

Zoom call @ 4.30pm

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 16 November 2021
3. Matters Arising - None
4. Travel & Expenses Policy

Senga McKerr

FOR DISCUSSION

5. Q2 Forecast Outturn 2021-22

Senga McKerr

Elements of paper 5 are withheld from publication on the Forth Valley College website under Section 36 Confidentiality of the Freedom of Information (Scotland) Act 2002

6. Review of Risk
7. Any other competent business

FOR INFORMATION

Budget Monitoring - 6 Months to 28th January 2022 - Elements of this paper are withheld from publication on the Forth Valley College website under Section 36 Confidentiality of the Freedom of Information (Scotland) Act 2002

Internal Audit Report – Procurement & Creditors / Purchasing

Zoom (commencing at 4pm)

Present: Liam McCabe
Trudi Craggs
Lindsey Hastie
Amber Little

Apologies: Andrew Caldwell
Ken Richardson

In Attendance: Ken Thomson, Principal
Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
Senga McKerr, Director of Finance (DOF)
Moirra France, Finance Manager (FM)
Stephen Jarvie, Corporate Governance and Planning Officer (CGPO)
Ester Vasallo, Supply Chain Manager (SCM), for item F/21/014 only

Members of the Audit Committee as well as the College Internal and External Auditors joined for items F/21/018 and 019.

F/21/011 Declarations of Interest

The Chair declared an interest owing to the links between the College and University of Stirling in relation to certain degree level courses and under the Scottish Funding Council (SFC) HEI funded activity.

He also noted a declaration in relation to the topics of the City Deal and the Scottish International Environmental Centre which were referred to in the papers.

F/21/012 Minute of Meeting of 5 October 2021

Members approved the minute of the meeting of 5 October 2021.

F/21/013 Matters Arising

None raised.

F/21/014 Annual Procurement Report

The SCM presented a paper seeking approval to publish the Annual Procurement Report for the year to 31 July 2021 by the end of December on the College website as well as to submit it to the Scottish Government.

She highlighted that there was an error on page 12 of the report as an objective had been missed out of the report and confirmed this would be amended before publication or submission of the report.

She also discussed the KPI's in the report, noting that some of these had not been achieved and that this was both as a result of spend related to the new campus and the Covid related closures of the College campuses which changed anticipated spend.

She also discussed the disappointing internal and external responses to supplier satisfaction surveys and that this would be looked into further.

Members noted the impact of recent circumstances on spend.

Members queried training levels for managers, noting that the rate had decreased.

The SCM confirmed to members that this matter had been looked into and that, going forward, procurement training would be embedded into mandatory induction training for new managers.

Members discussed the cash savings referred to in the report and it was agreed that, for future reports, more information would be useful to highlight this further.

Members queried whether the College still partook in the Scottish Government's Procurement and Commercial Improvement Programme (PCIP). The SCM confirmed that the College does and that the next assessment was due late 2022/early 2023 and that the hope was to maintain gold status.

a) Members approved, subject to the correction of the highlighted error, the publication of the report on the College website and submission to Scottish Government.

F/21/015 Student Funding Outturn 2020/21 & Forecast 2021/22

The DOF presented a paper outlining last year's position and the forecast for the current academic year.

She highlighted that there was a significant underspend in 2020/21 primarily due to demand levels, for example travel and childcare, when students were not in campus and also as a result of additional funding that was made available.

She confirmed that the underspend the College has will be returned, with the return to SAAS already processed and the return to SFC going soon.

In terms of the current year, she confirmed that the College had a similar allocation and would therefore not be seeking any more funding from the in year redistribution exercise. She confirmed it was difficult at this point to state the anticipated final position for the year, owing to challenges with areas such as childcare, but that she did expect the allocation would be sufficient.

Members queried if the sector underspend for 2020/21 would be available for other aspects of student support. The DOF informed members that, as it had been allocated

for a specific purpose, SFC would have to return the underspend to Scottish Government.

a) Members noted the content of the report

F/21/016 Review of Risk

No new risks identified

F/21/017 Any Other Competent Business

None

F/21/018 Annual Report and Financial Statements 2020/21 (Joint item with Audit 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

F/21/019 Draft External Audit Annual Report to the Board of Management (Joint item with Audit 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 Chair's remuneration was being addressed. The VPFA 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

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1. Purpose

To seek approval from members to implement the updated policy for Travel & Expenses.

2. Recommendation

Members consider the updated policy document and approve its implementation with immediate effect.

3. Background

The purpose of the travel and expenses policy is to provide clear and consistent guidance in regard to business travel and expenses. It covers the following:

- Expenses incurred directly by individuals in the course of business for FVC.
- Expenditure charged to College credit cards
- Business travel (including accommodation, meetings, events, subsistence, incidentals, air, rail, car etc.).
- Approval of risk assessment associated with travel.

The policy was last approved by SMT in March 2017. The core principles and practices within the policy have not significantly altered, although to improve clarity, the document itself has been rewritten and reorganised.

4. Key Considerations

The key consideration for members:

- Since the policy was last reviewed, FVC has introduced the use of Key Travel as a “one stop shop” for all travel and hotel bookings
- The implementation of hybrid working, within the context of “normal place of work” and how this affects expense claims, has been included. Specifically, that where an individual is required to attend campus on a day that they would normally work at home, travel expenses are not claimable for these journeys.
- The approval for expense claims made beyond the 3 month time limit is amended to require Director of Finance sign-off. This is to tighten procedures to prevent individuals hoarding expenses before claiming.
- Rates of allowances have been reviewed against HMRC guidelines, and initially no changes were required. LMT subsequently approved a £5 increase to each of the meal allowances for London.
- Following Brexit, it is noted that the EHIC card has been replaced with the UK Global Health Insurance card (GHIC) for travel within Europe.

5. Financial Implications

There are no direct financial implications of this paper.

6. Equalities

An equalities assessment is not applicable given the nature of this report, however section 2.3 of the policy document recognises that individuals may have specific additional needs and these will be taken account of whenever possible.

7. Communications

Once the updated policy is approved and uploaded to the Finance SharePoint page, communication via e-focus will be required to inform staff of the revised policy and remind them of their responsibilities in relation to travel and expenses.

8. Risk

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	x	x

The risk of staff being unhappy about any of the changes, or not complying with the policy are low given that the changes are mainly reflecting practices that have been in place for some time.

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

Travel and Expenses Policy

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Status	Approved LMT March 2022
Date of version	15 th March 2022
Responsibility for Contents	Vice Principal of Finance & Corporate Affairs
Responsibility Review	Director of Finance
Review Date	March 2025
Primary Contact	Director of Finance

1 INTRODUCTION

1.1 Purpose and Scope of the Policy

The purpose of this policy document is to provide clear and consistent guidance in regard to business travel and expenses. It covers the following:

- Expenses incurred directly by individuals in the course of business for Forth Valley College (FVC).
- Expenditure charged to College credit cards provided by Forth Valley College
- Business travel (including accommodation, meetings, events, subsistence, incidentals, air, rail, car etc.).
- Approval of risk assessment associated with travel

If further clarification is required, guidance should be sought from the Finance team or relevant SMT member **before** a booking is made or expenses are incurred.

This policy applies to all employees of FVC and Members of the Board of Management. This includes all individuals with a contract of employment, including fixed-term contracts and seconded staff from third party organisations.

2 DEFINITIONS AND GENERAL INFORMATION

2.1 Definitions

The following definitions apply throughout this policy:

- Domestic Travel – travel within the UK
- International Travel – travel outwith the UK
- Extended travel – travel which includes an overnight stay
- Departmental trips – excursions which include staff and students

2.2 Normal Place of Work and Hybrid Working

An employee's normal place of work is deemed to be their usual FVC campus. As such any travel between home and campus is not an allowable business expense. The implementation of hybrid working is likely to result in individuals agreeing with line managers, a schedule of days in campus and days at home for a typical working week.

Where an individual is required to attend campus on a day that they would normally work at home, travel expenses **should not be claimed** for these journeys.

2.3 Equal Opportunities

FVC recognises that individuals may have specific additional needs and these will be taken account of whenever possible. Any identified needs in relation to business travel should be discussed with an employee's line manager and/or HR Business Manager.

2.4 Travel insurance

FVC has liability insurance to cover all its employees, students and activities, provided the activity is authorised and within FVC policies and procedures. Compliance with this policy will ensure that the College insurance is valid. Please contact the Finance Manager for a copy of the insurance policy prior to any international travel.

The previously issued European Health Insurance card (EHIC) remains valid until the expiry date on the card. Thereafter, it is recommended that all staff apply for the UK Global Health Insurance card (GHIC) for travel within Europe.

Where a member of staff hires a vehicle, they must ensure they have included the appropriate insurance cover from the hire company and that their driving licence qualifies them for the class of vehicle to be driven and the country that they are driving in. It is essential that the local driving laws are adhered to and staff must ensure that these are understood before driving.

2.5 Contact Information

Individuals should ensure that their line manager is provided with details of all travel/accommodation arrangements and contact information. It is also important, for business continuity and travel security reasons that line managers are aware of travel locations and meeting venues at all times.

3 FVC TRAVEL PROVIDER

3.1 Key Travel Booking Process

FVC engages the services of Key Travel, a 'one stop shop' for all business travel and hotel bookings, and must be used for the majority of travel bookings. Please see the Buyer's Guide for Business Travel on SharePoint.

When booking travel, travellers must provide the information specified below, to the member of staff completing the booking request. This will allow Key Travel to progress with the bookings, and provides the College with relevant management information:

- Title
- Contact telephone number (preferably a mobile)
- Passport number, place/date of issue, date of expiry
- Full name as printed on the passport
- Nationality
- Date of birth
- Purchase order number
- E-mail address

Failure to provide the information above will delay the travel booking. All information captured is protected under the Data Protection Act.

3.2 Travel under £50

Bookings for less than £50 do not require to go through Key Travel. Instead the travel arrangements should be made independently by individuals preferably by way of a College procurement card or claimed in line with expense rules. Where travel bookings are for less than £50, no quote is required from the travel supplier.

4 EXPENSE CLAIM DETAILS AND SUPPORTING INFORMATION

4.1 Required Details

Expense claims should include sufficient detail to evidence compliance with this policy. As a minimum claims should include:

- Date of expenditure
- Reason for expense
- Actual cost including VAT
- Names of other FVC passengers in vehicle for the business journey
- Names of other parties in receipt of hospitality
- The exchange rate used for any foreign currency transaction
- Any other relevant information

4.2 Receipts

All original itemised receipts must be submitted as part of the expense claim – copies or credit card statements are not acceptable substitutes for original receipts. Credit card statements should be provided, where appropriate, as back-up for sterling value of foreign currency transactions. If no receipt is available, the expense can only be reclaimed if an adequate explanation is provided, as to why a receipt could not be obtained. 'Lost receipts' is not a satisfactory reason.

4.3 Tickets and Reservations

For all relevant travel or accommodation claims, a copy of the ticket /receipt and/or hotel reservation booking must be provided to demonstrate policy compliance

4.4 Exceptions

In the exceptional situation where an employee is unable to comply with the policy, but believes that legitimate business expenditure has been incurred, the expense item should be clearly highlighted as non-compliant, including an explanation. This does not guarantee that these non-compliant items will be reimbursed, but it will ensure that they are identified and reviewed promptly.

5 SUSTAINABLE DOMESTIC TRAVEL

5.1 Method of Travel

FVC recognises that travel is necessary for the business. Public transport, use of College electric cars and particularly standard class rail travel is the preferred means of travel where possible. When deciding whether travel is necessary and determining the most appropriate method of travel, individuals should always consider:

- CO² emissions relating to any journey
- Whether the meeting could be held by conference call
- The most effective use of resources, including time spent travelling
- Travel distances and access to public transport for all participants involved when arranging a meeting; and
- Risk management and health and safety issues.

5.2 Minimising Journeys

Whenever possible, individuals should aim to reduce 'single occupancy' travel by car-sharing with colleagues and maximise the time at the destination by arranging multiple meetings on the same day, thereby limiting the need for repeat journeys.

5.3 Travel Between Campuses

5.4 Travel between campuses is detailed in the [campus travel guide](#) which is found on the HR SharePoint page.

6 EXTENDED & INTERNATIONAL TRAVEL - HEALTH, SAFETY & SECURITY

6.1 Health, Safety and Security

Under the Health and Safety at Work Act 1974 and Management of Health and Safety at Work Regulations 1999, the College is required to ensure that all work related travel is safe, planned and risk assessed in advance of travel commencing and is approved by the relevant line manager.

FVC has a duty of care for all staff whilst travelling overnight or overseas on FVC business, and reasonable controls must be in place to minimise risk. The individual employee also has a responsibility to adhere to FVC's procedures regarding overseas travel and should take reasonable steps to avoid potential risks.

Travel security advice and other relevant information can be found for many countries and cities, by accessing the Foreign, Commonwealth & Development Office (FCDO) website.

6.2 Forms Required for Extended or International Travel

To request authorisation for extended travel or international travel, a travel requisition form **FVC24** must be completed along with the risk assessment form **HS 013a** and any medical declaration forms, **FVC63**. Completed forms should be sent to the relevant Director/Head of Department for initial authorisation, and should include dates, location, travel arrangements and itinerary for the trip. These must be completed (a minimum of 2 weeks) **before** any travel can proceed, and can be located on the Finance SharePoint page.

- FVC 24 Approval for Foreign and Extended Travel;
- HS 013a Risk Assessment for Foreign and Extended Travel;
- FVC 63 Medical Declaration Form (for each traveller)

The forms should then be submitted to the Vice Principal of Finance & Corporate Affairs. A list of travel and associated documents must be kept within the College with a departmental contact available at all times during the trip.

6.3 Approval for Extended / International travel: Form FVC24

Forms must be submitted initially to the Director/Head of department, allowing time for full authorisation to take place: normally a minimum of 2 weeks before travel, however FVC recognises that exceptional circumstances may occasionally arise. In this event, it is essential that the request is communicated and authorisation is confirmed before travel is arranged and undertaken.

All key aspects of the trip will be reviewed to ensure that the necessary financial arrangements and risk control measures have been undertaken.

6.4 Risk Assessment Process: Form HS 013a

All extended / international travel must be risk assessed, to identify the foreseeable hazards associated with the travel and assess the inherent risks. This should include personal health, safety and security as well as natural and political hazards.

The form HS 013a outlines the areas of responsibility of the College, the employee and the students travelling.

Issues which will require consideration during the risk assessment process, include, but are not limited to:

- Assessment of suitability to travel to the trip location. This should be evaluated prior and during the trip using information from the Foreign, Commonwealth & Development Office (FCDO) and any local embassy guidelines.
- Staff/student 'fitness' to undertake the actual travelling (pre-existing medical conditions).
- Suitability/location of accommodation for all individuals; consideration of male/female group and appropriate supervision.
- Specific health related travel issues e.g. jet lag, Deep Vein Thrombosis (DVT), manual handling of luggage, etc.
- Personal safety e.g. accidents, crime, political instability, local customs and laws.
- Country specific legislation and/or customs.
- Climate/season e.g. hot/cold/humid extremes, some diseases are also weather/season dependent.
- Activities to be undertaken – work and leisure.
- Location being visited e.g. urban and rural travel may pose different risks.
- Essential and advised immunisation/vaccinations required.
- Lone working issues.
- Duration of trip.
- Dietary advice – including food/water hygiene and risks from local food and its preparation/handling, contaminated water, soil and air borne organisms or food allergies.
- Diseases spread by animals, insects and personal contact.
- Emergency arrangements including medical and travel insurance – including repatriation.
- Mode of transport – both to, from and within the country and location being visited.

6.5 Medical Declaration: Form FVC 63

All individuals travelling must complete a FVC 63 – Medical Declaration Form to confirm they are fit for travel and communicate any medical conditions or allergies. All FVC 63 forms should accompany the initial travel request documentation, form FVC 24.

Individuals are responsible for checking and implementing any necessary health requirements as soon as travel has been approved, including any vaccinations. Advice is available from GPs and health centres.

All information obtained on the FVC 63 will be held for the purpose of travel only. All forms will be held confidentially with the travel documentation, kept for 3 months after the trip and then destroyed via the confidential waste procedure.

Where a member of staff/student indicates that they have a pre-existing medical condition or other related issue that may affect their ability to travel or work abroad, managers may wish to seek advice from HR/Occupational Health. It is also advised that any person travelling abroad on work purposes, particularly on long-haul flights, seeks confirmation from their GP that they are fit to travel. Inoculations required for the trip location must be organised in sufficient time for travel. Any costs of inoculations for staff charged by the GP will be reimbursed by FVC.

6.6 Passports and Visas

Individuals are responsible for obtaining a valid passport and applying to secure a visa (if applicable). Advice on visas should be checked as soon as a trip is planned, ensuring sufficient time is given to process the request. Any costs associated with securing a visa will be reimbursed by the College and employees should submit a claim through the expense claim form on SharePoint.

7 CONDITIONS OF TRAVEL

Once the trip has been confirmed and authorised, the following conditions apply:

7.1 Time Off in Lieu and Overtime

Travel time outside of normal working hours can be claimed as Time Off in Lieu. Overtime worked during the trip should be claimed in line with the Working Practice Agreements and approved by the Director/Head of department.

7.2 Emergency

Individuals should ensure access to either a personal, or College, credit card whilst on the trip. In the case of an emergency, which requires additional expense to be incurred, the College will reimburse the employee as soon as practicable. Receipts must be provided to claim reimbursement. Emergencies are deemed as events likely to affect safety/security or an emergency at home.

7.3 Communications

If using a mobile phone or chargeable internet access abroad, the College would pay for costs of calls in country, to the UK or internet access, provided that receipts are kept for itemised calls or pay-as-you go top-up with a list of calls. Alternatively the College can provide individuals with a mobile phone for the duration of their travel. All calls must be deemed reasonable and of a justified duration. Internet access should be costed before use and any other communications kept to a minimum. A College mobile phone can be requested from the IT Helpdesk. The costs of personal calls are covered by the overnight incidental allowance. See Section 11 below.

8 TRAVEL AND EXPENSE COMPLIANCE

8.1 Expense Claim Timescales

Expense claims must be made within 3 months of the expense being incurred. Failure to do so will result in claims being declared invalid and may not be paid.

Any claims made outwith the 3 month period will only be paid with the written approval of the Director of Finance. It is the individual's responsibility to seek such approval in these circumstances.

8.2 Payment Arrangements and Recoveries

Expense reimbursements are made on a weekly basis. FVC reserves the right to recover from individuals any overpayments of travel or expenses. Recovery may be made by deduction from further expense claims or via salary deduction.

Costs incurred during travel which have not been directly invoiced should preferably be paid by a College credit card.

Advances in foreign currencies may be given, and on return must be accounted for through a foreign currency advance expense claim. Failure to do so will result in the cost of the advance being deducted from future expense claims.

8.3 Air Travel

Individuals should book flights as early as possible to provide choice and ensure value for money. Flights should be Economy Class, and the cheapest available option, subject to reasonable connections and stopover times.

Premier Economy flights or additional leg room seats are permitted where the total international flight time, including onward connections, is in excess of 7 hours (excluding any stopover time).

Frequent Flyer schemes offer a range of benefits to regular travellers. It includes the use of special lounges and other modest benefits which are available as part of the journey. Individuals are free to take up these offers, which can be regarded as de minimis. However, these can only be accepted if no additional cost is incurred by FVC. FVC will not reimburse frequent traveller membership fees under any circumstances.

8.4 Domestic Rail Travel

Standard/Economy class rail travel should be booked for all journeys. Rail travel is the preferred method of travel around the UK, including London, whenever this is feasible.

Personal rail concession cards/tickets can be used but only if the cost is less than or equal to the standard rail fare.

8.5 Rail Travel when Overseas

The class of travel should be the equivalent of Standard/Economy class rail travel in the UK. Receipts should be kept and submitted as part of the individuals expense claim if these tickets cannot be organised prior to travel.

8.6 Car or Minibus Hire

Car or minibus hire should only be used when the College cars or minibus are not available or suitable, and when public transport is not viable or cost effective. Where more than one member of staff is travelling and the cost of car/minibus hire is less than the combined public transport cost, then vehicle hire may be appropriate.

Any staff member wishing to hire a minibus or car must comply fully with the Health and Safety Policy regarding driving for work. If a College vehicle is being used, please ensure compliance with the code of conduct for use of College vehicles.

Individuals can claim the lesser of:

- The actual hire cost for the period of the journey including refuelling costs; or
- Mileage allowance for the business journey.

The College insurance scheme does not cover staff when hiring vehicles, therefore Comprehensive Insurance should be arranged with the hire company. The hire invoice should be checked to ensure mileage and times are accurate.

8.7 Mileage

Mileage will be paid in respect of any journey which starts and finishes at the normal place of work, i.e. mileage incurred travelling to and from the usual campus for business purposes. Where a journey does not start and finish at the normal place of work, employees are entitled to claim the lesser of the actual number of miles driven, or calculated as if the journey started at and returned to the usual campus.

Where employees are driven by a family member or friend to or from an airport, the equivalent mileage cost of the return journey may be claimed, but it must be claimed under other travel costs, not as mileage.

An additional 5p per person per mile can be claimed for each Forth Valley College passenger carried on a business journey. The passenger must be a fellow Forth Valley College employee and their name(s) noted on the claim.

8.8. Car Parking

The cost of car parking away from the normal place of work and associated with a business journey will be reimbursed. When parking at an airport for onward journey, the long stay car park should be used where possible, unless a cheaper alternative is available.

Parking and speeding fines are not legitimate business expenses and cannot be reclaimed.

8.9 Taxis

Taxis may be used for business purposes where there is no suitable public transport, or when travelling with excess luggage or equipment. Individuals should give due consideration to value for money and their own personal safety.

Tips on taxi fares may be claimed where incurred to reward good service. Individuals should exercise discretion and ensure that any tip does not exceed local customary levels. Where taxi receipts are handwritten, please ensure that the receipt is for the gross value including the amount of the tip.

8.10 Accommodation

It is College policy to use standard hotel rooms or equivalent and the cost of any upgrade should be settled at the expense of the individual. The room rates are set with upper limits on the Key Travel booking system. Justification is required for requests beyond these limits, and should be advised to the Finance Manager.

Where accommodation is provided as hospitality to external customers or partners, individuals should contact the Finance Manager to agree the most appropriate payment method.

8.11 Non-Compliant Booking Authorisation

Any travel bookings made outwith this Policy should be approved by the relevant member of SMT.

8.12 Personal Travel

Personal travel may be included as part of a business trip, subject to prior authorisation. All excess costs, beyond the business travel and accommodation should be paid for by individuals. Personal travel will not be booked by FVC, individuals must make their own arrangements. Personal travel is not covered by FVC insurance.

9 EXPENSE CLAIM AUTHORISATION

9.1 Expense Claim Authorisation

Expense claim authorisation is via the Finance SharePoint page with all travel claims being approved by an individual's line manager. Line managers are responsible for checking the legitimacy of the claim before the claim is approved and forwarded to Finance for payment.

Checks will be carried out by the Finance team to ensure adherence to the policy.

10 SUBSISTENCE COSTS

10.1 Definition

Subsistence includes the cost of accommodation and meals incurred when individuals are required to work or stay away from home. It does not include incidental costs such as newspapers, private telephone calls etc. Please refer to Section 11 Incidental Expenses for further details. Details of subsistence rates can be found at Appendix 1.

10.2 Food and Drink

Where individuals work away from home overnight or away from any of the FVC campuses, the receipted costs for meals may be claimed, subject to sections 10.3 and 10.4 below.

With the exception of water, refreshments purchased outwith a meal cannot be claimed through expenses, unless as part of a business meeting with external parties. Such costs should be claimed as business hospitality.

Where an individual settles the subsistence bill of another employee, the name(s) of the others should be included in the claim form. The most senior member of staff present on such occasions should incur the costs and claim the expenses.

10.3 Breakfast

When required to stay overnight away from home and breakfast has not been included in the hotel rate, receipted costs for breakfast including any gratuities or taxes can be claimed through expenses up to the set limit for the country the cost has been incurred in. Please refer to Appendix 1.

Where individuals are required to leave home before 7am for onward business travel, receipted breakfast costs up to a maximum of £10 can be claimed through expenses.

10.4 Lunch and Dinner

If working away from the normal place of work, individuals may claim the lower of the actual costs (with receipts) and the specified limits for lunch and dinner. To be eligible to make a claim, individuals should be more than five miles from both home and any of the FVC campuses, for at least five hours with no food provided. The period of absence is calculated on the actual time of absence, based on departure time from home or office and time of arrival back at home or office.

The receipted costs including gratuities or taxes can be claimed through expenses up to the set limit for the country in which the cost is incurred. Individuals can incur costs over the specific limits however this excess cannot be claimed. These limits are set to meet the replacement cost of a "typical" equivalent meal for employees, they are not set to meet the cost of business dinners – these costs should be claimed as business hospitality.

It is accepted that an alcoholic drink may be ordered with an evening meal, with the cost of the drink included within the dinner cost limit. Please refer to Appendix 1. The cost of food should not be outweighed by the cost of the alcohol. Lunch should not include alcoholic beverages.

10.5 Hospitality

Only hospitality offered to external customers and partners (e.g. business lunches, post-meeting refreshments etc.) can be claimed through expenses. Costs over £200 (total) or over £50 per head (whichever is the lower) should be authorised by the relevant Director/Head of department or Vice Principal in writing prior to the event and submitted with the claim.

In-house restaurant facilities should normally be used for working lunches, however purchase can be made from other suppliers if shown to be better value for money. Internal recharges for use of the Gallery Restaurant is permitted where external visitors are attending. Details of external visitors should be given at the time of booking.

10.6 Gratuities and Tips

On occasions where warranted by good service, a gratuity may be provided as part of the cost of dining. Individuals should exercise discretion and ensure that the cost of the meal does not already include a service charge. The gratuity should not exceed local customary levels and may be reclaimed as part of the subsistence cost, up to the maximum meal limit.

Other than for meals, portage and taxi journeys, tips/gratuities are regarded as personal incidental expenses, explained in section 11 below.

11 INCIDENTAL EXPENSES AND OVERNIGHT ALLOWANCES

Personal incidental expenses incurred during a business trip are not classified as subsistence and are subject to particular rules. Incidental expenses include, but are not limited to, the cost of newspapers, private telephone calls, mini bar costs, in-house movies and laundry costs. Tips/gratuities for personal service are also regarded as incidental expenses.

An overnight allowance is payable to cover the cost of all such incidental expenses. Individuals should not reclaim costs incurred on such items in addition to, or as a substitute for, the overnight allowance. The following limits apply:

- Domestic travel overnight allowance £5
- International travel overnight allowance £10

12 OTHER BUSINESS COSTS

Individuals may incur costs in respect of their employment and depending on the current HMRC rules and the College's operating framework, such costs may, or may not, be chargeable through business expenses.

Prior approval, and guidance, must be sought from Finance prior to incurring costs and submitting any claims.

13 NON COMPLIANT TRAVEL AND EXPENSES

13.1 Reporting of Non-compliance

Sample audit reviews will be carried out by the Finance team on submitted travel booking documentation and expense claims. Any queries on the content of claims will be directed to the employee in the first instance.

Details of all non-compliant travel and expenses will also be reported to the relevant LMT member and the Vice Principal of Finance & Corporate Affairs.

Where individuals make a false claim or declaration for reimbursement of expenses which does not conform to this policy, disciplinary action may be taken. Individuals may also be asked to repay any monies that have been claimed by the employee or incurred by the College, which are non-compliant with this policy.

APPENDIX 1**Subsistence Meal Rates**

	Breakfast	Lunch	Dinner
UK (except London)	£10*	£10	£30
London	£15*	£20	£50
Europe	€20	€20	€40

The allowances for all other destinations will be provided by the Director of Finance as required.

* Only applicable if accommodation booked on room only basis, and does not include breakfast.

APPENDIX 2**HMRC Mileage Rates**

Vehicle type	Up to 10,000 miles	Over 10,000 miles
Car	45p per mile	25p per mile
Car – additional FVC passengers	Additional 5p per passenger per mile	Additional 5p per passenger per mile
Motorbike	24p per mile	24p per mile

	COST CATEGORY	CLAIM THROUGH STAFF EXPENSES	NOTES
TRAVEL	CAR MILEAGE Home to normal place of business	No	
	Secondary journeys outside normal business hours defined as: - On weekdays which require staff to return home before commencing a second journey to a business destination e.g. where preparing for a business dinner/travel. - Any essential business journey undertaken at weekends or on public holidays, with the exception of home to campus journeys.	Yes	
	RAIL Can I travel other than economy /standard class?	No	First class travel is allowed on journeys over 5 hours (one way) and journeys from Scotland to London. For shorter journeys economy/standard class should be used.
	Can I claim for meals and refreshments during my journey?	Yes	If the business journey relates to an overnight stay and spans a normal meal time, receipted meal costs can be incurred in line with the subsistence rules. Meals outwith these rules and any refreshments are not allowable business expenses.
	FOREIGN CURRENCY COSTS Commission and/or buy back guaranteed costs associated with FC obtained via corporate/personal credit card.	Yes	Receipted commission and buy back costs for foreign currency are allowable business expenses and can be claimed through staff expenses. Currency exchange losses incurred when buying-back guarantee is not obtained are not allowable costs.
	CAR PARKING AT NORMAL PLACE OF BUSINESS	No	Not allowable expense.
HOSPITALITY	INFORMAL CORPORATE HOSPITALITY The provision of low-level routine hospitality e.g. business lunch, refreshments after a meeting etc.	Yes	Routine hospitality can be claimed through expenses. Amounts in total over £200 or £50 per head (whichever is lower) should be authorised in advance. Internal recharges of lunches/dinners in the Gallery Restaurant is allowed for external hospitality only.
	STAFF ENTERTAINING Staff celebratory events e.g. Christmas party	No	
	Entertainment of staff as reward/recognition of service provided	No	
	Hospitality offered to employees (no external party in attendance) e.g. at the end of a team away day	No	Hospitality provided to employees is not an allowable expense and the normal rules and rates of subsistence should be applied.
CORPORATE PURCHASES	MOBILE IT EQUIPMENT ACCESSORIES	Yes	The following peripheral kit required to support FVC provided mobile IT equipment can be purchased and reclaimed through expenses: <ul style="list-style-type: none"> • Replacement power packs /chargers • Screen protectors • Cases Note: Car chargers are not an allowable expense. IT accessories can be sourced through the IT Department. Items greater than £20 must be purchased through the IT department.
	OTHER COMPUTER EQUIPMENT AND SOFTWARE	No	All other IT purchases should be requested through the IT department.
	OTHER OFFICE EQUIPMENT PURCHASES	No	All purchases of office equipment should be made by the Estates department.

APPENDIX 4

Travel Time – Time Off In Lieu (TOIL)

EXTENDED (OVERNIGHT) / INTERNATIONAL TRAVEL	CLAIMABLE TIME	TIME OFF IN LIEU
Travel on a non-working day	Total travel time from home to end of journey	Yes
Travel on a working day	Total travel time out with core College hours less normal home to College travel time	Yes
LOCAL / RETURN ON SAME DAY TRAVEL	CLAIMABLE TIME	TIME OFF IN LIEU
Home -> College	Not claimable	No
College -> Home	Not claimable	No
Home -> external location -> College	Total travel time outwith core College hours to external location less normal home to College travel time	Yes
College -> external location -> Home	Total travel time outwith core College hours from external location less normal College to home travel time	Yes
Home -> external location -> Home	Total travel time outwith core College hours less normal home to College and College to home travel time	Yes

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1. Purpose

To present the Forecast Outturn for Academic Year 2021-22 to members for discussion.

2. Recommendation

For members to:

- Discuss the Forecast Outturn for the year to 31 July 2022 and note the changes from budget including the remaining risks therein.
- Note the potential for increased level of provisional funding for the Voluntary Severance scheme.
- Note that the level of donation to the ALF from the BP Senegal contract, will ultimately depend on the operational outcome for the year, the final cost of severance and the decision from SFC on whether FVC can carry forward any of the unspent £1.8m in to 2022-23.

3. Background

A forecasting exercise is carried out to allow us to ensure our financial targets are in line with original budget expectations and to allow us to factor in any changes that have occurred since the Budget was approved in September 2021. The original budget was prepared on the basis that social distancing would be in place, and delivery would return to face-to-face teaching wherever possible, with no further forced closures of our campuses. This has, more or less, been the situation in the first half of the year.

This report provides a summary of the College's Income & Expenditure forecast outturn for the Academic Year 2021-22 compared to the original budget, assuming that the campus situation continues as present, or indeed improves.

4. Key Considerations

SFC gave approval for the College to carry forward the adjusted operating surplus of £1.8m realised in 2020-21, to be spent on a restructuring programme, implementation of new processes and systems to achieve efficiencies, and costs deferred from 2020-21.

This resulted in the presentation of a deficit budget for 2021-22, and this forecast maintains that deficit adjusted operating position of £1,750k, albeit with the final allocations of £1.1m of spend remaining to be determined once the following is known:

- The outcome of conversations with SFC on further carrying forward the element of the 2020-21 surplus still unspent due to the size and volumes of projects to be completed within the timescales
- The final costs of the Voluntary Severance scheme
- The amount that can be donated to the ALF once these 2 issues are resolved.

Appendices 1 and 2 present the Q2 position in detail against budget, and then split in to core and non-recurring activity.

The revenue forecast, as detailed in [Appendix 1](#), is showing an operational deficit before non-cash items of £470k against the original budget of £776k deficit, which is an improvement of £306k for core operations. However, [the core position for the College is a small surplus of £152K](#) which is not quite sufficient to cover the loan repayments. It is this core position [that provides the baseline going forward](#) and is the focus of LMT.

[REDACTED]

[REDACTED]

[REDACTED]

Unresolved issues and areas of risk

The final outturn for the year will depend on the outcome of various issues, namely:

- Outcome of the Voluntary Severance scheme announced on 11th February, including the costs of pension strain payments for LGPS members.
- ESF clawbacks for prior years being clarified. This historically has taken 3-4 years to be resolved.
- A pay increase of £850 plus a non-consolidated £150 for academic and corporate services staff has been offered as a full and final pay deal, and is included in this forecast from September 2021. Both Unions have currently rejected this offer.

5. Detailed Narrative on Q2 forecast

Overall income is a decrease on budget of £337k

SFC grant income is down by £117k. Within this drop are 2 estimates in relation to potential clawback of funding - £68k for the ring-fenced YPG/NTTF credit delivery, and £91k for ESF 2020-21 activity which has had issues with the administration of paperwork to allow claims under the ESF rules.

Tuition fees are down by £35k. The main receipt of SAAS tuition fees is in January each year, and income was slightly down on prior year where HN courses had been particularly popular. We are forecasting receipt of £77k in the remaining 6 months of the year. Income of £1.4m is consistent with historical levels.

HEI tuition fees are a £66k decrease on budget due to poor recruitment on to Heriot Watt and Napier programmes. This affects income but not costs as these students infill to the mainstream HN classes.

International income is down by £62k, primarily due to a slight shift in delivery weeks for the BP Senegal programme, but with no overall change to the end date of December 2022. £76k of income is thus deferred into 2022-23.

The increase of £32k in Commercial training comprises a mix of ups and downs across the areas, but nothing significant of note.

The reduction in income from **Modern Apprenticeships of £26k** comes from a drop in SDS milestone income of £30k, following fewer starts in January plus delays in some outcome payments due to assessor staff sickness and a qualification issue, pushing income out.

Income from Foundation Apprenticeships is up £63k. At the July year end there was a substantial accrual (£869k) for unclaimed milestones and incomplete milestones. These are now completed and agreed with SDS, and resulted in receipt of an extra £80k.

Catering and Hospitality income has been forecast for the remaining 6 months at similar levels to the first half of the year, reflecting current activity levels and February and Easter closures.

Items to note within the decrease in **Other Income of £64k** are a shortfall in **Hair & Beauty income £39k** as salons have been unable to open, and a reduction in **accommodation income of £34k** following the decision to delay hiring out campuses facilities due to the continuing Covid restrictions.

Grants from the ALF comprises 2 projects – staffing costs for the Enable FVC project £143k and a curriculum manager for the SERC project £25k. Income is matched to expenditure, hence the variation from budget.

Funded Projects include many different projects across the College, with the most significant being Robertson's Trust, Fuel Change, and Kickstart. To improve clarity, the income and costs for these projects have now been separated out in the I&E as the large variances within were distorting the underlying picture of the core position.

Overall Expenditure is a saving on budget of £642k

The forecast for **Salary costs is £609k less** than budget, most significantly due to savings in gap posts across the organisation. Of note within this, is the saving from delays in recruiting and over allowance for additional lecturers following the switch from instructor assessors back to lecturing posts.

Severance of £645k is included at this time, as per the original budget. As set out above, the provisional funding for severance may need to be increased as the level of savings required for 2022-23 are substantially more following the warning by SFC on the likelihood of grant in aid funding being flat cash, although this has not been formally confirmed.

The increase of **£66k in combined Learning & Teaching costs** is primarily from **Counselling services £46k** linked to SFC grant income, and registration fees for gas certification due to the FVC gas workshop not as yet being BPEC accredited.

There is an overspend in Property and FM costs of £2k Within this budget is spend of £27k for equipment for hybrid working, and an amount of £230k in relation to snagging items for the new Falkirk campus. Variances to budget are individually insignificant.

Within the overrun in **Equipment costs of £103k** are various items of equipment for construction and hospitality necessary for teaching delivery. In addition the walk-in freezer in Stirling required substantial repairs (£58k) to comply with health & safety requirements.

The **charge for bad debts** has been increased from £20k to £40k for the year. This is due to concerns over student tuition fees. It had been the intention to have a new card payment system in place for students to pay fees this year. However, this did not get implemented and as such direct debit forms were issued to students much later than prior years, and the finance team is having challenges in obtaining returned signed forms from students. Our processes of chasing and withholding certification will continue to be followed, but in the meantime an additional provision has been included.

Other Costs had included a general allowance of £250k for project consultancy in the budget, as part of spending the carried forward £1.8m. We have now identified 3 specific projects – the writing of a “green book” business case (£48k) for the Falkirk Investment Zone funding of £4m, £40k for upgrades to the College website for the student application process, and £12k for implementation of a commercial booking system. The remainder of this budget has now been released, hence total underspend on other costs of £228k which also includes a saving against mental health consultancy (£88k), as this has changed to FVC staffing rather than paying third parties.

6. Financial Implications

Overall the forecast Core underlying operating position is a small surplus. The College is in a fortunate position of having money to spend this year due to the surplus from the prior year and the BP Senegal project. Should we suffer a drop in income or unexpected increase in costs, we would be able to reign in areas of expenditure, or reduce the donation to the ALF, to compensate.

The largest area of uncertainty is in the final cost of the current severance programme. Whilst we can predict the level of severance payments made to staff, it is the pension strain costs that are unpredictable. To control the impact of this, the cost of any individual strain payment will be obtained from the pension administrator prior to an application for VS being accepted.

7. Cash Balances

The forecast for the bank balance as at 31 July 2022 is c£3.6m, and this includes £1.8m of committed funds.

8. Equalities

Assessment in Place? Not applicable given the nature of this report.

9. 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		x
Medium		
Low	x	
Very Low		

Due to the ability to manage both the severance costs and the donation to the ALF, the risk of the College not being able to achieve or exceed the forecast operating position is low.

However, close monitoring and dialogue with SFC will be essential to ensure that we do not inadvertently freeze cash, which could happen if we do not spend all of the £1.8m without first obtaining agreement from SFC to carry forward again in to 2022-23.

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

10. Other Implications

Communications – No

Health and Safety – No

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

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1. Purpose

To present the management accounts for the 6 months to 28th January 2022.

2. Recommendation

That members note the College performance for the first 6 months of the year, and the reason for this paper being presented for information rather than discussion.

3. Background

The purpose of this report is to provide a summary of the College results for the first 6 months of the year. As we have recently completed the Q2 forecast exercise there are few variances to the budget forecast. Any variances at the moment are due to timing only.

In light of this, rather than focus on variances this report will comment on key activities that have contributed to the College results for the 6 month period, and is presented to Finance Committee for information only, as the variations from original budget are covered in the Q2 forecast paper to Finance Committee, also being presented on 22nd March.

4. Key Considerations

Income and Expenditure as set out in Appendix 1

There is an operational deficit for the first 6 months, before non-cash items of £144k. Significant income activities include:

Tuition Fees

Full time HE enrolments are down on last session, and budgeted numbers. However, retention is relatively on par with last session.

[REDACTED]

International Income

The BP Senegal programme is well underway and all invoicing up to date.

Modern Apprentice Income

Modern Apprentice training has been able to continue throughout the lockdown period and remote learning used where possible. This has allowed this income stream to continue relatively unaffected.

Foundation Apprentice Income

All 2020/21 income streams have now been invoiced to SDS and payment received. The final contract remaining with SDS for the year 2 cohort is not significantly different from budget. Similarly our SFC credit target for the remaining programmes is also in line with budget. Overall FA income is £63k up on budget and primarily due to 2020/21 receipts being higher than accrued at July year-end.

Other Income

Other income includes significant funded project income. This includes income for Fuel Change as this project continues to grow, and income in relation to Erasmus, Active Travel Officer, Kickstart and some other small projects.

Balance Sheet as set out in Appendix 2

The balance sheet as at 28th January 2022 is attached for information. There are significant movements from 31st July 2021 as we prepare yearend financial statements on an accruals basis and include yearend adjustments. The balance sheet at 28th January 2022 does not include these equivalent adjustments.

Matters to note

The substantial cash balance of £4.3m is expected to fall as we utilise our carried forward surplus, but offsetting this is FWDF cash sitting in deferred income. We are forecasting a cash balance at 31st July 2022 of c£3.6m, and of this £1.8m is committed funds.

The trade debtor balance at the end of January was high at over £1m, but at the time of writing £600k of this aged debt had been received and strong debt management procedures are in place within the finance team.

5. Equalities

Assessment in Place? – Not applicable given the nature of this report.

6. Risk

	Likelihood	Impact
Very High		
High		x
Medium		
Low	x	
Very Low		

Unplanned losses of revenue or increased expenditure which would result in a budget overspend which is not acceptable to Scottish Funding Council. Close financial scrutiny will be essential during the year, with continual monitoring of income and expenses.

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

7. Other Implications –

Communications – No

Health and Safety – No

Paper Author – Moira France

SMT Owner – Alison Stewart

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:

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

Action Grades

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



Management Summary

Overall Level of Assurance

Satisfactory	System meets control objectives with some weaknesses present.
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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
The objective of our audit was to obtain reasonable assurance that:			
	No. of Agreed Actions		
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')	Good	-	-
2. Procurement procedures ensure that: <ul style="list-style-type: none"> ◆ 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 	Good	-	-
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	Satisfactory	-	1
4. The College's procurement guidance on quotes and tenders are being complied with	Good	-	-
5. All liabilities are fully and accurately recorded	Good	-	-
6. All payments are properly authorised, processed, and recorded	Satisfactory	-	-
7. Appropriate controls are in place over the amendment of standing supplier data on the finance system.	Satisfactory	-	1
		-	2
Overall Level of Assurance	Satisfactory	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>R1 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>To be actioned by: Director of Finance</p> <p>No later than: 30 January 2022</p>	
			<p>Grade</p>	<p>3</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>R2 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>To be actioned by: Finance Manager</p> <p>No later than: 31 December 2021</p> <table border="1" data-bbox="1585 1209 2089 1334"> <tr> <td data-bbox="1585 1209 1872 1334">Grade</td> <td data-bbox="1872 1209 2089 1334">3</td> </tr> </table>		Grade	3
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