             |                                  |
|-------------|----------------------------------|
| <b>Good</b> | System meets control objectives. |
|-------------|----------------------------------|

## Risk Assessment

The is no specific risk in relation to data protection included on the Forth Valley College ('the College') Strategic Risk Register.

## Background

As part of the Internal Audit programme at the College for 2021/22, we carried out a review of the organisation's data protection arrangements. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Chief Executive and to the Board that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

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.'

This audit included 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.





## Scope, Objectives and Overall Findings

The table below notes the objective for this review and records the results:

| Objective   | Findings    |                                  |          |          |
|---|-------------|----------------------------------|----------|----------|
| <b>The objective of our audit was to obtain reasonable assurance that:</b>  |             | <b>1</b>                         | <b>2</b> | <b>3</b> |
| 1. Appropriate action has been taken by the College to comply with the Data Protection Act 2018, including the UK GDPR. | <b>Good</b> | -                                | -        | -        |
| 2. Adequate procedures are in place for the ongoing monitoring of compliance with data protection legislation.          | <b>Good</b> | -                                | -        | 1        |
| <b>Overall Level of Assurance</b>   | <b>Good</b> | -                                | -        | 1        |
|   |             | System meets control objectives. |          |          |

## Audit Approach

Through discussion with relevant managers and staff we established 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 was used as the basis for this discussion, and any additional action required has been highlighted.



### Summary of Main Findings

#### **Strengths**

- The College has established a data protection compliance framework which includes a suite of policies, procedures, guidance, privacy notices, an information asset register, data breach and Subject Access Request reporting and monitoring arrangements;
- A Data Protection Officer (DPO) has been appointed;
- Governance structures are in place to maintain oversight of data protection compliance across the College;
- As part of a strategic objective to improve its digital infrastructure, the College is undertaking an Information Management Policy project which aims to provide an in-depth understanding of the data which is currently being held in the organisation; where the data is stored (both in core systems and external software applications); and with whom the data is shared. A key objective of the project is to drive compliance with the requirements of data protection legislation; and
- Overall, we identified that overall, the College has good data protection procedures in place, although we did identify one opportunity for enhancing the existing procedures. This is described in more detail below.

#### **Opportunities**

- Although data protection issues are reported to the SMT as they arise, we noted that there was scope for formalising data protection compliance reporting such as through an annual DPO report to the Board. The report should include relevant data protection progress updates, as well as summaries of key compliance metrics relating to data breaches, subject access requests and staff training.

#### **Acknowledgment**

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



# Main Findings and Action Plan

### **Objective 1: Appropriate action has been taken by the College to comply with the Data Protection Act 2018, including the UK GDPR.**

Our audit included a review of the specific arrangements in place within the College to obtain reasonable assurance that robust procedures have been established, and are operating, to ensure compliance with data protection legislation. We reviewed key policies and procedures, and we also met with the Governance and Planning Officer and the Data Protection Officer (DPO) to obtain an understanding of the College's compliance environment. We then reviewed the processes that have been established for identifying, processing, and securing personal data.

The College has developed a data protection framework which incorporates, data protection and information security; records management, including access and retention; ICT security; data sharing; governance; and compliance monitoring. The College's approach has been reviewed by the DPO, who continues to advise on ongoing compliance. The DPO has formed the view that the College is able to demonstrate a relatively good level of data protection compliance.

Based on our review we are, overall, satisfied that the College has good data protection policies and procedures in place and a number of areas of good practice were identified, including:

- The College has developed a baseline information asset register which covers the key requirements of the GDPR / DPA, such as identifying where personal data has been collected from, the points within the organisation where personal data resides, data retention, data security classification and data transfers with third parties. The findings documented on the information asset register have informed the development of the College's data protection related policies, procedures, privacy notices and data protection training and guidance made available to staff. As the baseline information was obtained several years ago following implementation of the GDPR in 2018, it now requires to be updated, which has been recognised by College management. As part of a strategic objective to improve its digital infrastructure, the College is undertaking an Information Management Policy Project which aims to provide an in-depth understanding of the data which is currently being held in the organisation; where the data is stored (both in core systems and external software applications); and with whom the data is shared. A key objective of the project is to drive compliance with the requirements of data protection legislation. At the time of our audit a review of support departments was almost completed, and a review of academic departments was expected to be complete by the start of the 2022/23 session. Information asset registers are being updated as part of the project.
- Online e-learning data protection and information security training modules are available to all staff which form part of the suite of mandatory induction training for all new staff. Staff are required to complete the package of induction training within three months of their employment start date.
- Documented procedures to handling of subject access requests, data breaches and data protection impact assessments.
- Guidance has been produced for staff which includes the College's policies and procedures around the use, management, security and confidentiality and disclosure of information.



### Objective 1: Appropriate action has been taken by the College to comply with the Data Protection Act 2018, including the UK GDPR (continued).

- The College has access to the services of an external Data Protection Officer (DPO), through its subscription to HEFESTIS (HE/FE Shared Technology & Information Services), for one day per week. The DPO provides advice on the development of data protection related policies and procedures, data sharing agreements, reviews evidence of compliance and is involved in the College's internal compliance checks.
- Data Protection Impact Assessments (DPIAs) have been undertaken as part of the implementation of new systems and technology to ensure that data protection risks are identified and mitigated. DPIAs have considered the use of video conference and collaboration tools such as Microsoft Teams and Zoom, the results of which have been used to inform the College's home working policies and procedures.
- All subject access requests (SARs) are made through a dedicated mailbox which the DPO has access to. Discussions with the Corporate Governance and Planning Officer noted that SARs are managed directly by the College, including data gathering, reviewing, and redacting the data and responding to the data subject. However, all SAR responses are processed through the dedicated mailbox and all SARs received are discussed with the DPO prior to the College issuing a formal response.
- A Data Protection Policy which reflects Information Commissioner's Office (ICO) guidance.
- A granular approach has been adopted to developing a suite of Privacy Notices which reflects ICO guidance.
- Establishing of an Information Governance Group which provides oversight of data protection matters, including compliance arrangements.
- Data protection guidance and briefings for staff in high-risk roles have been provided by the DPO. It is the responsibility of the departmental managers to ensure that all staff within their teams are familiar with the requirements of the data protection legislation that are applicable and relevant to their roles. The heads of each department are responsible for ensuring that any data protection guidance or related issues are discussed and considered at departmental management team meetings and as part of staff development reviews and communicated effectively to departmental staff.
- Regular reporting of data protection issues to the Senior Management Team, and to the Board as they arise.

Based on our review we are, overall, satisfied that the College has sound data protection policies and procedures in place.



### **Objective 2: Adequate procedures are in place for the ongoing monitoring of compliance with data protection legislation.**

The DPO, Governance and Planning Officer and the Information Governance Group all play a key role in the oversight of the College's data protection procedures. The DPO meets weekly with the Governance and Planning Officer, and fortnightly with the Vice Principal of Information Systems and Communications to discuss relevant issues and challenges. One aspect of the DPO's role is to ensure that the College has systems and procedures in place for ongoing monitoring of data protection compliance, although the DPO isn't required to ensure that those systems are being followed in practice. Both the Governance and Planning Officer and the Vice Principal of Information Systems and Communications participate in the Information Governance Group which has overall responsibility for monitoring implementation of the College's procedures and therefore compliance with legislation. If required, data protection issues, including any significant instances of non-compliance with procedures or legislation would be reported to the Senior Management Team and Board.

As noted above, the Information Management Policy Project remains ongoing. On completion of the project the College will aim to have consolidated its current data and file structure, identified data ownership, removed unnecessary duplication of files, removed data not being held in line with approved retention policies, and migrated to the new SharePoint cloud environment. Successful completion of the project should result in a consistent approach to data management across the College and simplify ongoing compliance monitoring. At the time of our audit review, progress made with relevant data protection aspects of the Information Management Policy Project included:

- Departmental Data Health Check checks had been completed and compiled for all but one department. The checks have sought to identify where both electronic and physical data resides across the College and to identify instances where data is shared with external agencies. The Data Health Checks are subject to review by the DPO and IT. Information from these will provide a baseline view of who the College shares data with internally or externally, what systems are used out with core systems, inform a review of current data sharing agreements and updates to privacy notices, where deemed necessary.
- A review and update of departmental data retention guides was underway.
- A review of all data storage locations and touch points was ongoing, which included the Active Directory shared drive structure, Microsoft teams, and Moodle.
- With support from the DPO, completion of the GDPR self-assessment toolkit which covers four broad themes of; lawfulness, accountability and governance, the data protection principles, and data subject rights. Areas for further development have been identified and are being addressed by the project group.
- Review of existing data protection documentation being carried out and updates being made where necessary.



## Data Protection

### Objective 2: Adequate procedures are in place for the ongoing monitoring of compliance with data protection legislation (continued).

| Observation  | Risk  | Recommendation   | Management Response  |                 |
|--|---|--|--|-----------------|
| <p>Although data protection issues are reported to the SMT as they arise, we noted that there was scope for formalising data protection compliance reporting such as through an annual DPO report to the Board. The report should include relevant data protection progress updates, as well as summaries of key compliance metrics relating to data breaches, subject access requests and staff training.</p> | <p>Assurance on compliance with data protection legislation is not effectively communicated to the Board.</p> | <p><b>R1</b> An annual Data Protection Compliance report should be developed and formally reported to the Audit Committee. The report should include relevant data protection progress updates, as well as summarising key compliance metrics relating to data breaches, subject access requests and staff training. These metrics should also be included within the suite of performance data reported to senior management.</p> | <p>It's agreed that an annual Data Protection Compliance report will be developed to be reported to the Audit Committee and LMT.</p> <p><b>To be actioned by:</b> Donald MacLean, Data Protection Officer (DPO)</p> <p><b>No later than:</b> 30 September 2022</p> |                 |
|  |   |  | <p><b>Grade</b></p>  | <p><b>3</b></p> |



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LEVEL OF ASSURANCE

Satisfactory

# Forth Valley College

## Procurement and Creditors / Purchasing

Internal Audit report No: 2022/02

Draft issued: 27 October 2021

Final issued: 16 December 2021





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## Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

|                             |   |
|-----------------------------|---|
| <b>Good</b>                 | System meets control objectives.  |
| <b>Satisfactory</b>         | System meets control objectives with some weaknesses present.             |
| <b>Requires improvement</b> | System has weaknesses that could prevent it achieving control objectives. |
| <b>Unacceptable</b>         | System cannot meet control objectives.                                    |

## Action Grades

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



# Management Summary

## Overall Level of Assurance

|                     |   |
|---------------------|---|
| <b>Satisfactory</b> | System meets control objectives with some weaknesses present. |
|---------------------|---|

## Risk Assessment

There is no specific risk on the College strategic risk register in relation to efficient procurement, creditor and purchasing arrangements (Risk Register dated April 2021). However, this review focused on the controls in place to mitigate the risks for the College in achieving value for money and effectiveness of the internal control environment around mitigation of the risk of supplier fraud or collusion.

## Background

As part of the Internal Audit programme at Forth Valley College (the “College”) for 2021/22, we carried out a review of the organisation’s arrangements around procurement and creditors / purchasing arrangements. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Principal and to the Board that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The Procurement Reform (Scotland) Act 2014 (“the Act”) was enacted on 18 April 2016 and created new public procurement rules aimed at improving public sector purchasing of goods, works and services in Scotland. The Act applies to the Further Education sector. All procurement for services and supplies above £50,000 in value and all works above £2 million have now become regulated contracts. The Act also requires larger spending contracting authorities with significant procurement spend (where the total value of regulated contracts in a year exceed £5 million) to produce a Procurement Strategy before the start of any given financial year, setting out how it intends to carry out its regulated procurements (or to review its Procurement Strategy for the current financial year and make such revisions to it as the authority considers appropriate).

The relevant Scottish Government Guidance encourages contracting authorities to produce a Procurement Strategy, even if qualifying spend is lower than the threshold, to maximise its transparency and allow businesses to understand the importance of procurement policies to that authority when delivering procurement contracts.

Counter fraud initiatives should also ensure a robust and efficient internal control environment around purchases made and the corresponding accounting treatment.



## Scope, Objectives and Overall Findings

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

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

| Objective  | Findings                     |   |   |
|--|------------------------------|---|---|
|  | 1                            | 2   | 3 |
| <b>The objective of our audit was to obtain reasonable assurance that:</b>   |                              |   |   |
|  | <b>No. of Agreed Actions</b> |   |   |
| 1. 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')  | <b>Good</b>                  | -   | - |
| 2. Procurement procedures ensure that: <ul style="list-style-type: none"> <li>◆ areas of high spend across the College are monitored appropriately;</li> <li>◆ opportunities for pooling of expenditure are identified in order to achieve best value; and</li> <li>◆ collaborative procurements and frameworks available to the College are utilised where appropriate</li> </ul> | <b>Good</b>                  | -   | - |
| 3. 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  | <b>Satisfactory</b>          | -   | 1 |
| 4. The College's procurement guidance on quotes and tenders are being complied with  | <b>Good</b>                  | -   | - |
| 5. All liabilities are fully and accurately recorded   | <b>Good</b>                  | -   | - |
| 6. All payments are properly authorised, processed, and recorded   | <b>Satisfactory</b>          | -   | - |
| 7. Appropriate controls are in place over the amendment of standing supplier data on the finance system.   | <b>Satisfactory</b>          | -   | 1 |
|  |                              | -   | 2 |
| <b>Overall Level of Assurance</b>  | <b>Satisfactory</b>          | System meets control objectives with some weaknesses present. |   |



**Audit Approach**

From discussions with Procurement staff, we established the procurement strategies, procedures, and monitoring arrangements in place within the College. These were evaluated to establish the extent to which they followed recognised good practice.

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

We also documented the controls in place within the purchasing / payments system through interviews with Finance staff and sought to establish whether the expected key controls were in place by reference to standard control risk assessment templates.

We also performed compliance testing to determine whether key controls were working effectively. This included selecting a sample of items of expenditure to ensure compliance with the College's Financial Regulations and Financial Procedures.

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### Summary of Main Findings

#### **Strengths**

- The College's Procurement Policy, Procurement Strategy and associated guidance made available to staff was in line with legislative requirements and there is dedicated procurement support in place through the Supply Chain Manager contracted to the College by APUC.
- Wherever possible, the College makes use of available national framework agreements. A full list of frameworks open to the College is made available to staff on the FVC SharePoint site. These have previously been highlighted to staff during the procurement training sessions.
- Our testing confirmed that the College's procurement guidance on quotes and tenders are being complied with.
- The College's Financial Regulations (2012) are in the process of being updated by the Director of Finance. Arrangements around delegated authorities, and exceptions for goods and services not raised through P2P, are also in the process of being updated by management.
- The process for approving new suppliers and updating College systems is appropriately documented.
- As part of the payment run, the Finance Manager reviews the bank details of suppliers and any changes made to standing supplier information (such as changes made to bank account details).
- Our sample testing noted that transactions selected from the general ledger were aligned to invoices approved in line with the delegated authority and segregation of duties within the Finance team for the supplier BACS returns reviewed.

#### **Weaknesses**

- The College's Scheme of Delegation (2018) and Procurement Policy and associated procedures should be updated to include information on delegated authority or should be amended to signpost explicitly to Finance's list titled "Authorisation Process by Department" to provide enhanced transparency and understanding of the agreed arrangements.
- While there is function in P2P to retain evidence of goods or services received, it is not routinely utilised. Therefore, we were unable to evidence a process to centrally document receipt of goods or services received before invoices are approved for payment on P2P. In practice, departmental administrators, or budget holders, tick a box on the P2P system to confirm to Finance that they are content to pay the supplier. There is also no formal check to confirm that goods and services have been received before Finance pay the invoice.
- In the absence of updated Financial Regulations, the process for changes in supplier standing information is not currently documented. Exception reports relating to changes in the supplier standing data were not routinely retained to demonstrate who had completed the supplier checks and when these checks had been carried out in order to provide the organisation with an audit trail of the checks conducted prior to any changes to supplier standing data being made. Weekly exception reports are run and retained by the Finance Manager and reviewed for bank detail changes which are viewed as the key risk.

### Acknowledgment

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



## Main Findings and Action Plan

### **Objective 1 - 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').**

The College has a Procurement Strategy 2020-2022 (June 2021) in place that was developed with support provided by the Advanced Procurement for Universities and Colleges (APUC). The Procurement Strategy was approved by the Board of Management in June 2021. We carried out a review of the strategy against the requirements of the extant procurement legislation. We found that all compulsory elements required by the legislation were contained in the Procurement Strategy.

The requirement to produce an annual procurement report is also set out within the Procurement Strategy. At the time of our review the Annual Procurement Report for the period 1 August 2019 to 31 July 2020 was published on the College's public website. This report reflects on the regulated procurement spend over the last reporting period of the previous procurement strategy. It was reported and approved by the Board of Management in December 2020.

The College also has a Procurement Policy (June 2021), which was also approved in June 2021. This sets out the College's approach to dealing with additional procurement issues, including sustainability and value for money, and sets out staff responsibilities around procurement activity. Once again, we found the Procurement Policy to be in line with legislative requirements.

The College Procurement Procedures (May 2021) provide a step-by-step guide to procurement activity within the College. This includes the thresholds at which different procurement routes should be followed. Again, we found that the provisions, including the thresholds described, were in line with legislation. Consistency with legislation was ensured by preparing the procedure in line with the Scottish Procurement Journey which is a continually updated source of guidance based on the current legislation. College standard documents are referenced throughout the policy and a procurement decision matrix is documented to simplify decision making for budget holders.

There is also a dedicated Procurement intranet site for staff to access relevant information and to provide a route to dedicated procurement support through the Supply Chain Manager contracted to the College by APUC.

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### **Objective 1 - 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'). (Continued)**

In 2015, the Scottish Government launched the Procurement & Commercial Improvement Programme (PCIP), which replaced the previous Procurement Capability Assessment (PCA). PCIP focusses on the policies and procedures driving procurement performance and the results then delivered. Organisations are subject to a PCIP assessment every two years with the type of assessment conducted dependent on a range of factors, including the size of the organisation and the approximate value of regulated spend.

The College's most recent assessment was conducted in October 2019 and the score achieved was 79%, which is within the gold band (lite assessment), an increase from the silver band assessment achieved in 2017. The intention moving forward is to continue to improve upon this score for the next assessment, which is due in 2022.

While the Procurement Policy and Procedures were in line with legislative requirements, there were some areas around the specific arrangements at the College, which could be enhanced to provide greater transparency. These recommendations are related to the use of purchase orders by departments, and the associated delegated purchasing authority information, and are covered in more detail below under Objective 3.

With the exception of the enhancements noted elsewhere in this report, we noted no issues with the College's Procurement Strategy, Procurement Policy and the associated procurement guidance provided to staff.



### Objective 2 - 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.

The College provides information to APUC, on qualifying spend for the year, through the Scottish Procurement Information Hub. This allows APUC to carry out data analysis. The College's Supply Chain Manager also carries out quarterly spend analysis and collates an annual spend review. Our review noted that spend is listed by supplier with key details for analysis recorded against each supplier per year. The Supply Chain Manager also tracks the supplier's contract reference, framework reference; if it is a compliant regulated contract; and the relevant sustainability risk.

A non-compliant spend report is also produced to highlight any spend that has not been made through an approved supplier. This is generated so that exceptions can be investigated further. Within the 2020/21 spend analysis report a total of 25 of the 865 suppliers examined (accounting for a total spend of £497,399) which were categorised as non-compliant. The Supply Chain Manager discusses arrangements with departments and ensures that approved suppliers are used, and Single Source Justification Forms are completed for all new suppliers where multiple supplier quotes are not obtained.

Collaborative procurement is a key element of the College Procurement Strategy (June 2021). Strategic procurement Objective 1 specifically includes a focus on developing partnerships to deliver value to users of procurement services and to deliver value for money through optimal use of procurement collaboration opportunities. The College's main partnership for collaborative procurement is the Scottish Procurement Information Hub and APUC, who can help to support work to raise awareness of public contract frameworks. There is also intelligence retained on public Scotland framework agreements used in the NHS Scotland and within English further education counterparts.

Wherever possible, the College makes use of available national framework agreements. A full list of frameworks open to the College is made available to staff on the College SharePoint site. These frameworks have previously been highlighted to staff during the procurement training sessions provided. The College Procurement Procedures include consideration of frameworks as one of its key steps and a Contracts Register detailing contracts and frameworks available for use by the College can be found on the dedicated procurement page on the College website and SharePoint.

Our sample testing of procurement arrangements noted that procedures were effectively adopted, and no control weakness were identified.





**Objective 3 - 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 Procurement Procedures state that a purchase order shall be raised to the successful supplier/contractor authorised by the appropriate person. A Quotation Summary Form must be completed and retained in the departmental shared drive. A purchase order (PO) shall be raised and issued to the successful supplier/contractor, duly authorised by the appropriate person. The framework reference number/contract number must also be stated on the PO, where appropriate.

To ensure segregation of duties, the Procurement Policy states that budget holders should have authority to initiate purchasing/procurement activity by specifying their requirements and providing budgetary authority for the expenditure. The authority to purchase, or Delegated Purchasing Authority (DPA), and the action to ultimately place the PO with the supplier should be conducted by separate individuals.

The Procurement Policy states that the College's e-procurement system, P2P, must be used for placing POs with suppliers who have been approved by the Procurement team unless another method has been authorised by Finance.

Any proposal to award a contract with a value over £25,000 without competition must be approved in advance by the Scottish Funding Council, in accordance with the requirements of the Scottish Public Finance Manual (SPFM). A Single Source Justification Form must be completed and approved prior to the award of such contracts. The Supply Chain Manager approves all spend above £3,000 and the Finance Manager must approve any spend outwith agreed budgetary limits.

We noted the College's Financial Regulations have not been updated for some time (2012) and are in progress of being updated by the Director of Finance. Staff can currently access instructions on how to raise POs via Finance's guidance documents "How to create a purchase order in P2P" (June 2021) and "How to approve orders and invoices in P2P" (September 2021), which are made available on the staff intranet.

Our review of the purchase data extracted from P2P, relating to purchases made for the 12 months from October 2020 to September 2021, noted that the 42% of purchases with no purchase order related to expenditure on staff training, expenses (such as travel expenses or memberships), utility billing, and additional expenses related to curriculum supply where no purchase order could be raised. This expenditure is approved via P2P after delegated authority review of invoices.

Management are in the process of updating the Financial Regulations. This will provide a single source of guidance around the raising of purchase orders and describe any exceptions from the general rule. Current authorisation limits and delegated authorities should also be documented for clarity.



**Objective 3 - 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. (Continued)**

| Observation   | Risk   | Recommendation   | Management Response   |                 |
|---|--|--|---|-----------------|
| <p>Review of the College’s Scheme of Delegation (approved by the Board of Management in September 2018) noted that it did not refer explicitly to the Delegated Authority Limits per role holder and requires to be updated to link with the “authorisation process by department” record which is held and maintained by Finance.</p> <p>Also we noted that the Procurement Policy and procedures do not currently describe the payment arrangements for invoices and Scheme of Delegation/ Delegated Authorities.</p> | <p>Arrangements around authorised delegated authorities are not transparent.</p> | <p><b>R1</b> The Scheme of Delegation, Procurement Policy and procurement procedures should be updated to make specific reference to the “authorisation process by department” record to ensure transparency over procurement and spending controls.</p> | <p>Although all information is in place, we accept that clarity could be improved and we will reference both the internal scheme of delegation and the “authorisation process by department” in the Financial Regulations and Procurement procedures and we will make these available on the Finance Sharepoint page.</p> <p><b>To be actioned by:</b><br/>Director of Finance</p> <p><b>No later than:</b><br/>30 January 2022</p> |                 |
|   |  |  | <p><b>Grade</b></p>   | <p><b>3</b></p> |

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### **Objective 4 - The College's procurement guidance on quotes and tenders, together with the Act and Regulations, are being complied with.**

Our review of procurement activity, completed on purchases made by the College, identified the procurement route followed for each and found that in each instance these had been carried out appropriately and in line with the College's procurement guidance on quotes and tenders, the Act and associated Regulations. A framework supplier had been used for one third of our procurement sample tested. Quotes were otherwise in place for those one-off purchases and single source forms examined were appropriate.

### **Objective 5 - All liabilities are fully and accurately recorded.**

Financial guidance documents describe the process whereby all invoices are obtained centrally by Finance and are scanned onto the P2P system for monitoring, approval and payment. In practice, invoices are sent to the departmental administrator who raised the invoice. They seek confirmation with the budget holder and confirm whether the goods or services have been received before marking the P2P system as "ready to pay". Finance use this "ready to pay" field as the indicator to then raise the BACS payment to the supplier.

However, from our walkthrough of the P2P system, and our testing of a sample of payments made, we noted that the internal control environment and segregation of duties could be enhanced and we raised this with management. The outcome of these discussions is described in more detail below.

While there is system functionality in P2P to retain evidence of goods or services received, in practice this facility is not routinely used. Therefore, we were unable to evidence a process to centrally document receipt of goods or services received prior to invoices being approved for payment through P2P. In practice, departmental administrators, or budget holders, tick a box on the P2P system to indicate to Finance to initiate payment to the supplier. There is also no formal check conducted to record that goods and services were received before Finance pay the invoice. We noted that this system functionality was made operational in P2P, relating specifically to transactions for the development of the new Falkirk Campus, in order to retain evidence of goods or services. Management take the view that there is insufficient merit in using the goods received function within P2P because a significant portion of non-pay spend is for services, rather than physical goods. All catering goods are receipted in the Hospitality Bleep system. When a budget holder approves an invoice on P2P for payment, or when an administrator confirms an invoice on P2P with a previously approved matching PO, this is their confirmation that the service has been provided, or the goods have been received. It was agreed that the update to the Financial Regulations would reinforce and clarify this responsibility to staff. It was the view of management that a full check by the Finance team of PO, invoice and GRN prior to payment was not economically justified given the low proportion and values of invoices involved, which coupled with the existing controls in already in place, should ensure that the risks are minimal.



### **Objective 6 - All payments are properly authorised, processed and recorded.**

The P2P system integrates with the finance system, SUN. Payment runs are completed every Wednesday with BACS payments being receipted by suppliers every Friday. Final Payment Reports are extracted from the system detailing the sums due to suppliers; the College ledger account code; transaction dates; transaction reference; journal number; and base amount. The Finance team review the transactions and total spend using extracts obtained from SUN which are exported into Excel. The debit balances are added from SUN, and any refunds are examined separately. Any invoices over £10,000 are checked. A trial balance report is run to ensure that all creditor balances are captured.

The Finance Manager then reviews the reconciliation and approves via email. This approval record is retained. BACS payments are then uploaded into Smarterpay by the Senior Finance Assistant. The final send on Smarterpay is then carried out by the Finance Manager. Arrangements were noted to be appropriate.

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**Objective 7 - Appropriate controls are in place over the amendment of standing supplier data on the finance system.**

The process for approving new suppliers and updating College systems is set out in the “How to Create a New Supplier” document produced by Finance (not dated) and in the “New Supplier Form – Guidance Notes” (February 2019). As part of the payment run, the Finance Manager reviews the bank details of suppliers and any changes made to standing supplier data (such as changes made to bank account details).

For changes in supplier standing information, a process is established where the Finance team contact the supplier directly using the supplier telephone number provided on their website, or from the information held on file, to verify the legitimacy of the requested changes.

| Observation  | Risk  | Recommendation  | Management Response   |                 |
|--|---|---|---|-----------------|
| <p>Without updated Financial Regulations, the process for dealing with requested changes in supplier standing information is not currently documented. In practice, changes are verified using the supplier’s original contact details by a member of the purchase ledger team.</p> <p>Exception reports relating to changes in the supplier standing data were not routinely retained to demonstrate who had completed the supplier checks, and when these checks had been carried out, in order to provide the organisation with an audit trail of the checks conducted prior to any changes to supplier standing data being made.</p> | <p>Fraudulent requests for changes to standing data may be processed.</p> <p>Reduced organisational knowledge retention on the checks made to verify changes made to supplier standing information.</p> | <p><b>R2</b> Procedures should be established to ensure that the purchase ledger team make contact with the supplier using the contact details held in SUN to confirm that the request is genuine and bona fide.</p> <p>Management should ensure that an exception report is generated for any supplier who has requested changes in their standing information to allow independent monitoring of the checks carried out prior to the changes being made. This exception report should be produced in advance of each payment run and signed off to confirm that the appropriate checks have been undertaken before payment is made.</p> | <p>Procedures do exist and are followed prior to each payment run, for changes in supplier bank details. We acknowledge that these are not formally documented and will rectify this.</p> <p>Given that payments are almost entirely electronic we view other standing data changes as being low risk but will now introduce them to the procedures.</p> <p><b>To be actioned by:</b></p> <p>Finance Manager</p> <p><b>No later than:</b></p> <p>31 December 2021</p> |                 |
|  |   |   | <p><b>Grade</b></p>   | <p><b>3</b></p> |



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# Forth Valley College

## Internal Audit Progress Report

Audit Committee 19 May 2022

Issued: 13 May 2022



# Internal Audit Progress Report May 2022

Progress with the annual plan for 2021/22 is shown below.

| Audit Area                           | Planned reporting date | Report status  | Report Number | Overall Conclusion | Audit Committee | Comments  |
|--------------------------------------|------------------------|--|---------------|--------------------|-----------------|---|
| Annual Plan 2021/22                  | May 2021               | Draft 13/05/21<br>2 <sup>nd</sup> Draft 14/05/21<br>Final 20/05/21 | 2022/01       | N/A                | 20/05/21        |   |
| Student application process BPR      | May 2022               |  |               |                    |                 | Deferred into 2022/23 internal audit programme at the request of management.  |
| Quality Assurance BPR                | September 2022         |  |               |                    |                 | This is a new review which has been requested by management and will utilise the planned days for the delivery of the Student Application process BPR and the Corporate Planning / Service Redesign review. Fieldwork agreed to commence on 06/06/22. |
| Procurement and Creditors Purchasing | November 2021          | Draft 27/10/21<br>Final 16/12/21                                   | 2022/02       | Satisfactory       | 19/05/22        |   |
| Business Continuity                  | May 2022               |  |               |                    |                 | Fieldwork has been completed and the draft report is in progress. The report will be presented to the September 2022 meeting.   |





| Audit Area                            | Planned reporting date | Report status                    | Report Number | Overall Conclusion                             | Audit Committee | Comments   |
|---------------------------------------|------------------------|----------------------------------|---------------|--|-----------------|--|
| Corporate Planning / Service Redesign | May 2022               |                                  |               |  |                 | Deferred into 2022/23 internal audit programme at the request of management. |
| Data Protection                       | May 2022               | Draft 01/04/22<br>Final 05/05/22 | 2022/05       | Good   | 19/05/22        |  |
| Follow-up reviews                     | September 2022         |                                  |               |  |                 | Fieldwork planned for June 2022.   |
| Credits audit                         | November 2021          | Draft 10/11/21<br>Final 10/11/21 | 2022/03       | No issues raised                               | 16/11/21        |  |
| Student Support Funds                 | November 2021          | Draft 10/11/21<br>Final 10/11/21 | 2022/04       | Fund statements certified without reservation. | 16/11/21        |  |

Gradings are defined as follows:

|                             |   |
|-----------------------------|---|
| <b>Good</b>                 | System meets control objectives.  |
| <b>Satisfactory</b>         | System meets control objectives with some weaknesses present.             |
| <b>Requires improvement</b> | System has weaknesses that could prevent it achieving control objectives. |
| <b>Unacceptable</b>         | 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

For context, as reported at the meeting of 16 November 2021, there were 10 live audit recommendations.

The recommendations from the reports presented in November 2021 have been added to the tracker.

The attached annex contains an update on progress against recommendations. Proposed changes to completion dates are highlighted in red and explanations for why are in the appendix.

The table below represents a summary of the current position of the recommendations as at May 2022.

|  | No<br>Priority | Priority 1 | Priority 2 | Priority 3 | Total |
|--|----------------|------------|------------|------------|-------|
| Live within date                               |                |            | 1          | 7          | 8     |
| Live recommendation passed implementation date | 3              |            | 1          | 1          | 5     |
| Completed since last report to Committee       | 2              |            | 3          | 1          | 6     |

### 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 22 - Committee structure under review and will be taken to June 22 Board of Management.<br>November 21 - The planned strategic event did not take place as planned. Once the strategic Plan 2025 is approved in February 2022 consideration will be given to committee structures and implemented from August 2022.<br>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.<br>November 2020 - No update at this time as this recommendation will be considered at the February 2021 Board Strategic session   | 31/12/2021<br>Agreed May 2021       | 31/08/2022                          |          |           |
| 2  | Externally Facilitated Effectiveness Review | Feb-21        | Ken Thomson    | Alison Stewart            | Leadership and Strategy - As part of the strategic planning process which is scheduled for later in 2021 the Board should consider mapping the ongoing and planned initiatives and projects with local, regional and national priorities and defining performance metrics which will allow internal and external reporting on the impact which these initiatives and projects are delivering.   | Mapping exercise to be conducted and workshop to be included in Strategic planning session scheduled for October 21.   |          | May 22 - Complete - Principal included this mapping in presentation to Board in Feb 22.<br>November 2021 - Discussed at meeting on 4 November and will be discussed more fully at Strategic Event in February 2022.<br>Aug 21 - Owing to availability of Board members, this session has now been scheduled for November 2021 where the mapping exercise will be considered.  | 31/12/2021<br>Agreed September 2021 | 31/03/2022                          |          | Yes       |
| 3  | Externally Facilitated Effectiveness Review | Feb-21        | Ken Thomson    | Kenny MacInnes            | Quality of the Student Experience - Consideration should be given to the production of a "You said – We did" feedback document which would capture the outputs from the student surveys and Feedback Fridays and would showcase the work which is being progressed to address the issues raised   | Feedback mechanisms (including recurring timescales) to be developed. These will be presented to the Learning & Student Experience Committee and thereafter distributed to students by FVSA.   |          | May 22 - Completion of action slipped. Estimated completion June 22. Monthly meetings with FVSA and LISEC being used to capture student concerns and feedback updates and solutions to students.<br>Nov 21 This is currently work in progress. Engagement with L&Q and the FVSA is on-going to implement the correct document format and process. On target.  | 30/11/2021                          | 30/06/2022                          |          |           |
| 4  | Externally Facilitated Effectiveness Review | Feb-21        | Ken Thomson    | Alison Stewart            | Accountability - An exercise should be conducted, ideally as an integral part of the strategic planning exercise, to revisit the Board's risk appetite for the various categories of risk on the College's Strategic Risk register. This should be done in such a way that future reporting to the Audit Committee can highlight residual risks which are sitting above the stated risk appetite level.   | A risk workshop regarding risk appetite will be held and the risk register will be considered at the strategic planning session in October 21.   |          | May 22 - Risk Appetite workshop held at February 22 Board Strategic Session. Feedback will be given to Audit Committee at May 22 meeting.<br>Nov 21 - Strategic Planning session has been delayed until February 2022.<br>Aug 21 - This will occur at the November 2021 Board session referred to above   | 31/12/2021<br>Agreed September 2021 | 25/02/2022                          |          | Yes       |
| 5  | Externally Facilitated Effectiveness Review | Feb-21        | Ken Thomson    | Ross Martin               | Effectiveness - The Chair of the Board of Management should explore ways in which staff and student input can be captured and fed into the process to set the annual objectives for the Principal.  | The Chair will have this in place by the end of the current academic year  |          | May 22 - No further update at this time. Revised timeline to be agreed with the Chair<br>Nov 21 - No further update at this time<br>Aug 21 - The Chair will utilise his existing links with the Student Association (and through them class reps – 201 reps in 2020/21) as well as with College trade union reps to gain an insight into  | 30/08/2021                          | 31/12/2021<br>Agreed September 2021 |          |           |
| 6  | Externally Facilitated Effectiveness Review | Feb-21        | Ken Thomson    | Board                     | As part of the development of the Strategic Plan the Board should develop a consensus around partnerships and collaborations with entities who are involved in fossil fuels and explain this in a way which makes it clear to stakeholders how this stance can be aligned with the Net Zero and decarbonisation agenda.   | The Board will discuss this at the next strategic planning session and develop an Ethical Policy.  |          | May 22 - This recommendation will be covered as part of the Commercialisation strategy<br>Nov 21 - Strategic Planning Session has been delayed until February 2022 and final approval likely in April 2022.<br>Aug 21 - The Strategic Planning session has been scheduled for November owing to Board members availability. Given this and the need to develop the policy following Board input, the completion date for this recommendation will need to be revised to 24 February 2022.   | 24/02/2022<br>Agreed September 2021 | 30/09/2022                          |          |           |
| 7  | Health and Safety                           | Sep-21        | David Alison   | Ralph Burns/Marc McCusker | Management should review all new staff records to ensure they have completed all mandatory training requirements within their probationary period. The root cause as to why staff records were not created on My Employee Record should be identified and a mitigating control established, such as a checklist for HR managers to check these have been established and mandatory training is completed before probationary periods are complete.  | The College is in agreement with R2 and is making adjustment to reflect the required changes. The College will review the process of identifying mandatory training for all staff to develop a matrix of mandatory training by role profile, which will be linked to staff records. A suite of reports will be developed to identify outstanding mandatory training, and when training is due to lapse, including alerts to line managers and HR managers. Completion of mandatory training will be monitored through LMT on a regular basis. Health and Safety will be added to the College risk register, and there will be a review of current processes to ensure that student Health & Safety training is being effectively recorded. | 2        | May 22 - Issues with recording of courses and reporting have been resolved<br>Nov 21 - Progress has been made, and all mandatory training courses have been re-written within Moodle to ensure they are functioning correctly and capturing details of when a member of staff completes. Work has begun on developing more comprehensive reporting.   | 31/03/2022                          |                                     | Reports  | Yes       |
| 8  | Health and Safety                           | Sep-21        | David Alison   | Ralph Burns/Marc McCusker | A more 'joined-up' approach between HR and H&S is required to ensure that H&S training needs are identified and delivered in a cost-effective manner. A process should be developed to ensure that HR and H&S teams review all specialised H&S training requests to determine need and in-house provision. All H&S training should be reported to HR using the SDAF. No H&S training should be approved without due diligence over SDAF forms by the H&S Team. Management should identify the H&S skills and knowledge needed for staff to do their job in a safe way. This could take the form of a skills matrix based on job roles that details the mandatory and desired H&S training requirements. The process for reporting H&S training needs to HR and H&S should be defined in policies for staff awareness, including that training needs be identified from completing risk assessments and who to communicate needs to. | Please see above response  | 2        | May 22 - In relation to non mandatory training the College is awaiting the output from the national support staff role profile exercise to identify role specific CPD. This, combined with the functionality of the new HR system to be deployed later, will greatly aid in developing a process for ensuring all necessary training is undertaken. As the Role profile work is being done at a sector level, the date has been changed to allow time for completion and implementation.<br>Nov 21 - Progress has been made, and all mandatory training courses have been re-written within Moodle to ensure they are functioning correctly and capturing details of when a member of staff completes. Work has begun on developing more comprehensive reporting. | 31/03/2022                          | 20/12/2022                          |          |           |

|    |  |        |              |                                       |   |   |   |  |                                       |            |                    |     |
|----|--|--------|--------------|---------------------------------------|---|---|---|--|---------------------------------------|------------|--------------------|-----|
| 9  | Health and Safety                      | Sep-21 | David Alison | Ralph Burns/Marc McCusker/Helen Young | A process for reporting refresher training compliance rates from across the College should be developed with quarterly reports provided to the HR Committee in line with good practice. H&S refresher training compliance rates should also be reported quarterly to the H&S Committee and H&S Operational Committee in support of their remits. Any gaps in compliance should be identified and support provided where necessary by the H&S Team. A process for reporting H&S training completed by a named 'Competent Persons' should also be developed, such as reports from My Employee Record. The Competent Person list should also be updated. | The College acknowledges the recommendation and will strive to verify the data received to ensure accurate data submissions and trend analysis are carried out. Links between both H&S and HR to be established and developed further as necessary Aim to obtain and retain credible data to develop a reporting structure to ensure overall compliance and reporting to the relevant committees. Further development of Moodle courses for new starts  | 2 | May 22 - Links between VLE and HR systems have been resolved so reports are now available.<br>Nov 21 - Progress has been made, and all mandatory training courses have been re-written within Moodle to ensure they are functioning correctly and capturing details of when a member of staff completes. Work has begun on developing more comprehensive reporting. Completion date revised to be in line with the previous two recommendations. The original completion date was incorrect. | 01/11/2021                            |            | Reports            | Yes |
| 10 | Health and Safety                      | Sep-21 | David Alison | Marc McCusker/Unions                  | The Health, Safety, Environment and Welfare Policy (published June 2020) should be updated with details of the mandatory and refresher training requirements and accountabilities for non-compliance should also be clearly documented. The process for requesting specialised training in line with updates made to processes in R3 and documented in the Health, Safety, and Environmental policy. The Contractor induction form should also be version controlled in line with good practice.  | Version date is 2020 with document review date of 2023 but due to the significant change in circumstances not only relating to Covid 19 but the Scottish Government environmental change the policy is being reviewed and will be discussed with the Trade Unions once they return from the summer break prior to approval. The College advises that it will work with all relevant parties to agree an updated policy that encapsulates recommendation R5 The College acknowledge the version control footer and has since been updated. | 3 | May 22 - Policy updated and approved by Health & Safety Committee in March 2022.<br>Nov 21 - Policy is under review.   | 03/01/2022                            |            | Updated Policy     | Yes |
| 11 | IT Network Arrangements/Cyber Security | Nov-21 | David Alison | Graeme Robertson                      | Formally document the College's specific cyber security risks and vulnerabilities, along with controls and mitigations, within an IT operational risk register. The format of the risk register should be in line with the College's strategic risk register and risks scored, prioritised, and monitored in accordance with the College's risk management framework.   | The IT Operational Risk Register will be re-formatted to more closely align with the College's strategic risk register, with risks scored and prioritised.  | 3 | May 22 - Specific cyber security risks have been documented, along with the creation of a "play book" detailing scenarios and responses to a range of security threats. These documents will be presented for approval to the next Information Governance meeting (June 22).   | 31/03/2022                            | 30/06/2022 |                    |     |
| 12 | IT Network Arrangements/Cyber Security | Nov-21 | David Alison | Graeme Robertson                      | Mechanisms should be established for testing the effectiveness and value for money of the security training provided to staff. The areas of the organisation that regularly feature in security reports, or achieve the lowest feedback from information security questionnaires, should be targeted for  | The IT Team will explore testing the effectiveness of training provided through the use of ethical phishing campaigns.  | 3 | May 22 - An ethical phishing campaign will be developed in July.   | 31/07/2022                            |            |                    |     |
| 13 | IT Network Arrangements/Cyber Security | Nov-21 | David Alison | Graeme Robertson                      | Explore how guidance for staff on how to manage their digital footprints safely and reduce the risk of becoming a target for attackers, both in a professional and personal capacity, and particularly through use of social media platforms can be made more widely available to staff and Board members. The Learning Digital Skills team delivering training as part of the agenda for Staff Development days should be considered.  | The existing mandatory training course will be adapted to specifically highlight the risks associated with social media platforms, and consideration will be given to running targeted training on staff development days.  | 3 | May 22 - Update to the existing mandatory course planned for July.   | 31/08/2022                            |            |                    |     |
| 14 | IT Network Arrangements/Cyber Security | Nov-21 | David Alison | Graeme Robertson                      | A review should be conducted to identify the business need for scripting languages and executables and steps should be taken to disable services for users that are not required.   | This has been considered in the past, but was deemed as low risk. Agree that a review should be conducted to identify if there is a need to address   | 3 | May 22 - Review planned for July.  | 31/07/2022                            |            |                    |     |
| 15 | IT Network Arrangements/Cyber Security | Nov-21 | David Alison | Graeme Robertson                      | A full real time test of the College's backup and recovery capability should be undertaken to test the robustness of the College's recovery plans and provide assurance that the recovery time objectives outlined in those plans are both realistic and achievable. Testing should be scheduled for a time   | Agreed. Restores of individual systems from backups are performed regularly, however there is a need to test a full system recovery from back up. An air-gapped network has now been established for this purpose. A full power down and restore has also been undertaken as part of a planned  | 2 | May 22 - A full system restore from tape has been undertaken in our test environment, and a full power down and restore has also been undertaken as part of a planned "black start" to test business continuity, with minor issues addressed.  | 31/07/2022                            |            | As per evaluation. | Yes |
| 16 | IT Network Arrangements/Cyber Security | Nov-21 | David Alison | Graeme Robertson                      | A risk-based approach should be adopted to enabling critical logs to improve endpoint security. Examples of critical logs include:<br>• Local user and group enumeration.<br>• Logon attempts with local accounts.<br>• Logon with explicit credentials.<br>• Plug-and-play device connections (e.g., USBs).<br>• Process creation.<br>• File creation.<br>• PowerShell providers loaded.<br>• Script block logging.  | The College is currently on-boarding with Jisc to introduce a Security Information Events Management (SIEM) system, starting with logging at server level. It's planned to extend logging to key workstations once all parties are comfortable with how they system functions. This recommendation reflects where we are with our implementation.   | 3 | May 22 - On-boarding with Jisc to introduce a SIEM is progressing as planned.  | 31/08/2022                            |            |                    |     |
| 17 | IT Network Arrangements/Cyber Security | Nov-21 | David Alison | Graeme Robertson                      | Use manual testing methods (for example penetration testing or red team simulated cyberattack exercises) in addition to automated tools, such as network IDS / IPS or SIEM, to test and obtain assurance that vulnerabilities are identified and managed.   | As per previous response, the College is currently on-boarding with Jisc to introduce a managed SIEM. Penetration testing will be re-introduced.  | 3 | May 22 - As above  | 31/07/2022                            |            |                    |     |
| 18 | IT Network Arrangements/Cyber Security | Nov-21 | David Alison | Laura Calder                          | It is recommended that an audit of cloud and third-party systems in use across the College estate, which are not directly linked to College Active Directory or Office365 accounts, is undertaken to identify instances of staff using College logins and email accounts and put in place procedural guidance for line managers to revoke user access to such accounts, and for staff on good password management.  | Agreed. IT are aware of a number of third-party and cloud based systems which are managed locally within Departments, where IT don't control user accounts, and therefore can't delete accounts of staff leavers etc. An audit of all systems would be beneficial. Procedural guidance for system owners will be prepared, and guidance for College staff on using college credentials for external systems will be reiterated  | 3 | May 22 - Audit is being undertaken as part of the College's Information Management Project, with review of the majority of Departments complete.   | 31/08/2022                            |            |                    |     |
| 19 | IT Network Arrangements/Cyber Security | Nov-21 | David Alison | Graeme Robertson                      | The Incident Response Plan should be finalised and communicated to all relevant staff and stakeholders to ensure that everyone's roles and responsibilities are defined and understood. This should then be supported through appropriate training. The response plan should then be practised to ensure staff know how to respond during an incident, and to also highlight any problem areas in the planned response. Practises should also include   | Agreed. The Incident Response Plan is currently in draft format, with advice on content gratefully received through this audit. Individual system RTOs are being tested on out air gapped test network. The plan will be finalised, shared appropriately and tested.  | 2 | May 22 - Incident Response Plan has been written and will be taken for approval to the Information Governance Group in June, and then on to LMT for information. System RTOs have been tested in our test network.   | 28/1/22 for plan, 31/7/22 for testing |            |                    |     |

**1. Purpose**

To present members with the Strategic Risk and Springback Project specific risk registers for the College.

**2. Recommendation**

That members note the content of the registers 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**

A new risk in relation to SQA maladministration and malpractice has been added. Internal processes and training are in place and an internal audit has been scheduled to assist with mitigation for this risk.

Some other scores have been amended to reflect current situation as indicated in the appendix

**Springback Risk Register**

A review of the register has identified 3 risks that the College is looking to retire (numbers 5 to 7) which have been overtaken by events.

It is proposed, given the remaining risks on this register, that this be the last time the register comes to Committee and is instead operationalised within the College. If the situation should change materially in the future, there is always the option to resume presenting to the Committee on this topic.

**5. Equalities**

Assessment in Place? – Yes  No

If No, please explain why – The Risk Registers do 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

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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  |   |  |   | Owners            |                 |                |              | Initial Risk Score |        |            | Score After Mitigation |        |            | Change to score since last meeting | Date Added and Date Updated |
|----|---|---|---|--|---|-------------------|-----------------|----------------|--------------|--------------------|--------|------------|------------------------|--------|------------|------------------------------------|-----------------------------|
|    |   | Causes  | Potential Consequences  | Mitigating Actions   | Actions/Progress to Date  | College Committee | Board Committee | SMT Risk Owner | Action Owner | Likelihood         | Impact | Risk Score | Likelihood             | Impact | Risk Score |                                    |                             |
| 1  | We fail to deliver a high quality learning experience and meet targets of outcome agreement | <ul style="list-style-type: none"> <li>- Failure to deliver upon digital learning strategy</li> <li>- Curriculum fails to meet need of students/employers or other stakeholders</li> <li>- Inability to access campus resources owing to Pandemic</li> <li>- Failure to provide required support levels for individual student needs</li> </ul> | <ul style="list-style-type: none"> <li>- Impact on student experience with blended learning</li> <li>- Impact on student retention and attainment</li> <li>- Impact on College meeting credit and PI targets</li> <li>- Impact on student recruitment</li> <li>- Reputational damage with key stakeholders such as SFC</li> <li>- Failure to meet sustainability ambitions</li> </ul> | <ul style="list-style-type: none"> <li>- Implementation of the Digital Skills Academy</li> <li>- Success of Project NxGen</li> <li>- Student Engagement and Feedback</li> <li>- Effective staff structures to support the student experience</li> </ul>            | <p>May 22 - LDSA has received funding for another 2 years from the College's ALF. LISEC established and monitoring the Student Journey Project. Student President sits on LISEC as Student Voice. Digital Skills self-evaluation tool now launched. ISS receiving excellent feedback from Departments. LDSA project to launch Hybrid Learning on target. Moodle upgrade completed and teaching materials transferred. Student portal App agreed as Campus M. MIS team working with Campus to create platform and launch for Aug 22.</p> <p>Nov 21 - For 2020/21 Forth Valley College has again performed well overall against our OA target figures across FE and HE categories, whilst continuing to operate in a restricted blended learning environment. The College continues to actively manage learning on and off campus to deliver the best learning experience possible while continuing to follow all necessary Scottish Government Covid guidance.</p> <p>September 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. EILS restructure launched to help improve student support and learning services as part of project NxGen FVC. 19/20 combined FVC FE/HE PIs highest in sector. FT/HE FT PIs improved on 18/19 position. FT/HE PT PIs highest in sector. 20/21 PIs not yet finalised but on target to meet OA set targets.</p> <p>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. EILS restructure launched to help improve student support and learning services as part of project NxGen FVC. 19/20 combined FVC FE/HE PIs highest in sector. FT/HE FT PIs improved on 18/19 position. FT/HE PT PIs highest in sector. 20/21 PIs not yet finalised but on target to meet OA set targets.</p> | LIPSE             | LSE             | P              | VPLSE        | H                  | VH     | 20         | VH                     | VH     | 25         | ↔                                  | Apr-21                      |
| 2  | We are unable to maximise the long term return on investment on the College estate          | <ul style="list-style-type: none"> <li>- Insufficient capital maintenance funding from SFC</li> <li>- Changes in working practices impact on demand</li> </ul>  | <ul style="list-style-type: none"> <li>- We are unable to maintain our estate to an acceptable standard</li> <li>- Impact on Student Experience</li> <li>- Creation of backlog maintenance</li> <li>- Loss of commercial income</li> </ul>  | <ul style="list-style-type: none"> <li>- Effective monitoring of lifecycle maintenance programme</li> <li>- Continue to secure best value for TFM contract</li> <li>- Development of commercialisation strategy</li> <li>- Review of campus utilisation</li> </ul> | <p>May 22 - Insufficient funds in capital grant. Currently prioritising whilst diversifying funding streams.</p> <p>Nov 21 - Highest priority lifecycle maintenance needs are being met through our 2021/22 Capital allocation.</p> <p>Aug 21 - Highest priority lifecycle maintenance needs are being met through our 2021/22 Capital allocation. Agreed appointment of Commercialisation and Skills Director with role to maximise Estates activity.</p> <p>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.</p>  | LMT               | F               | P              | VPIC         | H                  | VH     | 20         | H                      | VH     | 20         | ↔                                  | Apr-21                      |
| 3  | National bargaining adversely impacts College staffing relationships and finances           | <ul style="list-style-type: none"> <li>- National bargaining process removes ability to implement local agreements</li> <li>- Issues at national level can impact on local union relations</li> </ul>   | <ul style="list-style-type: none"> <li>- Impact on staff morale due to delay in implementation of pay awards/job evaluation</li> <li>- Action Short of Strike/Strike Action impacts on student experience</li> <li>- Reputational Damage</li> </ul>   | <ul style="list-style-type: none"> <li>- Ongoing engagement with local union representatives and Employers Association</li> </ul>  | <p>May 22 - IA dispute resolved. IA posts made lecturer roles against new lecturer role profile as of 18/6/21. Monthly LNCC and JCC meeting scheduled for academic session 21/22. Unions requests to hold more JCC meetings granted. National pay dispute ongoing. Both sides continuing with dialogue. FVC Transformation consultation launched 10/5/22. Management consulting with both Unions. Industrial action currently underway with EIS-FELA. Impact on students being mitigated at departmental level but some students will be disadvantaged. Scoring increased to reflect this.</p> <p>Nov 21 - No significant updates at this time</p> <p>September 2021 - Continued engagement with Unions through monthly, and as required, LNCC and JNC meetings to ensure ongoing communication and relationship building. Ensure open and clear communication to expedite solutions to issues as they are raised. IA dispute now resolved with EIS-FELA. 21/22 pay negotiations now open and may result in ballot for strike action.</p> <p>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.</p>   | LMT               | HR              | P              | VPLSE        | VH                 | H      | 20         | VH                     | H      | 20         | ↑                                  | Apr-21                      |

Forth Valley College Strategic Risk Register

|   |   |   |   |  |  |     |     |   |        |     |    |    |    |   |    |   |        |        |
|---|---|---|---|--|--|-----|-----|---|--------|-----|----|----|----|---|----|---|--------|--------|
| 4 | We are unable to maintain financial sustainability  | <ul style="list-style-type: none"> <li>- Political/regulatory changes</li> <li>- Changes in funding streams</li> <li>- Insufficient funding from Scot Gov/SFC to support core College activities</li> <li>- SFC new funding model potentially</li> <li>- Failure to meet commercial or student enrolment targets</li> </ul> | <ul style="list-style-type: none"> <li>- Inability to deliver high quality learning</li> <li>- Inability to react to changing economic and local environment</li> <li>- Inability to maintain College infrastructure</li> <li>- Impact on College performance indicators</li> <li>- Reputational Damage</li> </ul>                              | <ul style="list-style-type: none"> <li>- Principal and Chair represented on sector groups to lobby SFC/Scottish Government</li> <li>- Director of Business Development has strategic relationships with key stakeholders</li> <li>- Regular reporting on financial position to Leadership Team, Finance Committee and the Board</li> </ul>   | <p>May 22 - Indicative allocations announced in March 22. Consultation for FVC transformation and restructure approved by the Board and launched 10 May to reduce headcount by 41fte. Once complete we will be financially sustainable for 2022/23. Awaiting final allocation for 2022/23 and outcome of 3 year spending review.</p> <p>Nov 21 - No further update from SFC. Awaiting Scottish Government budget announcements in Dec 21. SMT working on a number of scenarios for savings/efficiencies.</p> <p>August 21 - All instructor assessors have been converted to lecturers. Applications/Enrolments for FA and HEI courses for 21/22 are down. Both of which will put pressure on the 21/22 Budget. SFC Financial Forecast Return (FFR) request issued in August 21 states that forecasts for 21/22 should be prepared on the basis of FA are funded from core credits which is in effect a cut in funding of over £1m. LMT away day scheduled for end of September to formulate action plan to address potential changes in funding.</p> <p>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 &amp; Board in June 21.</p> | LMT | F   | P | VPFACA | VH  | VH | 25 | H  | H | 16 |   | Apr-21 |        |
| 5 | A major incident prevents the College from operating  | <ul style="list-style-type: none"> <li>- Loss of access to campuses</li> <li>- Loss of access to IT from network issues or cyber attack</li> </ul>  | <ul style="list-style-type: none"> <li>- Inability to deliver learning and teaching and the impact on student experience</li> <li>- Additional costs (including ransomware demands)</li> <li>- Staff morale from uncertainty over College reopening</li> <li>- Data protection and other legal issues</li> <li>- Reputational damage</li> </ul> | <ul style="list-style-type: none"> <li>- Business Continuity Plan which is regularly tested</li> <li>- Specific IT cyber security plan and IT business continuity plan</li> <li>- Regular testing of Health and Safety systems inc fire drills</li> </ul>  | <p>May 22 - The Covid 19 experience has shown our Business Continuity process can work. Further trialling to be undertaken in 22/23.</p> <p>Nov 21 - An IT Security and Network audit has been undertaken by our internal auditors, with a rating of satisfactory. A number of minor recommendations were made, and are being addressed by the IT Team.</p> <p>Aug 21 - Updated IT Security Policy has been approved. We are currently onboarding with Jisc to introduce a managed Security Information and Event Management (SIEM) system which will monitor logs of servers and key desktop PCs.</p> <p>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.</p>  | 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                                      | <ul style="list-style-type: none"> <li>- Changes to staffing establishment impacting on succession planning</li> <li>- Impact of Covid on staff time</li> <li>- Increase in demand for wellbeing support</li> <li>- Inability to recruit/retain staff</li> <li>- Long term affordability of staffing</li> </ul>             | <ul style="list-style-type: none"> <li>- People strategy not achieved</li> <li>- Increased staff absence/decreased staff morale</li> <li>- Staffing establishment not adequate to meet operational requirement</li> </ul>   | <ul style="list-style-type: none"> <li>- 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</li> <li>- Initiatives such as time for me, weekly recharge</li> <li>- Increase in flexible working and staff autonomy</li> <li>- Futures programme to deliver effective and efficient structures</li> </ul> | <p>May 22 - Consultation document launched in May 22 will have impact on staff morale, particularly on the academic staff.</p> <p>Nov 21 - A detailed report has been produced for the HR committee showing our progress in meeting the people strategy. Extensive work has been done in health and wellbeing and in staff development. An audit of our recruitment and succession planning approach supported our position as being on track. Morale continues to be a key point of focus with wellbeing, training, structure, and management forming key elements of the support in place.</p> <p>August 21 - Revised LMT structure implemented from 1 August 21 to improve succession planning for SMT. Hybrid working pilot to be implemented following October break.</p> <p>May 21 - weekly recharge and time for you initiatives extended to July 21. Springback project launched and will look at increased flexible working.</p>  | LMT | HR  | P | 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 | <ul style="list-style-type: none"> <li>- Insufficient resource</li> <li>- Competition from other providers</li> <li>- Inability to adapt to changes in the political/economic environment</li> </ul>  | <ul style="list-style-type: none"> <li>- Loss of commercial income</li> <li>- Reduction in Modern Apprentices/Foundation Apprentices</li> <li>- Lack of influence at a regional level</li> <li>- Curriculum becomes outdated</li> </ul>   | <ul style="list-style-type: none"> <li>- Director of Business Development works closely with Scottish Government/SFC/SDS and other key stakeholders</li> <li>- FVC key partner in City Deals/Investment Zone activity across the region</li> <li>- Project NXGen</li> </ul>  | <p>May 22 - Positive start to 2022 in a number of strategic projects developing. Consultation and new structure for Commercialisation and Skills (formerly Business Development). New systems in place to improve efficiency and performance.</p> <p>Nov 21 - Director of Commercialisation &amp; Skills appointed and will start in January 2022. BP Senegal project is in place and started. Fuel Change has received commitment from Scottish Government to progress from pilot to implementation phase. Falkirk investment zone is progressing. Scottish International Environmental Centre will be locating into our Alloa campus.</p> <p>August 21 - Director of Business Development &amp; Strategic Relationships role has been split into 2 roles; Director of Commercialisation &amp; Skills which will focus on increasing commercial activity and Director of Strategic Partnerships &amp; Regional Economy which will focus on strategic funding opportunities.</p>   | LMT | B   | P | DBDSR  | M   | H  | 12 | L  | H | 8  |   | Apr-21 |        |
| 8 | SQA Maladministration and malpractice could impact on College's ability to offer courses              | <ul style="list-style-type: none"> <li>- Failure to have robust processes and staff understanding in place to ensure compliance with awarding body criteria</li> </ul>  | <ul style="list-style-type: none"> <li>- Reputational damage</li> <li>- Investigation from SQA resulting in loss of awarding body status or other special measures</li> </ul>   | <ul style="list-style-type: none"> <li>- Internal audit review of quality processes</li> <li>- Learning and Quality department in place with quality policy and procedures</li> <li>- Procedure for internal verification in place</li> </ul>  | <p>May 22 - Audit scheduled for week commencing 6 June 22</p>  | LMT | LSE | P | VPLSE  | L   | VH | 10 | L  | H | 8  |   | May-22 |        |

## 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 |

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Forth Valley College Springback Risk Register

| Risk Management and Mitigation |   |   |   |   |  | Owners               |                | Initial Risk Score |        |            | Score After Mitigation |        |            | Change to score since last meeting | Date Added and Date Score Updated |
|--------------------------------|---|---|---|---|--|----------------------|----------------|--------------------|--------|------------|------------------------|--------|------------|------------------------------------|-----------------------------------|
| No                             | There is a real or perceived risk that...                             | Causes  | Potential Consequences  | Mitigating Actions  | Actions/Progress to Date   | Springback Committee | SMT Risk Owner | Likelihood         | Impact | Risk Score | Likelihood             | Impact | Risk Score |                                    |                                   |
| 1                              | Digital learning does not meet the needs of our students              | <ul style="list-style-type: none"> <li>- Staff lack the skills to capitalise on new technology or transpose/develop material that is engaging for students</li> <li>- Students may lack the skills to confidently engage with digital learning</li> <li>- Digital learning may not meet the expectations of students who want a College experience</li> <li>- Programme content does not lend itself effectively to a digital delivery model</li> </ul>   | <ul style="list-style-type: none"> <li>- The reputation of the College could be damaged and students less likely to view the College as a place for further progression</li> <li>- Increase in student dissatisfaction or withdrawals</li> <li>- Students may not feel like true members of the College community</li> <li>- Fewer opportunities to build class/social bonds</li> <li>- Vital 'hands on' experience would be lost</li> </ul>  | <ul style="list-style-type: none"> <li>- Digital Skills Academy established to support and upskill staff</li> <li>- Digital induction and short learning courses to give students confidence and experience with digital platforms</li> <li>- Work with FVSA to more effectively engage with students</li> <li>- Recognition and prioritisation of on campus activity for these programmes when access is still restricted per Scottish Government guidance</li> </ul>  | <p>May 22 - LDSA has received funding for another 2 years from the College's ALF. LISEC established and monitoring the Student Journey Project. Student President sits on LISEC as Student Voice. Digital Skills self-evaluation tool now launched. ISS receiving excellent feedback from Departments. LDSA project to launch Hybrid Learning on target. Moodle upgrade completed and teaching materials transferred. Student portal App agreed as CampusM. MIS team working with CampusM to create platform and launch for Aug 22.</p> <p>Nov 21 - LDSA established and digital ambitions document created and released. Learning and Digital Mentors now working with staff to develop digital pedagogy support. Digital induction completed and released for induction 21/22. Monthly meeting established with FVSA and President member of Learning Improvement Student Experience Committee. Hybrid learning baseline being established to identify which programmes have worked well through Covid restrictions and identify where support should be targeted. The College continues to work with the Scottish Governments Covid guidance and has created a hierarchy of needs to prioritise a safe return to campus for staff and students.</p> | HL                   | KM             | H                  | H      | 16         | L                      | M      | 6          |                                    |                                   |
| 2                              | The College may not capitalise on the benefits of digital enhancement | <ul style="list-style-type: none"> <li>- Staff/students viewing digital learning as not being the norm</li> <li>- Systems and processes not connected</li> <li>- College transfers existing committee/internal group arrangements wholesale to digital platforms</li> <li>- Increased competition from other Colleges</li> </ul>  | <ul style="list-style-type: none"> <li>- Return to pre-pandemic materials and delivery mind-sets</li> <li>- Lack of a whole systems approach to the digital environment</li> <li>- Missed opportunity to streamline internal governance to new ways of working</li> <li>- Remote working removes traditional geographic catchment advantages</li> </ul>   | <ul style="list-style-type: none"> <li>- Digital Skills Academy leading on embedding and enhancing digital benefits to staff and student experiences</li> <li>- Applicant/Learner Journey project. Monitoring by LISEC internal committee</li> <li>- LMT to review to avoid duplication/remove redundant activity</li> <li>- Quality of the College offering/student experience</li> </ul>  | <p>May 22 - LDSA has received funding for another 2 years from the College's ALF. Digital Skills self-evaluation tool now launched. ISS receiving excellent feedback from Departments. LDSA project to launch Hybrid Learning on target. Moodle upgrade completed and teaching materials transferred. Student portal App agreed as CampusM. MIS team working with CampusM to create platform and launch for Aug 22.</p> <p>Nov 21 - LDSA working with teaching Depts. to establish Digital skills base line. Digital skills self-evaluation tool being launched for 2022 to establish baseline and build training plans for Depts. LISEC continuing to monitor progress and oversee projects. Restructure of student support dept and alignment of broad support to include digital skills support for students.</p>   | HL                   | KM             | H                  | H      | 16         | L                      | M      | 6          |                                    |                                   |
| 3                              | Hybrid working could impact on the student/staff experience           | <ul style="list-style-type: none"> <li>- Issues that students/staff may be having (e.g. workload) may be less apparent owing to remote interactions</li> <li>- Flexibility in staff hours could lead to poor service provision</li> <li>- Lack of social interaction between classes or team groups</li> <li>- Increased 'silo' working from individuals and groups</li> <li>- Lack of face to face contact</li> <li>- Reduction in levels of customer service</li> <li>- Some staff roles will be unable to access hybrid working</li> </ul> | <ul style="list-style-type: none"> <li>- Increase in stress for students/staff</li> <li>- Harder for managers to effectively lead class groups/staff groups</li> <li>- Disconnect between working patterns of key staff could impact service responsiveness</li> <li>- Increased isolation and/or mental health stress on individuals</li> <li>- Reduced class/team dynamic</li> <li>- Impact on culture of the College and loss of best practice sharing</li> <li>- College decisions taken at Departmental level</li> <li>- Impact on the culture of the College</li> <li>- Poor student/customer experience and reputational damage</li> <li>- Perception of unfairness, impact on staff morale</li> </ul> | <ul style="list-style-type: none"> <li>- Guidance for managers in effective engagement for remote learners/workers</li> <li>- Establishment of core hours for staff, balancing flexibility of hybrid working with operational needs</li> <li>- Continued promotion of support mechanisms for staff and students</li> <li>- Increased social interaction via digital platforms</li> <li>- LMT sign off</li> <li>- Enhance both formal and informal team building and social activities</li> <li>- Reaffirm a student centred approach in strategic plan/values of the College and increase staff training</li> <li>- Clear communication from managers as to the operational need for roles, building in any flexibility possible</li> </ul> | <p>May 2022 - Springback launched in March 2022 following a Manager's Conference to ensure all on message. SpringBack Advisory group will meet bi monthly to review lessons learned. lessons learned.</p> <p>Nov 21 - Launch of Springback delayed to post Christmas. Ongoing Scottish Government guidance being adhered to. Guidance in place. Regular meetings with Hybrid Working manager's group to capture best practice and lessons learned.</p>   | HW                   | KT             | L                  | H      | 8          | L                      | M      | 6          |                                    |                                   |

Forth Valley College Springback Risk Register

|   |  |   |  |   |  |     |    |   |    |    |    |   |   |  |  |
|---|--|---|--|---|--|-----|----|---|----|----|----|---|---|--|--|
| 4 | Members of the College population may not wish to return to in-campus activity | <ul style="list-style-type: none"> <li>- Anxiety regarding the ongoing pandemic, particularly among younger students who have not been able to secure vaccination or others with at risk members of their household, or those who have to use public transport</li> <li>- Reluctance to lose the flexibility from a fully at home experience and the impact on work/life balance</li> </ul> | <ul style="list-style-type: none"> <li>- Increase in student withdrawals</li> <li>- Reluctance of staff to be on campus more than timetabled leading to issues such as availability for class cover</li> <li>- Impact on staff morale or turnover</li> </ul>   | <ul style="list-style-type: none"> <li>- Clear communications in place on safety mitigation measures in campuses</li> <li>- Ensure the SpringBack experience is a positive one with individual examples shared as best practise/case studies.</li> <li>- Need to emphasise the business needs come first requiring support from union colleagues and a parameters for delivery document.</li> </ul> | <p>May 22 - SpringBack launched with clear guidelines for line managers. Regular evaluation in place through Advisory Group to tackle HR issues. Will be monitored through to Xmas.</p> <p>Nov 21 - positive discussions continue. Hybrid Working Manager's Group continue to share best practice.</p> <p>- SpringBack delayed until post Christmas</p> <p>Sept 21</p> <p>- Positive discussion with unions, agreeing common purpose.</p> <p>- Parameter document completed and circulated to managers</p> | HW  | KT | M | M  | 9  | L  | M | 6 |  |  |
| 5 | Future changes at a national level impact on the College timetable             | <ul style="list-style-type: none"> <li>- Changes to Scottish Government regulations and expectations for the College's handling of Covid</li> </ul>   | <ul style="list-style-type: none"> <li>- Impact on the number of staff and students permitted on campus</li> <li>- Disconnect with the overall Springback timelines</li> </ul>   | <ul style="list-style-type: none"> <li>- Clear leadership to ensure available on-campus resource is allocated to identified priority groups</li> <li>- Close monitoring of Springback progress and any external factors at Leadership Management Team meetings</li> <li>- Comprehensive project plan with monitoring against key milestones</li> </ul>  | <p>May 2022 Covid regulations removed from the College sector. SpringBack pilot launched in March 2022.</p> <p>Nov 21 Programmes now in place and being monitored</p> <p>Sept 21 KT on national College Principal Group meeting regularly with SG.</p> <p>- Director on Strategic Group for College sector ensuring cascade to LMT</p> <p>- LMT providing strong communications to staff and students</p>  | LMT | KT | H | VH | 20 | VL | H | 4 |  |  |
| 6 | Increased cyber and physical security risks                                    | <ul style="list-style-type: none"> <li>- Significantly increased impact in a hybrid model of IT systems issues</li> <li>- College devices in homes</li> <li>- Reduced on campus numbers may lead to opportunistic theft of materials</li> </ul>   | <ul style="list-style-type: none"> <li>- Inability to deliver learning or key College services such as student finance or payroll payments</li> <li>- Increased likelihood of theft or damage to College equipment</li> <li>- Loss of material or GDPR/other legislative breach</li> </ul>   | <ul style="list-style-type: none"> <li>- Two factor authentication reduces risk of intentional data loss</li> <li>- Use of cloud based systems and effective business continuity planning</li> <li>- All IT equipment is security marked</li> <li>- Effective CCTV coverage across all campuses</li> </ul>  | <p>May 2022 - As November 21</p> <p>Nov 21- College cybersecurity systems well advanced with high degree of comfort. DA regularly reporting to LMT and Board.</p>  | LMT | KT | M | H  | 12 | L  | L | 4 |  |  |
| 7 | The College may not have the infrastructure in place to meet demands           | <ul style="list-style-type: none"> <li>- Demand for College resources such as IT equipment for students or equipment for staff to work from home outstrips supply</li> <li>- Continued significant online activity stresses College's server/storage capacity</li> <li>- Continued heightened demand for IT equipment</li> </ul>  | <ul style="list-style-type: none"> <li>- Impact on students accessing learning</li> <li>- Potential legislative considerations relating to the College's duties for staff working at home</li> <li>- Significant increase in recovery time in the event of a cyber attack or other significant IT event</li> <li>- Delays from suppliers could impact on students/staff</li> </ul> | <ul style="list-style-type: none"> <li>- Clear processes in place to identify need and allocate resources effectively</li> <li>- Use of cloud based systems to deliver a range of digital services reduces recovery time and risk of data loss</li> <li>- Mapping of anticipated demand against existing resource to allow early ordering of key equipment</li> </ul>                               | <p>May 22 - Retired risk</p> <p>Nov 21</p> <p>- Approximately 900 laptops have been loaned to students to enable online engagement, with requests monitored and prioritised daily.</p> <p>- Through Springback project staff have been asked to identify any IT kit they require to work from home.</p> <p>- Increased use of cloud based systems to reduce reliance on college servers.</p>   | AJ  | DA | L | H  | 8  | L  | L | 4 |  |  |

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## 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                 |

### Springback Committee

|     |  |
|-----|--|
| AJ  | Applicant Journey                                |
| HL  | Hybrid Learning                                  |
| HW  | Hybrid Working                                   |
| MST | MS Teams   |
| RSS | Re-Introducing Staff and Students to Campus Life |

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# Forth Valley College

Summary of outputs from the Risk Appetite session conducted with the Board and senior managers

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May 2022

Henderson  
Loggie 



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## Risk Appetite Session

### Background

As part of the Externally Facilitated Board Effectiveness Review (internal audit report 2021/04), which was approved by the Board in April 2021, a recommendation was agreed as follows:

*“An exercise should be conducted, ideally as an integral part of the strategic planning exercise, to revisit the Board’s risk appetite the various categories of risk on the College’s Strategic Risk register. This should be done in such a way that future reporting to the Audit Committee can highlight residual risks which are sitting above the stated risk appetite level”.*

The COVID-19 pandemic impacted on the ability to meet the original target date of October 2021, to consider risk appetite as part of a Board strategic planning session. However, a face to face session was arranged on 24 February 2022 and was agreed with the Principal and the Vice Principal Finance and Corporate Affairs that the session would be delivered by David Archibald, Partner and Head of Internal Audit in Henderson Loggie, on a pro bono basis. The purpose of the session was to deliver the management action agreed in relation to the recommendation above.

### Approach

In advance of the strategic planning session, the updated Government Finance Function ‘Risk Appetite Guidance Note’ August 2021 was issued for consideration by the Principal and the Vice Principal Finance and Corporate Affairs. This document sets out 15 potential risk categories which can be scored from a risk appetite perspective on a five-point scale from Averse to Eager. These are drawn from the HM Treasury Orange Book 2020.

The Orange Book – Management of Risk, Principles and Concepts (2020) advises that *‘the Board should determine and continuously assess the nature and extent of the principal risks that the organisation is exposed to and is willing to take to achieve its objectives – its risk appetite – and ensure that planning and decision-making reflects this assessment. Effective risk management should support informed decision-making in line with this risk appetite, ensure confidence in the response to risks, transparency over the principal risks faced and how these are managed’.*

The Risk Appetite Guidance Note was developed by risk practitioners in the public sector to support colleagues in implementing effective risk management arrangements, aligned with the Orange Book principles. The guidance note defines risk appetite as *“a concept is often referenced in organisations, without clearly defining what it is. Similarly, the terms risk appetite and risk tolerance are often used interchangeably. It is equally true that many organisations already apply the principles contained in this guidance without necessarily fully acknowledging them as part of a risk management framework where risk appetite is actively considered in decision-making”.*

Risk appetite provides a framework which enables an organisation to make informed management decisions. By defining both optimal and tolerable positions, an organisation clearly sets out both the target and acceptable position in the pursuit of its strategic objectives. The benefits of adopting a risk appetite include:

- Supporting informed decision-making
- Reducing uncertainty
- Improving consistency across governance mechanisms and decision-making;
- Supporting performance improvement
- Focusing on priority areas within an organisation
- Informing spending review and resource prioritisation processes.

It was agreed that a total of nine risk categories would be scored at the session on 24 February 2022. It should be noted that some of these risk categories do not map across to existing risks on the college risk register. Nevertheless these were included on the basis that these nine risk categories reflect the areas where risk is likely to arise within the College.

## Risk Appetite Session

### Approach (Continued)

The example appetite levels, as defined by risk categories set out in the Orange Book (for the nine risk categories selected), were assessed by each of the groups attending the February strategic planning session. These groups contained both Board members and senior managers. Each group provided a score which was then discussed in a plenary format to arrive at a shared consensus for the risk appetite level for each of the nine risk criteria. These are summarised in the table below.

### Summary of Risk Appetite scores agreed

| Risk Category          | Risk Score   |
|------------------------|--------------|
| 1. Strategy            | 4 - Open     |
| 2. Governance          | 3 - Cautious |
| 3. Legal               | 3 - Cautious |
| 4. Property            | 3 - Cautious |
| 5. Financial           | 4 - Open     |
| 6. People              | 5 - Eager    |
| 7. Technology          | 4 - Open     |
| 8. Project / Programme | 5 - Eager    |
| 9. Reputational        | 4 - Open     |

### Acknowledgement

We would like to take this opportunity to thank all the Board members and senior managers who attended the strategic planning session on 24 February 2022.

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