

Zoom call @ 5.00pm

AGENDA

1. Annual Report and Financial Statements 2019/20 (Joint item with Finance Committee) Senga McKerr

(Elements of Paper 1 are withheld from publication on the Forth Valley College website under Section 27 Information Intended for Future Publication of the Freedom of Information (Scotland) Act 2002.)

2. Draft External Audit Annual Report to the Board of Management (Joint item with Finance Committee) (To Follow) Ernst and Young

(Paper 2 is withheld from publication on the Forth Valley College website under Section 27 Information Intended for Future Publication of the Freedom of Information (Scotland) Act 2002.)

3. Declarations of interest
4. Apologies

FOR APPROVAL

5. Minutes of meeting of 5 October 2020
Ratification of Governance Statement Approval

(Elements of paper 5 are withheld from publication on the Forth Valley College website under Section 27 Information Intended for Future Publication of the Freedom of Information (Scotland) Act 2002.)

6. Matters Arising
a) A/20/006 Annual Audit Plan Addendum Year ended 31 July 2020
b) A/20/012 Audit Scotland – Guide for Audit and Risk Committees

7. Chairs Report to the Board Lorna Dougall
8. Response to Ernst & Young Letter to those charged with Governance Lorna Dougall

FOR DISCUSSION

9. Internal Audit Progress Report HLA Henderson
Loggie
10. Presentation of Internal Audit Reports HLA Henderson
Loggie
a) Credits (To Follow)
b) Student Support Funds
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(Elements of paper 10b are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

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| 11. | Progress Report on Audit Recommendations | Stephen Jarvie |
| 12. | Risk Management | Alison Stewart |
| 13. | Audit Committee Self-Assessment | Alison Stewart |
| 14. | Review of Risk | |
| 15. | Any other competent business | |
| 16. | Private Discussion between Members and Auditors (Verbal) | Lorna Dougall |

FOR INFORMATION

Audit Scotland – Guide for Audit and Risk Committees

1. Purpose

To present to members the Annual Report and Financial Statements for the year to 31 July 2020.

2. Recommendation

Members consider the financial position of the College for the year ended 31 July 2020 and commend the Annual Report and Financial Statements for the year ended 31 July 2020 to the Board of Management for final approval.

3. Background

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

The Annual Report and Financial Statements have been prepared in accordance with the Accounts Direction issued by the Scottish Funding Council in July 2020. This direction requires the College to comply with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in July 2019 (2019 SORP), the Scottish Public Finance Manual (SPFM) and the Scottish governments Financial Reporting Manual (FReM). The SPFM and FReM both require additional disclosures.

The auditors required a formal management assessment of going concern to be prepared this year. Forecast income & expenditure, and cash flows from August 2020 to January 2022 were provided, as well as narrative. The narrative paper is attached for information.

4. Key Considerations

At the time of writing, the auditors have indicated that they may require some changes to wording following their internal review processes. Should these changes be of significance, committee members will be advised of these, prior to the December Board meeting.

The adoption of the Financial Reporting standard (FRS) 102 and the 2019 SORP, combined with the government accounting restrictions on the ability to retain cash surpluses due to resource budgeting restrictions, means it is difficult to present the College's financial position in a way which informs readers of the true underlying financial sustainability of the College.

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

The key measures to consider are the College's ability to generate cash from its day to day operational activities, and evidence that it can meet its liabilities as they fall due. The impact of

non-cash technical accounting adjustments, while they are relevant to some extent, should be excluded when assessing the College's financial strength.

The Financial Performance section of the Performance Report provides a detailed review of the College's financial performance for the year ended 31 July 2020 and its financial position at 31 July 2020. The key points to note are:

- The College generated an underlying operational surplus of £1,170k excluding non-cash adjustments, funding from the Forth Valley College Foundation, the estates development costs and the loan repayments. **This surplus demonstrates that the College is operating sustainably within its funding allocation.**
- The net liability position in the Balance Sheet is distorted due to the technical accounting adjustments in relation to the treatment of government capital grants and pension liabilities. Additionally, the impact of reclassification where surplus cash has been donated to an arm's length foundation or spent to support the estates development programme impacts on the net liabilities.
- £1,772k was received within 2019/20 from the Forth Valley College Foundation in relation to revenue and capital spend for the new Falkirk Campus.
- Management has carried out an assessment of going concern, and a copy of this is included with this report. The auditors are content that there are no going concern issues as the underlying financial position has been clearly demonstrated.

5. Financial Implications

SFC guidance states that for the financial period ended 31 July 2020 Colleges are permitted to report deficits equivalent to the spend on cash budget for priorities, FRS 17 pension charges and FRS 102 adjustments. The reported financial position falls within these guidelines.

Reporting a deficit does have implications however, and to counter any queries or concerns by the users of the Financial Statements, the Underlying Performance table on page 14 schedules out the non-cash technical adjustments and one-off adjustments included within the deficit, thereby highlighting the true underlying surplus.

6. Equalities

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

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		x
Low	x	
Very Low		

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

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

Skype (commencing at 4.30pm)

Present: Lorna Dougall (Chair)
Hazel Burt (Joined at A/20/007)
Beth Hamilton
Steven Torrie (Co-opted Member)
Mandy Wright (Co-opted Member)

In Attendance: Ken Thomson, Principal
Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
Stephen Jarvie, Corporate Governance and Planning Officer (CGPO)
Steven Reid, Ernst and Young
Stuart Inglis, MHA Henderson Loggie

A/20/001 Declarations of Interest

None

A/20/002 Apologies for Absence

David Archibald, MHA Henderson Loggie
Olga Potapova, Ernst and Young

A/20/003 Minutes of meeting of 21 May 2020

Members queried, in relation to the FVC Guidance for Assessment Documentation which had been presented at the meeting, how many appeals had been received against the decisions made.

The CPGO noted that he did not have that figure to hand and would source it for the Committee.

a) Members approved the minute of the meeting

A/20/004 Matters Arising

None

A/20/005 Review of Committee Remit

The VPFACA presented members with the remit of the Committee. She commented it was good practice to review this annually to ensure members felt it was still relevant.

a) Following discussion, Members present approved the remit of the Committee, with Hazel Burt confirming her approval electronically after the meeting.

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

Stephen Reid, Ernst & Young, presented members with an addendum to the audit plan presented at the previous meeting of the Committee.

He noted that, under auditing standards, they have a requirement to keep the audit approach under review and, given the current circumstances, this had led to the addendum being presented for consideration and approval.

He noted that discussions had been held with SMT on the topic of going concern and that, given SFC as the College's main funder had committed to continued funding, he did not think this would be a concern.

He discussed the impact of Covid on the audit work and additional considerations of its operational impacts on the College.

The VPFACA raised queries in relation to the increased risk in relation to the property valuation for the campuses as this had recent been undertaken by an independent firm.

Stephen Reid noted that this was included as a result of updated guidance from RICS. It was agreed that the VPFACA and Stephen Reid would discuss this further outside the meeting. The VPFACA would then report back to Audit and Finance Committees.

Members noted that they would like an indication of what the additional costs of the extra audit activity would be. Stephen Reid confirmed these would be on the basis of the additional work undertaken.

a) Members approved the audit addendum subject to the discussions to be had as outlined above

A/20/007 Presentation of Internal Audit Reports

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

Follow Up Review

He outlined the follow up review process to members and confirmed that the recommendations reviewed had been fully implemented.

Members welcomed the College position in relation to completed audit recommendations.

Estates Maintenance

He reported on the review of the College's estates maintenance process. He noted that the review was satisfactory and that the two recommendations made are already being progressed by the College.

Members discussed the need to maintain an overview of College campuses and lifecycle maintenance. The VPFA confirmed that discussions on this had taken place with the Board Chair and that it was intended to discuss which Committee would oversee this at the February 2021 Board of Management session.

Financial Planning

He outlined the scope of the review and highlighted that the report had identified a number of strengths.

He noted that the budget for next year would normally have been in place at the time of the audit but this was still in the process of being finalised.

The VPFA confirmed this related to the budget discussions at Finance Committee and the Board of Management in June and that additional time had been agreed to allow the College to have more certainty in terms of items such as student recruitment levels. She confirmed that the Finance Committee had reviewed the final budget in September and it would be considered by the Board on 22 October 20.

Members welcomed the content of the report and commended the finance team on the positive outcome.

A/20/008 Internal Audit Plan Progress Report

Stuart Inglis presented the audit progress report to members, noting that all planned activity for 2019/20 had been completed.

- a) Members noted the content of the report

A/20/009 Internal Audit Annual Report

Stuart Inglis presented a report summarising the work carried out in 2019/20. He highlighted that the summary showed that there were no major issues identified in the year and that recommendations made have been implemented and as such, he could report an overall clean opinion.

- a) Members noted the content of the report

A/20/010 Progress Report on Audit Recommendations

The CGPO confirmed that there were no live audit recommendations at this time.

a) Members noted the content of the report

A/20/011 Risk Management including Covid-19 Risk Register

The VPFACA presented the Strategic Risk Register for the College along with a COVID-19 specific risk register.

For the Strategic Risk Register, she outlined two risks which had their score reduced and one risk that the College was seeking to remove in relation to the successful sale of the Falkirk campus now that this was completed.

For the COVID-19 risk register, she reported that a number of scores for individual risks had been reduced now that the academic year had commenced and the College was able to assess whether proposed mitigating actions were working.

a) Members noted the content of the report

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

The VPFACA reported to members on guidance which had been issued by Audit Scotland which covered potential impacts from COVID-19. She highlighted that the guidance had a range of questions for the Committee's consideration and that the College had prepared draft responses to these questions.

She acknowledged that this information had been issued late to the Committee and suggested members could pass comment to her and this would be considered further at the November meeting of the Committee.

a) Members agreed to consider the paper and pass any queries to the VPFACA by 30 October 2020

A/20/013 Review of Risk

Risks were identified in the relevant papers.

The Chair noted that Committee members and the College should also remember to consider whether there are opportunities for the College in the information coming to the Committee.

A/20/014 Any Other Competent Business

The Chair informed members that Ernst and Young had issued their annual letter seeking assurance from the Committee. She informed members that she would work on a draft to accompany her annual report to the Board of Management and that this would be brought for member's consideration at the November meeting.

A/20/015 Private Discussion between members and auditors

During discussions no concerns were raised about the working of the College.

The External Auditors noted that, in line with good governance, it would be helpful to move this annual discussion with the External Auditor to the November meeting when the audited accounts were discussed as this would be a more appropriate time to raise issues, should any arise. The Chair agreed to add time for a private meeting to the agenda of the November 2020 Committee to ensure the opportunity for discussion was presented.

Financial

The Committee had already discussed the issues around future funding and going concern and were pleased to note that despite significant issues presented by the pandemic, the College had risen to the challenge and presented a surplus for 2019/20 (still to be audited) and were able to plan to deliver a balanced budget for 2020/21 (to be discussed and approved at the Board). The Board was closely involved in discussions about the Futures Programme.

Commercial

Given the current financial issues facing Further and Higher Education, Committee members wondered what help the Committee and Board could be to the College in identifying potential areas of "other" income.

Were there opportunities presented by the current pandemic which could be of wider interest? Good quality, accredited online learning was of value and market research in this area could be helpful although it was noted that there were already a number of recognised providers. Committee and Board member may be able to identify other potential commercial areas in discussion with College staff.

The outcomes of the Business Process Review would be of interest and it was noted that the Senior Management Team planned to bring an update paper to a later meeting.

People

Given the pressure to work differently in a very short space of time and then to maintain that pace was intense. The Senior Management Team were supporting colleagues during this time as well as having to change their own working practices. Capacity and resilience of all colleagues, but particularly the Senior Team, could be affected as the pressures continue and staff became tired. A discussion with the Senior Team about how they were supporting themselves and each other should be considered. This was important to ensure decision making was not adversely affected. Audit would pass this to Beth Hamilton as Chair of the HR committee for their consideration.

UNCONTROLLED COPY

1. Purpose

To review the draft Governance Statement to ensure it provides an accurate reflection of the governance arrangements in place for 2019/20.

2. Recommendation

That members review and approve the draft Governance Statement subject to any changes requested by the Audit Committee or Ernst & Young (EY) regarding the disclosure of going concern.

3. Background

Colleges are required to prepare their annual report and accounts in accordance with an accounts direction from the Scottish Funding Council (SFC) which requires compliance with the governance statement section of the Scottish public finance manual (the SPFM).

It is considered good practice that the Audit Committee should consider and approve the content of the Governance Statement.

The draft statement has been prepared in accordance with the Accounts direction guidance issued by SFC and also takes account of Audit Scotland's report on good practice in relation to Governance statements.

4. Going Concern

The Internal Auditing Standard (IAS) 570 Going Concern was revised in September 2019 and requires a more detailed assessment of Going Concern. A full assessment of going concern has been prepared by management and reviewed by EY and will be presented to the joint meeting of the Audit and Finance Committees. While there is no dispute that the College remains a going concern EY are reviewing the wording of the disclosures in the Accounts.

5. Equalities

Assessment in Place? – Yes No

Review of Governance Statement does not require equalities assessment.

6. Risk

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	X	X

The Governance Statement does not accurately reflect the governance arrangements in place.

Risk Owner – Alison Stewart

Action Owner – Stephen Jarvie

7. Other Implications – None

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

UNCONTROLLED COPY

1. Purpose

To present to members the annual report from the Chair of the Audit Committee to the Board of Management for approval.

2. Recommendation

That members approve the attached report.

3. Background

The Chair of the Audit Committee presents a report of the Committee's activities on an annual basis.

As this report is linked directly to the associated financial year, the information within this paper covers the 12 month period from 1 August 2019 to 31 July 2020 period.

4. Financial Implications

Please detail the financial implications of this item – None. All audit activity is fully budgeted and progress against agreed activity is monitored.

5. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not applicable

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

6. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – Failure to adequately check internal systems via the internal audit service could lead to systemic errors or inefficiencies. The Internal Audit function, overseen by the Audit Committee, ensures that adequate assurances are received.

Risk Owner – Ken Thomson

Action Owner – Alison Stewart

7. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes No

Health and Safety – Yes No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF MANAGEMENT

1. Introduction

This report covers the 12 month period from 1 August 2019 to 31 July 2020. Membership of the Committee during that period underwent a number of changes following a review of committee membership. Attendance was as follows:

Name	Attendance Record
Lorna Dougall (Chair)	3 of 3 meetings
Hazel Burt (joined 21.5.20)	1 of 1 meetings
Pamela Duncan (last meeting 5/9/19)	1 of 1 meetings
Lindsay Graham (last meeting 19.11.19)	2 of 3 meetings
Beth Hamilton	1 of 3 meetings
Steven Torrie (co-opted) (joined 4 December 2018)	3 of 3 meetings
Mandy Wright (co-opted) (joined 4 December 2018)	1 of 3 meetings

The Committee met on the following dates:

5 September 2019
19 November 2019
21 May 2020

2. Internal Audit

Internal Audit is governed by the Code of Audit Practice, as published by the Scottish Funding Council (SFC). The Code requires the Internal Auditors to adopt a risk-based approach to the programme, and to undertake follow-up work to ensure that all recommendations accepted by College management have been implemented.

Audit Provider:

Mha Henderson Loggie were appointed as Internal Auditors from July 2019. Their charge for the period was £20,664. (Fees are based upon the degree of responsibility and skill of staff, and the time involved in the work. Fees for additional services or assignments are agreed separately in advance).

Annual Report on Audit Activities: The Internal Auditor's report on audit activities carried out during the year 2019–2020 was considered by the Audit Committee at its 5 October 2020 meeting. Internal Audit assignments for this period were carried out broadly in accordance with the Audit Plan agreed by the Audit Committee on 19 November 2019.

Achievements: The audit assignments were identified based upon a review of the College risk register, the identification of new systems being implemented within the College and those audits (i.e. credits) required on a rolling basis.

The specific audit reports produced for each assignment made recommendations for the improvement of internal procedures and controls, and each recommendation was given an agreed

target date for implementation. The monitoring of internal audit recommendations is a standing agenda item on Audit Committee agendas.

Effectiveness: On the basis of the work undertaken during the year the auditors have expressed an opinion that the College has –
“adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money.”

3. External Audit

Audit Provider: Ernst & Young LLP.

Auditors Report: The External Auditor’s report on the Financial Statements for the year 2019-2020 is included in the papers. The audit was carried out during October/November 2020.

Management Letter: During the course of the audit the Auditors performed overviews of the key financial systems of the College to assess their adequacy for the purposes of ensuring that accurate, timely and complete accounting records were being maintained. The recommendations resulting from this exercise are set out in the report of the External Auditor.

4. Other Matters

During the past 12 month period, in addition to receiving reports from the Internal and External Auditors, the Committee also considered the Risk Register and treatment of significant risks.

The Audit Committee will also meet with the Internal and External Auditors without College staff in attendance at their meeting of 17 November 2020.

5. Adequacy and Effectiveness

The Committee accepts the views of the internal and external auditors that Forth Valley College’s internal financial and management systems are adequate and that the Board of Management’s responsibilities have been satisfactorily discharged.

Lorna Dougall
Chair
3 December 2020

1. Purpose

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

2. Recommendation

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

3. Background

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

4. Key Considerations

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

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

5. Financial Implications

Please detail the financial implications of this item – None

6. Equalities

Assessment in Place? – Yes No

If No, please explain why – Not applicable

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

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		X
Low		
Very Low	X	

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

Risk Owner – Alison Stewart

Action Owner – Stephen Jarvie

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes No

Health and Safety – Yes No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

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

25 September 2020

Ref: SR/OP

Direct line: 0131 777 2839

Email: SReid2@uk.ey.com

Dear Audit Committee Members,

External audit: Year ending 31 July 2020

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

1. How does the Audit Committee, as 'those charged with governance' at Forth Valley College ("the College"), exercise oversight of management's processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
 - identifying and responding to risks of fraud in the College, including any specific risks of fraud which management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
 - communicating to employees its view on business practice and ethical behaviour, for example by updating, communicating and monitoring against the College's code of conduct;
 - encouraging employees to report their concerns about fraud; and
 - communicating to you the processes for identifying and responding to fraud or error?
2. How does the Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?
3. Have there been any significant changes in the design and/or operating effectiveness of management controls as a result of the Coronavirus outbreak?
4. How do those charged with governance assure themselves that the furloughing of staff has not adversely impacted the segregation of duties?
5. Is the Audit Committee aware of any:
 - breaches of, or deficiencies in internal control; and
 - actual, suspected or alleged frauds during 2019/20?
6. Is the Audit Committee aware of any organisational or management pressure to meet financial or operating targets?

7. How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2019/20?
8. Is the Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?
9. How does the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?
10. Has management considered the impact of the coronavirus outbreak as part of their going concern assessment, including:
 - ▶ any changes in underlying assumptions
 - ▶ additional or potential financial difficulties, impairments or write-offs
11. How does the Audit Committee satisfy itself that the College has arrangements to ensure compliance with the Scottish Funding Council's ("SFC") Accounts Direction and Financial Memorandum?
12. How does the Audit Committee satisfy itself that the College has arrangements to ensure compliance with its requirements as an independent charity as set out by OSCR?
13. How does the Audit Committee satisfy itself that the College has arrangements to monitor and maintain the regularity of income and expenditure?
14. What does the Audit Committee consider to be the related parties that are significant to the College and what is its understanding of the relationships and transactions with those related parties?
15. Does the Audit Committee have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns?

Thank you for your assistance. Please respond to the inquiries above (or if you have any queries in respect of this letter) by emailing Olga Potapova at opotapova@uk.ey.com.

Yours faithfully



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

Appendix 2 – Proposed Response

DATE TO BE CONFIRMED

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

Dear Mr Reid,

Thank you for your letter (Ref SR/OP/TM) of 25 September 2020 to the Audit Committee of Forth Valley College of Further and Higher Education.

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

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

Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);

The Audit Committee relies on a number of measures to obtain comfort in relation to the financial statements. These include –

- The work undertaken by Internal and External auditors, as guided by the Audit Committee, into providing assurance on the efficacy of College controls
- The College Anti-Fraud policy
- The regular reports taken to our sister Committee, the Finance Committee, which would highlight unexpected and/or significant expenditure
- The joint annual meeting between the Audit and Finance Committee’s to consider the annual accounts at which the external auditors provide written assurance as to the accuracy and materiality of the accounts
- The Audit Committee also meets at least annually in private with both Internal and External Auditors who can raise any concerns they might have without College management being present

Identifying and responding to risks of fraud in the College, including any specific risks of fraud which management has identified or that have been brought to its attention, or classes of transactions, account balances or disclosures for which a risk of fraud is likely to exist;

Along with the anti-fraud policy referred to in the previous response, all Committee and Board papers have a requirement for risk to be identified along with mitigating actions. Committee members take

cognisance of risks which are identified in this manner and, should a risk be deemed too high, the Committee would not approve the item under consideration.

The College is also a participant in the National Fraud Initiative (NFI). The NFI provides external checks to identify potential instances of fraud.

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

Communicating to employees its views on business practice and ethical behaviour, for example by updating, communicating and monitoring against the College's code of conduct.

The primary method of communication is via the Policies approved by the Board which clearly set out the conduct and actions expected of staff members.

Encouraging employees to report their concerns about fraud;

The College has a comprehensive whistleblowing policy in place for all staff. Additionally, in line with the Code of Good Governance adopted by the Board of Management, the Board Secretary and Depute Board Secretary both have a duty to report issues of concern to the Board which would include instances of fraud.

Communicating to you the processes for identifying and responding to fraud or error?

The anti-fraud policy outlines the required notifications. In relation to errors, this would be communicated by the relevant member of the senior management team or the Board Secretary/Depute Board Secretary as appropriate.

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

Beyond the anti-fraud policy, the Audit Committee reviews and approves the internal audit plan which is based in part on the College risk register. The Audit Committee meets privately with the Internal and External Auditors each year so any matters of concern can be raised then without management being present if necessary.

3) Have there been any significant changes in the design and/or operating effectiveness of management controls as a result of the Coronavirus outbreak?

No. Owing to the ongoing efforts of the College in recent years management controls and processes are digital in nature and there has been sustained investment in our digital infrastructure.

With this approach to digital, which continues under our EnableFVC initiative, the College was in a position to provide all staff with the resources they required to work effectively from home. Additional guidance on effective homeworking was also developed for our staff.

The net result of this was an organisation which changed locations for our staff but not their engagement with established College processes and controls.

Beyond staffing, we have continued with our diet of Board and Committee meetings and have even added some Board meetings for specific items such as the approval for the disposal of the old Falkirk campus site and a briefing for Board members on the arrangements in place to meet Scottish Government guidance prior to re-opening the campuses in the 2020/21 academic year to give members assurances that the College was in a position to reopen.

4) How do those charged with governance assure themselves that the furloughing of staff has not adversely impacted the segregation of duties?

The College's approach to furlough was to only apply this to staff who were not able to undertake their duties digitally, for example workshop technicians or catering staff, whilst the College was closed. The Board were kept apprised of this approach and, given this, are confident that there has not been an impact on segregation of duties or internal control systems.

5) Is the Audit Committee aware of any:

- Breaches of, or deficiencies in, internal control; and
- Actual, suspected or alleged frauds during 2019/20

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

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

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

7) How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2019/20?

The Audit Committee gains assurance via a rolling programme of internal audits which examine areas within the College for legislative compliance and the implementation of best practice. The Audit Committee is not aware of any instances of non-compliance during 2019/20.

8) Is the Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?

No

9) How does the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Over 70% of the College's activities are funded by the Scottish Government through the Scottish Funding Council (SFC) to provide Higher and Further Education. The Board of Management and the Executive Team are responsible for ensuring that these funds are used to meet this purpose and the operations within the College to achieve this support ensuring financial sustainability of the College.

No notification from the Scottish Funding Council on behalf of the Scottish Government has been received to suggest that the higher and further education provision within Fife College is no longer a going concern.

Management have prepared a detailed assessment of going concern which will be considered at the joint meeting of the Audit and Finance Committees prior to the meeting considering the annual Report.

10) Has management considered the impact of the coronavirus outbreak as part of their going concern assessment, including:

- any changes in underlying assumptions
- additional or potential financial difficulties, impairments or write-offs

As noted in Q9 Management has prepared a detailed assessment of going concern which considers the impact of Covid19. Rather than approve a budget in June when there is considerable uncertainty regarding the impact of Covid 19 the Board took the decision to delay consideration of the budget to October. This allowed management to prepare a balanced budget and further 2 year forecast when the impact of Covid 19 was clearer and included in our base assumptions.

11) How does the Audit Committee satisfy itself that the College has arrangements to ensure compliance with the Scottish Funding Council's ("SFC") Accounts Direction and Financial Memorandum?

Board members are provided with copies of the Financial Memorandum during induction which they can refer to if needed. The primary route of assurance is via the scrutiny of the information provided by College Senior Management to the Finance Committee. As with question 7 above, there is a joint meeting where Finance Colleagues, Internal and External auditors all have an opportunity to raise any concerns regarding compliance with the accounts direction and financial memorandum.

12) How does the Audit Committee satisfy itself that the College has arrangements to ensure compliance with its requirements as an independent charity as set out by OSCR?

The Audit Committee relies upon the judgement of the Finance Committee in scrutinising information provided by the Senior Management Team. Additionally, any correspondence for OSCR would be brought to the relevant Committee or the full Board to further inform members.

13) How does the Audit Committee satisfy itself that the College has arrangements to monitor and maintain the regularity of income and expenditure?

The Audit Committee satisfies itself that this is monitored by the Finance Committee of the Board through ensuring compliance with financial regulations. Additionally, each Committee Chair is afforded the opportunity at Board meetings to raise any items of concern.

14) What does the Audit Committee consider to be the related parties that are significant to the College and what is its understanding of the relationships and transactions with those related parties?

On appointment all members are required to complete a register of interest which is updated annually and published on the College website. Any related parties would be identified through this process. There are no related parties that we would consider to be significant. All transactions with related parties are of a routine nature in terms of the College's business.

15) Does the Audit Committee have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns?

No.

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

Yours sincerely

Lorna Dougall
Chair
Audit Committee

Forth Valley College

Internal Audit Progress Report 2020/21 Annual Plan

17 November 2020

Now, for tomorrow

Internal Audit Progress Report

November 2020

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

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Internal Audit Annual Plan 2020/21	May 2020	Draft 13/05/20 Final	2021/01	N/A	21/05/20	
Health and Safety	May 2021					Fieldwork proposed for February 2021.
Business Continuity	September 2021					Fieldwork proposed for June 2021.
Corporate Governance (EFER)	February 2021 (Board)					Externally Facilitated Effectiveness Review proposed for December 2020 / January 2021.
IT Network Arrangements	May 2021					Fieldwork proposed for April 2021.
Credits audit	November 2020					Audit fieldwork completed. Clarification requested from Scottish Funding Council on guidance relevant to a College distance learning programme. Reports will be issued on receipt of response.

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

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.

Aberdeen

45 Queen's Road
Aberdeen
AB15 4ZN

T: 01224 322100

Dundee

The Vision Building
20 Greenmarket
Dundee
DD1 4QB

T: 01382 200055

Edinburgh

Ground Floor
11-15 Thistle Street
Edinburgh
EH2 1DF

T: 0131 226 0200

Glasgow

100 West George Street
Glasgow
G2 1PP

T: 0141 471 9870

MHA Henderson Loggie is a trading name of Henderson Loggie LLP, which is a limited liability partnership registered in Scotland with registered number SO301630 and is a member of MHA, an independent member of Baker Tilly International Ltd, the members of which are separate and independent legal entities

Forth Valley College

Student Support Funds 2019/20

Internal Audit Report No: 2021/03

Issued: 6 November 2020

Now, for tomorrow

 **mha**
HENDERSON LOGGIE

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Appendix III	Education Maintenance Allowance Return and Audit Certificate	

Management Summary

Introduction

Colleges receive **Discretionary Funds** from the Scottish Funding Council (SFC) and the Student Awards Agency for Scotland (SAAS) to provide financial help for students where access to, or continuance in, further or higher education would otherwise be denied due to financial hardship. The maximum payable from both the Further Education Discretionary Fund and the Higher Education Discretionary Fund is normally £4,000 however this limit was relaxed for 2019/20 to allow additional support to be given to students financially impacted by COVID-19.

Childcare Funds sit alongside the Discretionary Funds to provide assistance with the cost of formal childcare expenses. From academic year 2011/12, childcare funds for higher education students formerly allocated to colleges by SAAS, were transferred to the SFC who now allocates childcare funding direct to colleges for all eligible further and higher education students. No limit is placed on the amounts individuals can access, and colleges have the flexibility to determine award levels themselves. Priority must however be given to lone parents, part-time students and mature students when allocating funds from the Further Education Childcare Fund.

The Discretionary and Childcare Funds must be administered, and payments made, in accordance with SFC and SAAS guidelines.

Bursary funds are given to students at the discretion of a college to help maintain that student in their education beyond their compulsory school leaving date. An award can include allowances that cover a student's maintenance, travel and study costs. Colleges can also use bursary funds for allowances to cover costs incurred by a student due to an additional home, their dependants and / or special education needs.

Colleges must apply the terms of the National Policy for Further Education Bursaries, together with applicable legislation and supplementary letters issued by the SFC, when using the funds allocated to them for bursary purposes. The policy sets out the minimum criteria, maximum rates and minimum contribution scales that a college must apply in allocating bursary funds, however, a college may vary the terms of the policy by imposing additional eligibility criteria or conditions. Figures used within the policy to calculate a student's award may be varied, but only in order to reduce the value of an award, although where a college chooses to supplement bursary funds from its own resources it may use the additional resources as it sees fit.

Education Maintenance Allowances (EMAs) provide financial support for 16 to 19-year-olds from low income households who are attending non-advanced full-time education at school, college or are home educated. Eligible students receive £30 per week, which is targeted at young people from the lowest income families.

EMAs must be administered, and payments made, in accordance with SFC and Scottish Government guidelines

Student Support Funds 2019/20

Audit Scope

For the 2019/20 academic year three specific fund statements were required for audit:

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

Audit Objectives

The audit objectives were to ensure that:

- The College complies with the terms, conditions and guidance notes issued by SFC, SAAS and the Scottish Government;
- Payments to students are genuine claims for hardship, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- The information disclosed in each of the returns for the year ending 31 July 2020, is in agreement with underlying records.

Audit Approach

The audit approach included:

- Reviewing new guidance from SFC, SAAS and the Scottish Government, including additional guidance issued in response to the COVID-19 pandemic, and identifying internal procedures;
- Agreeing income to letters of award or other supporting documents;
- Reconciling expenditure through the financial ledger to returns, investigating reconciling items;
- Reviewing College analysis spreadsheets for large or unusual items, obtaining explanations where necessary; and
- Carrying out detailed audit testing, on a sample basis, on expenditure from the funds.

Audit guidance issued by the SFC was utilised.

Findings and Conclusions

We were able to certify all fund statements for the year and submit these to the appropriate bodies, without reservation.

In our covering letter to the SFC enclosing the audited EMA Return we made the following observation. As noted by the College on the year-end statement, the College has underclaimed for maintenance payments made to students in November 2019 (£2,100) and January 2020 (£3,600) and we understand that a request for payment has been submitted to the SFC on the monthly return for September 2020. In addition, there was an error made by the SFC in relation to the November 2019 College Maintenance Adjustment. In that month's return, the College declared an overclaim of £210 relating to maintenance payments for 2019/20 and an underclaim of £1,950 relating to 2018/19. This gave rise to a net underclaim of £1,740 however the College Maintenance Adjustment was recorded as £17,400 by the SFC and the College was overpaid by £15,660. We understand that this amount has been returned to the SFC in September 2020. For clarification, maintenance payments to students recorded in the College financial ledger for 2019/20 totalled £152,520 = £147,030 (per year-end statement) + £2,100 + £3,600 – £210.

Copies of the fund statements and audit certificates are provided at appendices I to III of this report.

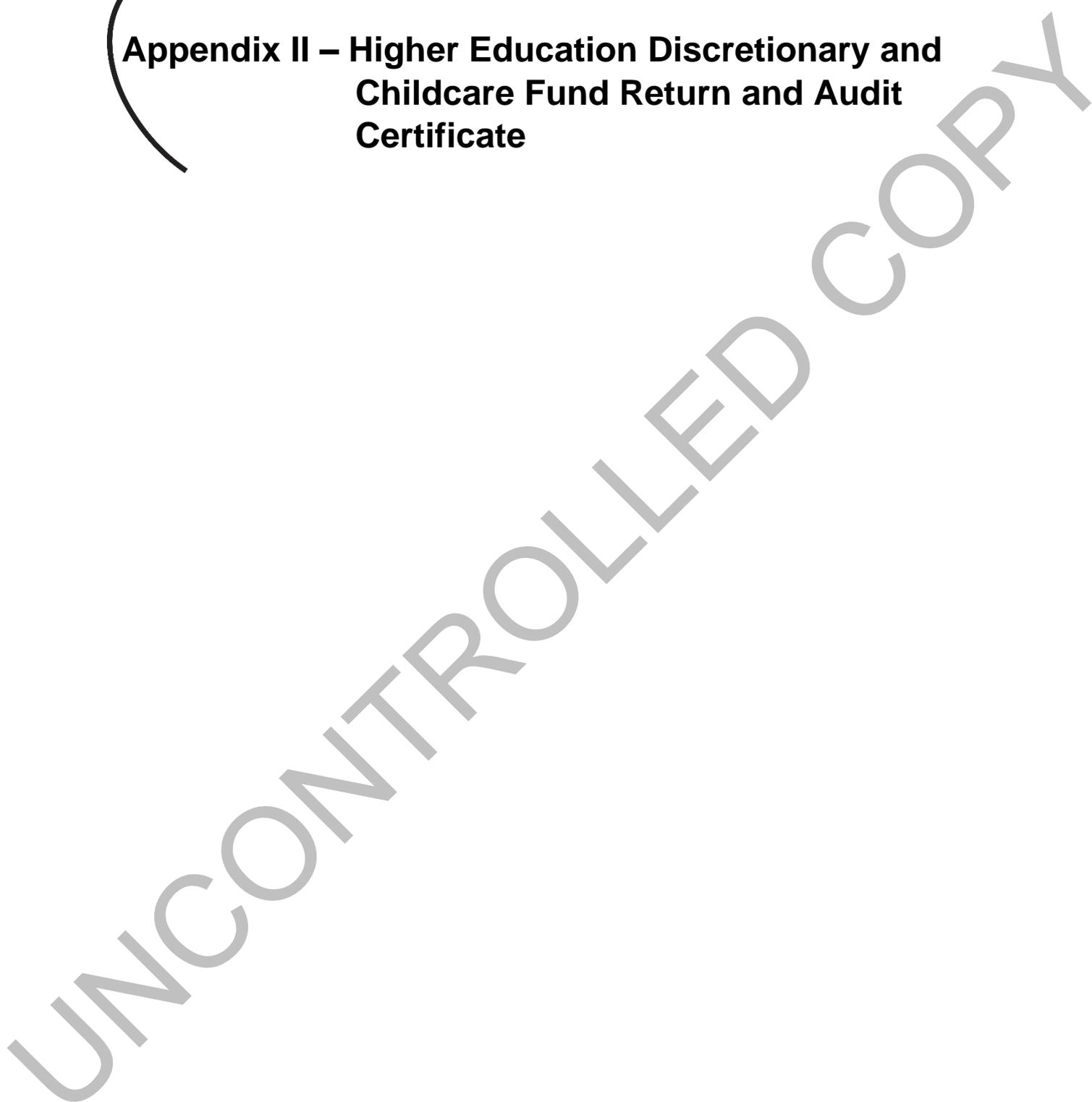
Acknowledgements

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

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**Appendix I – Further Education Discretionary Fund,
Further and Higher Education Childcare
Fund and Bursary Return and Audit
Certificate**





**Appendix II – Higher Education Discretionary and
Childcare Fund Return and Audit
Certificate**

**Appendix III – Education Maintenance Allowance Return
and Audit Certificate**



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Aberdeen

45 Queen's Road
Aberdeen
AB15 4ZN

T: 01224 322100

Dundee

The Vision Building
20 Greenmarket
Dundee
DD1 4QB

T: 01382 200055

Edinburgh

Ground Floor
11-15 Thistle Street
Edinburgh
EH2 1DF

T: 0131 226 0200

Glasgow

100 West George Street
Glasgow
G2 1PP

T: 0141 471 9870



1. Purpose

To update members on progress with the implementation of recommendations contained within internal and external audit reports.

2. Recommendation

That members note the content of the report and associated appendix.

3. Background

The College monitors progress against internal and external audit recommendations and reports on progress to each meeting of the Audit Committee.

4. Summary of Changes

As reported at the meeting of 5 October 2020, all audit recommendations had reached a stage the College considered to be complete.

There were three reports presented at the 5 October 2020 Committee meeting which resulted in 2 recommendations being added to the tracker (attached)

The table below represents a summary of the current position of these recommendations as at 13 November 2020.

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

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	Andrew Lawson	Andrew Lawson	Risks associated with not fully funding estate maintenance, and its potential risk to FVC in the delivery of its curriculum programme, should be identified and kept under review within both the departmental risk register and the Strategic Risk Register.	The College has commenced a review of lifecycle maintenance and funding matters and will reflect the risks associated with this in the College strategic risk register and departmental register as appropriate	3	November 2020 - Complete - Risks have been reviewed and added to College Strategic Risk register as appropriate.	30/11/2020		College Strategic Risk Register	Yes
2	Estates Maintenance	Aug-20	Andrew Lawson	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	November 2020 - No update at this time as this recommendation will be considered at the February 2021 Board Strategic session	28/02/2021			
3												
4												
5												
6												

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1. Purpose

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

2. Recommendation

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

3. Background

The College continues to monitor Strategic Risks to the College. These risks are discussed at SMT meetings and are also brought to each meeting of the Audit Committee.

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

4. Changes to the risk register

Strategic Risk Register

The Strategic Risk Register which is included as appendix 1 for information.

Changes since the last meeting of the committee are –

Risk ID2 – This is a new risk which has been added on the recommendation of our Internal Auditors and covers the maintenance of College buildings. One of the key mitigations is the lifecycle maintenance strategy which has been developed however the risk likelihood has only been reduced to medium at this time as the College wants to see the efficacy of the strategy before lowering the score further.

Risk ID8 – Given the recent work on the futures programme, the expansion of the Leadership and Management Team, the successful completion of the first cohort of the Leadership and Management training and the ongoing work on the People Strategy, it is proposed to remove this risk.

COVID-19 Risk Register

The COVID-19 risk register (appendix 2) continues to be monitored to ensure the efficacy of mitigation actions.

A review of the register has identified that Risk 3, 8 and 9 can be removed. The reasons for this are noted on the register itself.

5. Equalities

Assessment in Place? – Yes No

If No, please explain why – The Strategic Risk Register document does not require equalities impact assessment. Individual risks may result in Equalities assessments being completed for new/revised College policies and procedures.

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

6. Risk

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – Risk continues to be comprehensively managed and reviewed across the College on an ongoing basis.

Risk Owner – Ken Thomson

Action Owner – Ken Thomson

7. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes No

Health and Safety – Yes No

Paper Author – Stephen Jarvie

SMT Owner – Ken Thomson

Forth Valley College Strategic Risk Register

Risk Management and Mitigation				Owners			Initial Risk Score			Score After Mitigation			Date Added and Date Score Updated	
No	There is a real or perceived risk that...	Potential Consequences	Mitigating Actions	Actions/Progress to Date	Board Committee	SMT Risk Owner	Action Owner	Likelihood	Impact	Risk Score	Likelihood	Impact		Risk Score
1	There is insufficient funding from Scottish Government/SFC to support the core activities of the College	<ul style="list-style-type: none"> - Inability to deliver high quality learning - Inability to react to changing economic and local environment - Inability to maintain College infrastructure - Impact on College performance indicators 	<ul style="list-style-type: none"> - Principal and Chair represented on sector groups to lobby SFC/Scottish Government - Vice Principal Finance and Corporate Affairs member of SFC new funding model group - Business Development strategy to increase commercial income being developed by Director of Business Development 	<p>Nov 20 - Balanced budget presented to the Board in October. SFC Phase 1 report on Coherence & sustainability of the FE/HE sector commits to a review of funding models.</p> <p>Sept 20 - SMT continue to work on producing a balanced budget for 20/21 which will be presented to the October Board meeting. The Principal is a member of the latest SFC working group reviewing the funding model. SFC are also completing a review of coherent provision and sustainability of the FE/HE sectors.</p> <p>May 20 - first phase of the transformation programme has been implemented however the impact of the Covid 19 pandemic will have a significant impact on the College's financial sustainability. Current SFC guidance is that there is no additional funding to compensate for this with the exception of the UK government's Job retention scheme. A separate risk register linked to the Covid 19 pandemic is being prepared.</p> <p>Nov 19 - Chair of BoM and Principal have meeting scheduled with Karen Watt, SFC on 18 November 2019.</p> <p>August 19 - 5 year FFR currently being prepared based on SFC guidance. Funding gap of £2m has been identified in the medium term. A futures programme is being led by the Principal to address the gap.</p> <p>May 19 - Indicative allocations for 2019/20 are based on flat cash GIA and a reduction in capital & maintenance funding both of which are insufficient to meet the</p>	B	P	VPFACA	VH	VH	25	VH	VH	25	
2	failure to adequately resource College lifecycle maintenance will impact on curriculum delivery	<ul style="list-style-type: none"> - non-compliance with statutory obligations resulting in penalties and reputational risks - increased cost to rectify issues which should be addressed as part of lifecycle maintenance 	<ul style="list-style-type: none"> - Lifecycle maintenance programme developed and subject to annual review - Board of Management oversight of campus resources and utilisation - Regular reporting to SMT - Continued engagement with SFC on lifecycle costs 		B	DPCOO	DPCOO	H	VH	20	M	VH	15	
3	the ongoing impact of the COVID-19 pandemic will materially impact on the College's delivery and financial sustainability	<ul style="list-style-type: none"> - Inability to deliver outcome agreement and ongoing financial uncertainty - poor learner experience 	<ul style="list-style-type: none"> - Outlined in specific COVID-19 Risk register 	<p>Nov 20 To date the overall delivery of the outcome agreement is on track and there are a number of initiatives taking place on line. And although we have a number of staff working from home this is going as well as expected and we continue to monitor the situation</p> <p>Aug 20 - Please see COVID-19 specific risk register</p> <p>May 20 - COVID19 risk register created</p>	B	P	DPCOO	VH	H	20	H	M	12	

Forth Valley College Strategic Risk Register

4	The student experience fails to meet student expectations	<ul style="list-style-type: none"> - Reputational risk - Current/Potential students choose another College/Learning provider - Impact on College meeting credit and PI targets 	<ul style="list-style-type: none"> - Listening to Learners - Ensuring relevance of courses through robust curriculum review - Robust evaluation processes at all levels - Student support systems in place and effective - Deliver on Creative Learning and Technologies Strategy 	<p>November 20 - Post Entry survey now completed; feedback is being analysed and will be taken to LSE committee for review. PI Prediction meetings being held with all 4 Departments wc 16/11. Course review tool now released to Departments to further support programme analysis and formulate actions to improve PIs.</p> <p>September 20 - FT student retention for 19/20 up by 4% on 18/19: FT FE up by 6%; FT HE up by 4%. Good level of engagement from students through lockdown as indicated by retention figures. Excellent engagement from staff on Covid-19 emergency assessment guidance with very positive feedback received from programme teams on the assessment process and decision tree. Initial indications on 19/20 attainment figures shows a high volume of deferred students; however, work is ongoing to catch up on deferred students. 20/21 offers slightly down on 19/20 but with no major cause for concern and there has been improvement on offers during August. Post Entry survey activity scheduled for w/c 28 September 2020. Updated assessment/verification guidance for 20/21 now released by SQA and sent to all OM/CMs for review.</p> <p>May 20 - Covid-19 update. Assessment guidance released to curriculum teams to support assessment decisions through robust, valid processes and to ensure students' results are reliable. MS Teams digital</p>	LSE	P	VPLSE	M	VH	15	M	H	12		Sep-20
5	National Bargaining process will negatively impact on the College	<ul style="list-style-type: none"> - Unaffordable pay awards - Potential strike action which could impact on the Student experience and meeting commercial contracts - 'No Detriment' restricts options for FVC compared to sector 	<ul style="list-style-type: none"> - Chair and DPCOO represent the College on the Employers Association - Communication with staff, students and other users - Force Majeure clauses in commercial contracts to mitigate impact of strike action 	<p>Nov 20 The pay award for EIS has been implemented and paid to staff in October. The pay negotiations for support staff continues with a further NJNC meeting to consult further planned</p> <p>Aug 20 - No further update</p> <p>May 20. We are now at the beginning of new talks with EIS regarding a cost of living pay award until this is resolved the impact on the college is unclear. However, given the current situation funding a cost of living pay award will be a challenge</p> <p>Nov 19 - No further update</p> <p>Aug 19. Following a lengthy negotiation final settlement has been reached with new Terms & Condition in place. The settlement did have an impact on the colleges financial situation however, this has been worked through</p> <p>April 19. This situation regarding EIS dispute continues. No settlement has been agreed and further strike action is planned for the month of May. EIS have also initiated ASOS. WE continue to ensure that where possible services to students have minimum impact</p> <p>Nov 18 - We continue to be actively involved in this process which allows us to keep on track with potential changes and able to work through the implication quickly and effectively</p>	B	P	DPCOO	H	H	16	H	M	12		

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Forth Valley College Strategic Risk Register

6	The College will fail to deliver the Outcome Agreement	<ul style="list-style-type: none"> - Reputational damage - Potential clawback of funding and risk of reduction in credits allocated to the College 	<ul style="list-style-type: none"> - Ongoing monitoring of performance against targets by new Leadership Team - Targets cascaded to Directors with accountability 	<p>Nov 20 - The College met its Credits target for Session 2019-20. Students are still being supported to complete their studies, however retention figures for 2019-20 are up on Session 2018-19, and estimated PIs are also showing improvement.</p> <p>Aug 20 - Substantial effort to move planned learning online, combined with an easing of SFC guidelines has enabled the College to meet its Credit target for Session 2019-20. Work is still ongoing with deferred students in finalising achievement PIs, however retention PIs for Session 2019-20 are up on 2018-19.</p> <p>May 20 - As a direct impact of Covid-19 we have identified there is potential for the College to be short of it's Credit target. Work is ongoing to address the predicted shortfall.</p> <p>Nov 19 - The College met its Credits Activity target. Performance against full time PI targets was disappointing, despite the introduction on in-year tracking. Earlier and more in-depth tracking is being introduced this session.</p> <p>Aug 19 - Comparisons of in-year PI estimates with final outcomes is ongoing.</p> <p>May 19 - Additional monitoring reports have been built, and will be refined through usage.</p> <p>Nov 18 - Additional monitoring reports being built for Department teams to allow granular monitoring of targets.</p>	LSE	P	VPISC	M	VH	15	L	VH	10		
7	The College is adversely impacted by a cyber attack.	<ul style="list-style-type: none"> - Reputational risk - Impact on learning & teaching - Impact on key services 	<ul style="list-style-type: none"> - Up to date firewall, and cyber protection through Disc - Regular security patching - Full nightly backups and hourly snapshots to minimise disruption in the event of the need to restore data - Up to date anti-virus and malware software - Scanning and monitoring of all external drives - Resilience through additional connections to outside world - Documented and tested business continuity plan 	<p>Nov 20 - Roll-out of VPN is complete, and external access to systems via Remote Desktop is being phased out.</p> <p>Aug 20 - We have enhanced our security around remote working through the roll-out of VPN software.</p> <p>May 20 - With increased home working due to Covid-19, we are enhancing our security around remote working.</p> <p>Nov 19 - College staff continue to attend security briefings, and Windows security updates are deployed estate-wide as they are received from Microsoft.</p> <p>Aug 19 - College staff are attending regular security briefings. Windows updates are deployed estate-wide as they are received from Microsoft.</p> <p>May 19 - College staff are members of Scottish Government Cyber Catalyst Group, and receive early warnings of any known cyber attacks.</p> <p>Nov 18 - Cyber Essentials accreditation secured, Member of National Cyber Security Information Sharing Partnership</p>	A	P	VPISC	M	VH	15	L	VH	10		

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Forth Valley College Strategic Risk Register

8	the National Job Evaluation Process may impact staff	<ul style="list-style-type: none"> - Impact on staff morale - Short timescales for completion of submission - Potential financial impact on staff 	<ul style="list-style-type: none"> - Driven by National Agreement Sector wide Process - Follow guidelines from Colleges Scotland 	<p>Nov 20 The first stage scoring is nearing completion with preparation for stage 2 evaluation in place and ready to commence. This will be a long process with the possibility of appeals. I would expect this to be completed before summer 2021</p> <p>Aug 20 - The process is well underway however no direct outcome has been issued</p> <p>May 20 No further update the process continues</p> <p>Nov 19 - With the exception of staff on maternity leave FVC have now submitted all JE document to Scotland Colleges. A team of analysts have been identified to take this process forward</p> <p>Aug 19 The first part of this process in near completion with only a few post to be evaluated . This is mainly due to post holder either being on maternity leave or having left the college after the cut of date of 18 September 18. This post will be evaluated by the relevant line manager</p> <p>May 19 - Process now begun with a Project Manager in place to support staff going through the process. Unison involvement is also in place and meeting are planed for key staff to support them in completing the sector wide template to role profiles</p>	HR	DPCOO	DPCOO	H	M	12	M	M	9		
9	Loss of key staff will impact on College operations	- Loss of knowledge, experience and links within the Sector and to employers etc.	<ul style="list-style-type: none"> - People Strategy - Succession Planning - Talent Management Programme in place - Directors in post 	<p>Nov 20 - with the completion of the consultation and other activity such as the expansion of the Leadership Management Team, this risk should be removed from the register</p> <p>Aug 20 - Consultation process is now complete and redeployment opportunities will be offered</p> <p>May 20 We are currently going through a restructure process which will result in a change to posts within the college. However, we have secure post for all affected staff</p> <p>Nov 19 - There is no further update</p> <p>Aug 19 There is little evidence of staff exiting the college. The second stage of the Peoples Strategy is now underway and the focus is on potential managers of the future.</p> <p>April 19 - The first six months of the People Strategy has proven to be a success. We made the decision to fill vacancies internally where possible to encourage talent to remain within the college</p> <p>Nov 18 - First cohort of staff now on Talent Management programme. Effective TNA in place in all departments. Talent Management programme for first time managers ready to roll out</p>	HR	DPCOO	DPCOO	H	M	12	H	L	8		

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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

Committees

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

Forth Valley College COVID-19 Risk Register

Risk Management and Mitigation				Owners			Initial Risk Score			Score After Mitigation			Change to score since last meeting	Date Added and Date Score Updated	
No	There is a real or perceived risk that...	Potential Consequences	Mitigating Actions	Actions/Progress to Date	Board Committee	SMT Risk Owner	Action Owner	Likelihood	Impact	Risk Score	Likelihood	Impact			Risk Score
1	Commercial activity levels and contribution to the College will be reduced owing to a) lockdown period, b) college resource being focussed on delivery of core activity and c) businesses reducing non-key CPD to address budget issues	- significant impact on College budgets - current commercially oriented staffing levels may become unsustainable for a period of time	- review of commercial offering to focus on potential future funding streams from SFC and Scot/UK Govs to support recently unemployed workers reskill or companies to implement efficient practices - sector advocacy for the importance of continuation of flexible workforce development funding - If recession is worse then further reductions in budget may be needed	Nov 20 - 1st quarter review will be completed once October Management Accounts are available. Young Person Guarantee Funding to be announced 5/11/20. Sept 20 - Commercial income for 20/21 forecast to be lower than normal due to social distancing and predicted downturn in the economy. Both modern and foundation apprenticeships have recruited well. Flexible Workforce Development Fund (FWDF) has continued with unspent funding from 19/20 being carried forward into 20/21. May 2020 - first draft commercial budget for 20/21 revised to take account of risk, using data from last economic down turn ~£300,000 reduction, capacity adjusted to allow for social distancing and courses still returning a slight profit on this basis. - Discuss pre apprenticeship offerings with government bodies, managing agents and advertise and recruit for August / September start	B	P	VPFACA	VH	H	20	VH	H	20		
2	the current situation will result in an increase in staff anxiety	- Staff may not be comfortable to return to College when we reopen - an increase in mental health related issues	This is being explored within the SLWG in line with planning out return to operational business. We are also considering Health & Wellbeing for home working	Nov 20 Following extensive work with staff, the Health & Safety Committee and students we are now in a place where safe working practises are in operation and working well. WE continue to monitor this in light of the changes to government guidelines. However there is a recognition that the college gone above the requirements made by SG. This is being continually monitored by the H&S Committee Aug 20 - Safe working guidelines and working from home guidelines have been produced, agreed with both union and are being implemented. A wide range of Mental Health and Wellbeing training has been delivered to staff. A COVID information section has also been added to staff records which allows them to record personal information if they have to self isolate May 2020 - A set of sub groups have been set up to develop clear actions for ensuring a safe working environment	B	P	DPCOO	M	H	12	M	H	12		
3	the College will not be able to deliver on agreed credit targets for 2019/20 and 2020/21 owing to closure and reopening with physical distancing reducing capacity of campuses	- reduction in claimable core funding - failure to reach target levels will jeopardise ESF funded activity (circa £500k per annum) which is additional to core credit levels - limited flex in budgets to account for any shortfall - budget issues may compromise achievement of agreed futures programme for the College	- short life working group to look at safe resource maximisation when campuses re-open to provide clarity on deliverable levels of curriculum under physical distancing - sector engagement with SFC and Scot Gov on attainability of credits targets and criteria for ESF elements - utilisation of UK Gov funding to furlough staff unable to perform duties remotely to protect budgets	Nov 20 - As the College has met credit targets for 19/20 and recruitment targets for 20/21 and with retention and achievement data for 2019/20 showing increases despite having to move to online delivery, there are currently no indications that this will be a specific issue. it is proposed to remove this risk and monitor student progress as normal over the academic year via the Learning and Student Experience Committee Aug 20 - Credit targets for 2019/20 are on track to be met. Discussion with SFC continue in relation to credits for deferred students and the possibility of additional credits in relation to the upskilling and reskilling agenda May 2020 - short life working group established - Sector engaging with SFC and ministers - 100+ staff furloughed	B	P	DPCOO	H	VH	20	L	VH	10		Sep-20

Forth Valley College COVID-19 Risk Register

4	Insufficient staff resource to deliver against a model where class sizes are significantly reduced and spanned operating hours are in effect whilst there may also be elevated levels of staff absence (self isolation etc)	<ul style="list-style-type: none"> - impact on credit delivery - impact on student attainment - industrial relations with unions in relation to potential changes to working practices (hours, recording/streaming of lectures) 	<ul style="list-style-type: none"> - Early and ongoing engagement with unions on what returning to campus operations may look like - forward planning to maximise return from existing resource and to identify gaps 	<p>Nov 20 Students who were deferred and now progressing to completion with only a few areas to be done prior to the end of block 1. All other timetables have been amended to support on line delivery and to ease the impact on workshop activity which has to take place on campus. This will remain under review to ensure we meet the demands of students and external stakeholders</p> <p>Aug 20 There is now a 'COVID' timetable in place which will ensure that although a reduction of students in college the other students will participate via live streaming. These groups within courses will be 'rotated' so that all student have an opportunity to attend campus. There has been no requirement to span opening hours at this time however this will be reviewed</p> <p>May 20</p> <ul style="list-style-type: none"> - Union membership on short life working group, looking at models for reopening College - Work is ongoing to ensure we can deliver in a different way and one that allows all students access to learning either in college or virtually at the same time - Directors/cm's/managers maintaining contact to ascertain who will be able to come back and factoring this into planning. 	B	P	DPCOO	VH	VH	25	M	M	9		Sep-20
5	Increased remote working/learning will lead to increased cyber related risks to College systems	<ul style="list-style-type: none"> - potential breach (ransomware or data breach) impacting on College ability to operate for periods of time - home based systems utilised by staff and students could introduce malicious software to College devices 	<ul style="list-style-type: none"> - IT are monitoring increased attacks on College network and reacting to these - ensure up to date anti virus and system patching in place on all college systems - IT implementing two factor authentication - Implementation of VPN, with a move away from Remote Desktop 	<p>Nov 2020 - With the rollout of VPN, external access via Remote Desktop is being removed. Multi-Factor authentication is being further rolled out.</p> <p>Aug 2020 - Rollout of a VPN is now complete.</p> <p>May 2020</p> <ul style="list-style-type: none"> - Rollout of a VPN (Virtual Private Network) to replace Remote Desktop 50% complete. Geo-location enabled to block any attempt to access Remote Desktop from out with the UK. A Remote Desktop 'sin-bin' introduced for anyone using an incorrect password, where all services are suspended for 30 minutes on the account. 	B	P	VPISC	H	H	16	L	H	8		Sep-20
6	Student applicants may be unwilling to come to College whilst the pandemic is still underway	<ul style="list-style-type: none"> - reduction in student numbers will impact on credits - some classes may become unviable to run with reduced numbers, leading to the College having to cancel classes and lose further credits and impact on students who wanted to attend - may lead to disadvantage to poorer students who have to utilise public transport to travel to College and who are unwilling to do so 	<ul style="list-style-type: none"> - Clear communications for revisions to campus operations once they are in place to all students - alter timetabling where possible to avoid students (and staff) having to access public transport during peak times 	<p>Nov 20 A full revised timetable of delivery is now in place for all students with much of the activity now delivered on line. For those student who come in to campus safe operating guidelines are being adhered to at all times</p> <p>Aug 20 - Clear communications, including a student guide on returning to college have been issued to all students both new and returning students The Student Association have been involved in all aspects of this and have supported the college to ensure the correct messages have gone out. A high level of student enrolments, student inductions and student finance arrangements have been carried out on line. Timetables have been revised and issued to all students</p> <p>May 2020</p> <ul style="list-style-type: none"> - Short life working group has communications embedded into it's remit 	B	P	DPCOO	M	H	12	L	H	8		Sep-20
7	Students do not have access to IT equipment or access to the internet	<ul style="list-style-type: none"> - Inability of students to engage in remote learning 	<ul style="list-style-type: none"> - Assess a student's ability to engage in remote learning - Provide IT equipment - Provide connectivity 	<p>Nov 2020 - Over 600 laptops have been issued to students in Session 2020/21. SFC provided additional funding to address Digital Exclusion which the College used to purchase additional laptops. An additional 250 laptops have been received, and are currently being built, with distribution beginning early November</p> <p>Aug 2020 - Over 400 laptops were built and issued to students in Session 2019/20. To date over 150 have been returned, approximately 100 are with continuing and progressing students, with the remainder with students who are still completing outstanding work, or are in the process of returning their laptop. A further 350 laptops have been purchased and built in preparation for loaning to students for Session 2020/21, with a further 250 recently ordered through funding made available through SFC to tackle digital poverty.</p> <p>May 2020 - Over 360 laptops built and delivered to students, and internet access purchased for the most at need students.</p>	B	P	VPISC	H	H	16	L	H	8		Sep-20

Forth Valley College COVID-19 Risk Register

8	costs associated with implementing physical distancing and additional measures such as increased FM and health and safety related activity will impact on lifecycle maintenance	- while there has been an increase in capital funding for 2020/21 this was already under the anticipated lifecycle levels for the campuses. Allocation of this resource to combat infection will further exacerbate this	- sector engagement with SFC and Scot Gov on the unbudgeted expenditure to operate during a pandemic - review lifecycle maintenance projects to prioritise against available resource	Nov 20 This is now complete and this action should be removed A full breakdown of the associated cost are currently being finalised Aug 20 - A budget of £55k was initially agreed to support the additional resource requirements. This has been exceeded and a final budget figure will be provided May 2020 - Work s underway to ensure all resources required for any additional measure required as a result of the current situation are fully captured	B	P	DPCOO	VH	M	15	L	M	6	Sep-20
9	opening campuses during a live pandemic will increase the risk to the health and safety of staff and students	- increased exposure to infection - outbreak in College could lead to closures (singular or repeated)	- implement physical distancing across all areas of College activity (classrooms, circulation spaces and workspaces)	Nov 20 This is now complete with all campuses open and operating well This should be removed Aug 20 - All arrangements are now in place for a safe return in line with Scottish Government guidelines . The SLWG Leads will continue to meet and review the situation to ensure compliance May 2020 - review begun into assessment of maximum occupancy for College areas based on current social distancing guidance	B	P	DPCOO	H	H	16	M	L	6	Sep-20
10	an increase in blended learning delivery impacts on student attainment	- Reduction in successful course completion can impact on the reputation of the College - Complaints from students to College and awarding bodies regarding quality of learning		Nov 20 Blended learning and on line delivery is now taking place over all campuses and curriculum areas. Although challenging at the beginning this now seems to be both productive for staff and student. Any IT delivery issues have been rectified in a timely manner to allow smooth delivery of programmes Aug 20 - All IT equipment has now been updated and tested for use. A full review of quality arrangements have been completed and are now in place for staff to access. Recent exam results have shown that the blended approach can work for a significant proportion of students. May 2020 - A curriculum and IT sub group linked to the SLWG will develop actions to take this forward	B	P	DPCOO	M	H	12	VL	H	4	Sep-20

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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

Committees

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

1. Purpose

To consider the performance of the Audit Committee.

2. Recommendation

That members review and comment on the draft Audit Committee self assessment checklist which has been completed.

3. Background

Since 2019, the Audit Committee has undertaken a self assessment against the template from the Scottish Government Audit and Assurance Committee Handbook was discussed.

The mosty recent completed draft checklist for is attached to this paper for review.

4. Financial Implications - None

5. Equalities

Assessment in Place? – Yes No

Completion of self evaluation checklist does not require equalities assessment.

6. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	X	X

Committee performance is not reviewed and areas for the potential improvement are missed.

Risk Owner – Alison Stewart

Action Owner – Stephen Jarvie

7. Other Implications – None

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

Annex H: Self-assessment checklist

Role and remit	YES/NO/NA	Comments/Action
Does the committee have written terms of reference?	Yes	
Do the terms of reference cover the core functions as identified in the <i>SG Audit and Assurance Committee Handbook</i> ?	Yes	
Are the terms of reference approved by the Audit and Assurance Committee and reviewed periodically?	Yes	Reviewed and approved by the Committee on 5 October 2020 as part of the annual review
Has the committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Yes	
Does the body's governance statement mention the committee's establishment and its broad purpose?	Yes	
Does the committee periodically assess its own effectiveness?	Yes	Covered by Board Self-evaluation and this Self-Assessment activity.
Membership, induction and training	YES/NO/NA	Comments/Action
Has the membership of the committee been formally agreed by the management board and or Accountable Officer and a quorum set?	Yes	
Are members appointed for a fixed term?	No	Membership reviewed periodically.

Does at least one of the committee members have a financial background?	Yes	Non-Executive Member and Co-opted member
Are all members, including the Chair, independent of the Executive function?	Yes	
Are new committee members provided with an appropriate induction?	Yes	Covered by Board induction and CDN training.
Has each member formally declared his or her business interests?	Yes	
Are members sufficiently independent of the other key committees of the Board?	Yes	
Has the committee considered the arrangements for assessing the attendance and performance of each member?	Yes	Covered by 1:1s and 2019/20 Chairs report to Chair of BOM. The annual chair's report to the Board and the Annual Accounts also consider attendance
Meetings	YES/NO/NA	Comments/Action
Does the committee meet regularly, at least four times a year?	No	3 meetings a year considered sufficient. Additional meetings can be added.
Do the terms of reference set out the frequency and broad timing of meetings?	Yes	
Does the committee calendar meet the body's business and governance needs, as well as the requirements of the financial reporting calendar?	Yes	
Are members attending meetings on a regular basis and if not, is appropriate action taken?	Yes	

Does the Accountable Officer attend all meetings and, if not, is he/she provided with a record of discussions?	No Yes	Attends most meetings. Copies of minutes are circulated and discussed.
Does the committee have the benefit of attendance of appropriate officials at its meetings, including representatives from internal audit, external audit and finance?	Yes	
Internal control	YES/NO/NA	Comments/Action
Does the committee consider the findings of annual reviews by internal audit and others, on the effectiveness of the arrangements for risk management, control and governance?	Yes	
Does the committee consider the findings of reviews on the effectiveness of the system of internal control?	Yes	
Does the committee have responsibility for review of the draft governance statement and does it consider it separately from the accounts?	Yes	
Does the committee consider how accurate and meaningful the governance statement is?	Yes	
Does the committee satisfy itself that the arrangements for risk management, control and governance have operated effectively throughout the reporting period?	Yes	Risk Management workshops and Risk register reviewed at every meeting.
Has the committee considered how it should coordinate with other committees that may have responsibility for risk management and corporate governance?	Yes	Audit will recommend risks for consideration by other committees and the other committees can also recommend to Audit

Has the committee satisfied itself that the body has adopted appropriate arrangements to counter and deal with fraud?	Yes	
Has the committee been made aware of the role of risk management in the preparation of the internal audit plan?	Yes	
Does the committee's terms of reference include oversight of the risk management process?	Yes	
Does the committee consider assurances provided by senior staff?	Yes	
Does the committee receive and consider stewardship reports from senior staff in key business areas such as Finance, HR and ICT?	No	Covered by Board and Finance /HE Committees.
Financial reporting and regulatory matters	YES/NO/NA	Comments/Action
Is the committee's role in the consideration of the annual accounts clearly defined?	Yes	
Does the committee consider, as appropriate:		
• the suitability of accounting policies and treatments	No	Finance Committee
• major judgements made	No	Finance Committee
• large write-offs	No	Finance Committee
• changes in accounting treatment	No	Finance Committee

• the reasonableness of accounting estimates	No	Finance Committee
• the narrative aspects of reporting?	No	Finance Committee
Is a committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Yes	Joint meeting with Finance Committee.
Does the committee review management's letter of representation?	Yes	
Does the committee gain an understanding of management's procedures for preparing the body's annual accounts?	Yes	
Does the committee have a mechanism to keep it aware of topical legal and regulatory issues?	Yes	Raised by Board Secretary and internal / external auditors.
Internal audit	YES/NO/NA	Comments/Action
Does the externally appointed Internal Auditors attend meetings of the committee?	Yes	
Does the committee consider, annually and in detail, the internal audit plan including consideration of whether the scope of internal audit work addresses the body's significant risks?	Yes	
Does internal audit have a direct reporting line, if required, to the committee?	Yes	

As well as an annual report from the Externally appointed Internal Auditors, does the committee receive progress reports from internal audit?	Yes	
Are outputs from follow-up audits by internal audit monitored by the committee and does the committee consider the adequacy of implementation of recommendations?	Yes	
If considered necessary, is the committee chair able to hold private discussions with the externally appointed Internal Auditors?	Yes	
Is there appropriate co-operation between the internal and external auditors?	Yes	
Does the committee review the adequacy of internal audit staffing and other resources?	Yes	Considered as part of annual audit plan.
Are internal audit performance measures monitored by the committee?	Yes	Monitored through internal audit progress reports.
Has the committee considered the information it wishes to receive from internal audit?	Yes	Considered as part of annual audit plan.
Has the committee considered formal terms of reference defining internal audit's objectives, responsibilities, authority and reporting lines?	Yes	
External audit	YES/NO/NA	Comments/Action
Does the external audit representative attend meetings of the committee?	Yes	

Do the external auditors present and discuss their audit plans and strategy with the committee (recognising the statutory duties of external audit)?	Yes	
Does the committee chair hold periodic private discussions with the external auditor?	Yes	November meetings
Does the committee review the external auditor's annual report to those charged with governance?	Yes	
Does the committee ensure that officials are monitoring action taken to implement external audit recommendations?	Yes	
Are reports on the work of external audit presented to the Audit and Assurance Committee?	Yes	
Does the committee assess the performance of external audit?	Yes	Completed through Audit Scotland questionnaire.
Does the committee consider the external audit fee?	Yes	
Administration	YES/NO/NA	Comments/Action
Does the committee have a designated secretariat?	Yes	
Are agenda papers circulated in advance of meetings to allow adequate preparation by committee members and attendees?	Yes	
Do reports to the committee communicate relevant information at the right frequency, time, and in a format that is effective?	Yes	

Does the committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented?	No	Standard pro forma document used for all committees.
Are minutes prepared and circulated promptly to the appropriate people, including all members of the Board?	Yes	
Is a report on matters arising presented or does the Chair raise them at the committee's next meeting?	Yes	Raised at next meeting.
Do action points indicate who is to perform what and by when?	Yes	
Does the committee provide an effective annual report on its own activities?	Yes	
Overall	YES/NO/NA	Comments/Action
Does the committee effectively contribute to the overall control environment of the organisation?	Yes	
Are there any areas where the committee could improve upon its current level of effectiveness?	Yes	Implementing assessment of committee performance
Does the committee seek feedback on its performance from the Board and Accountable Officer?	Partially	Chair covered through annual Board self-evaluation. Minutes reviewed by BoM.

Covid-19

Guide for audit and risk committees

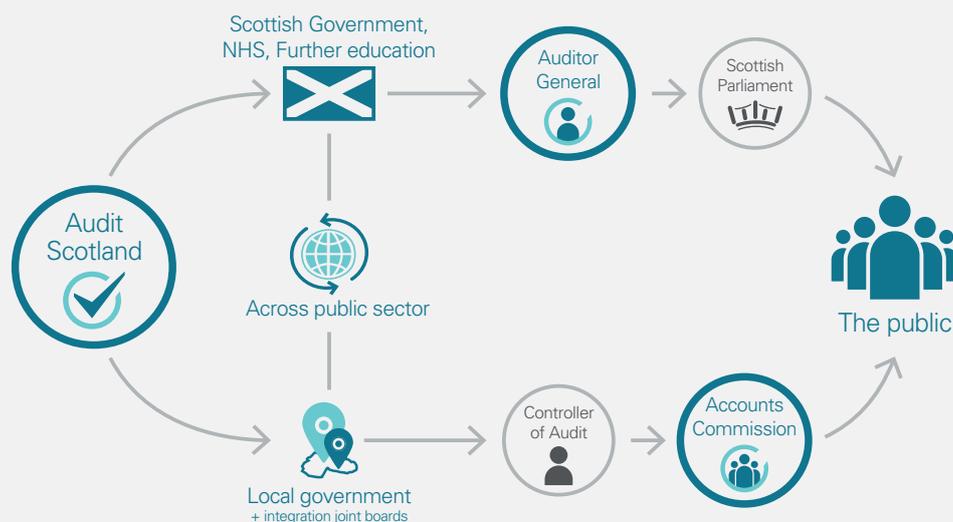


Prepared for public bodies and auditors
August 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Introduction

1. Covid-19 has already had a significant impact on every aspect of society in Scotland. It has affected individuals and communities, public services and the economy.
2. The response of public-sector bodies has been strong, and the pandemic has highlighted some of their key strengths, such as agility and partnership working. But Covid-19 has also exacerbated many pre-existing risks and challenges facing public bodies in areas such as financial sustainability and service demand pressures. A difficult road lies ahead as public bodies move from response to recovery and renewal.
3. Audit and risk committees have a crucial role to play in providing effective scrutiny and challenge. They help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements. As public bodies manage their business during this global pandemic, the role of audit and risk committees becomes even more important.
4. This guide for audit and risk committees draws on our recent experience of auditing public bodies during the pandemic. It also refers to key sources of guidance such as the Scottish Government's [Scottish Public Finance Manual](#) and [On Board: a guide for members of statutory boards](#) and the Chartered Institute of Public Finance and Accountancy's *Audit Committees: Practical Guidance for Local Authorities and Police*.

Key issues for consideration by audit and risk committees during the Covid-19 pandemic

5. There are a wide range of short, medium and long-term risks and issues emerging from Covid-19 for public bodies to consider. This guide focuses on the short-term challenges facing public bodies in the response phase of the pandemic. During this phase, key areas that audit and risk committees will need to focus on include:
 - internal controls and assurance
 - financial management and reporting
 - governance
 - risk management.
6. This guide provides audit and risk committee members with suggested questions to help them effectively scrutinise and challenge in these key areas. Answering the questions in this guide will help audit and risk committees better understand how their organisation is responding to the pandemic and managing both the immediate and longer-term challenges that it creates.
7. Audit and risk committees must assure themselves that they are engaged and well-informed about the changes that are occurring and affecting their organisation due to Covid-19. For example, they should be informed of changes to internal reporting arrangements, and policy and legislative changes and the impact they are likely to have on the organisation. They should also be apprised of any fraud and error risks arising from the response to Covid-19.¹

¹ [Covid-19: Emerging fraud risks](#), Audit Scotland, July 2020.

Internal controls and assurance

8. Public-sector staff are working under extreme pressure as a consequence of the scale and pace of change created by the pandemic and the need to respond rapidly to unfolding events. This may mean that some internal controls are suspended or relaxed. For example, the segregation of duties between colleagues for completing tasks and subsequent checks may not be possible due to unforeseen capacity issues or the lack of availability of more senior or experienced staff. Staff transfer between departments, for example, to new areas such as those responsible for distributing funding to support people and businesses most affected by Covid-19, may also leave some areas under-staffed. Furthermore, inexperienced staff may be working remotely without a full understanding of the required procedures and controls.

9. Internal audit provides independent assurance on governance arrangements, risk management and internal control processes. As the landscape changes, internal audit will have to consider its approach to audit planning and how it continues to deliver its assurance activities while balancing the workload created by new risks emerging from Covid-19.

10. As staff work remotely, there may also be potential security risks such as an increase in cyber-crime. For example, fraudsters may try to access public-sector systems by claiming to be legitimate technical support services or through phishing emails and scams.

11. [Exhibit 1](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 1

Internal controls and assurance – questions to consider

What changes to internal controls have been required due to Covid-19?

- Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls?

What new controls have been established to account for the distribution of any additional funds received?

- Have officers identified any weaknesses in new controls and if so, how are these being addressed?

To what extent has your organisation assessed the impact of working remotely on the control environment and working practices?

Has internal audit reviewed their audit plan and assessed which projects might need to be cancelled, postponed or accelerated as your organisation navigates its way through the pandemic?

How is management supporting internal audit to balance its 'routine' programme of work and that required to respond to Covid-19-related audit work?

What impact has Covid-19 had on the annual reporting and accounting process?

- Has your organisation's timetable for the annual reporting process been considered for 2019/20 and 2020/21? If so, have the timetables been revised and updated accordingly?
- Has the external auditor's annual audit plan been updated to assess and address new risks?

To what extent has your organisation considered work undertaken by other organisations (via professional networks and bodies), or where appropriate, engaged with external experts to inform decision-making around significant areas of change in response to the pandemic?

How have IT services performed during the pandemic?

- To what extent have cyber security controls been considered?
-

To what extent has management assessed the impact of Covid-19 on overall staff capacity?

- What areas have been identified as being under resourced and how is this being addressed?

What is your organisation doing to support its staff during the pandemic?

- To what extent have workload and working practices been adjusted to allow for the challenges that people may face when working remotely?
- What guidance, advice or signposting has your organisation put in place to support staff wellbeing?

What opportunities and risks have arisen as staff are deployed across departments?

How is your organisation capturing the learning and opportunities that arise from new ways of working?

Financial management and reporting

12. Public bodies face considerable uncertainty during the pandemic and as they plan for the future. Having robust financial management and transparent reporting arrangements in place is critical to ensuring that an organisation can manage its finances and deliver services effectively, identify issues and challenges early and act on them promptly.

13. Financial impacts of the pandemic could include a reduction in income generated from business rates and council tax non-payments as well as a reduction in fees and charges from, for example, leisure, public transport and parking. Organisations may also face increased costs such as higher staff costs to cover the delivery of services. The economic uncertainty and market volatility caused by the pandemic also make it difficult for public bodies to value, for example, property portfolios, inventories and pension schemes.

14. A number of factors will affect how well an organisation can report on and manage its financial position at a time where it is facing significant pressure and challenge. For example, there is likely to be competing pressures on finance staff, significant changes in financial processes and procedures and the introduction of financial systems in new areas, such as those for Covid-19-related government relief, assistance and stimulus packages. [Exhibit 2](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 2

Financial management and reporting – questions to consider

Is financial (and performance) information received in a timely manner, with sufficient detail, to inform the fast-paced changes that are required due to Covid-19?

How is management assessing the financial impact of Covid-19 on income and expenditure?

- What processes or procedures have been put in place to assess, for example, new demands, new expenditure streams, savings from activity foregone and lost income?

What information has been used in determining the value of assets and liabilities?

- To what extent have estimated valuations been impacted by Covid-19, for example, disruption to the revaluation of properties or market volatility impacting on investments?
- What is the likely impact of Covid-19 on pension deficits and what does this mean for your organisation?

What commitments and guarantees have been made to third parties, and how are these being monitored?

- Where relevant, how is your organisation ensuring that the impacts of the pandemic on its arm's-length external organisations (ALEOs) are being appropriately monitored?

What impact has Covid-19 had on savings plans?

- Is your organisation on track to deliver these savings and if not, what plans are your organisation putting in place to help with this?

What impact has Covid-19 had on transformational activity?

- If there has been or will be significant delays to activity or a failure to meet savings targets, what are the financial implications and how is management preparing for this?

Is there sufficient capacity within the finance team to deal with competing pressures, such as preparing annual accounts, at a time when working practices are having to be adapted due to Covid-19?

Governance

15. The pace and scale of change is unprecedented, and changes in governance arrangements are likely to have taken place. This may mean that there has been less opportunity for scrutiny and due diligence as public bodies respond rapidly to the challenges arising from Covid-19. For example, urgent procurement decisions and changes to delegated authority arrangements may have impacted on the level of scrutiny.

16. Governance and accountability arrangements around collaborative working may be increasingly complex but when done effectively, allows for better planning, design and coordination of services. Many aspects of public bodies' responses to the pandemic can only be done in partnership with others.

17. Recent changes to governance arrangements due to Covid-19 may include basic alterations such as documenting authorisation processes through to oversight of the overall running of the business. [Exhibit 3](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 3

Governance – questions to consider

What impact has Covid-19 had on governance arrangements?

- How is your organisation ensuring that effective oversight and scrutiny of key decisions is maintained as it responds rapidly to the challenges it faces during the pandemic?
- Have any significant changes been made to governance arrangements due to the pandemic, for example, suspension of committees or increased use of delegated decision-making powers?
- Where decisions are being made using delegated or emergency powers, how are these being recorded, made public and subjected to scrutiny by the relevant committee(s)?
- Have changes to processes and procedures made in response to Covid-19 been reviewed and documented appropriately to comply with overall governance arrangements?

Are governance arrangements being reviewed regularly to ensure they remain fit for purpose?

Are non-executive directors providing appropriate levels of support, scrutiny and challenge to your organisation as it responds to the current environment and new risks?

What barriers, if any, have affected your organisation's ability to continue to provide services for individuals and communities during the pandemic?

- How have these barriers been overcome?
- What was the impact on service users?

What impact has Covid-19 had on your organisation achieving its stated objectives?

- Does performance reporting highlight any changes on your organisation's ability to meet its objectives as a consequence of Covid-19?
-

- Has the pandemic caused new risks to achieving your organisation's objectives? If so, how are these being addressed?

What impact has Covid-19 had on collaborative working?

Risk management

18. While public bodies will have risk management processes in place, the likelihood and impact of existing risks and the emergence of new risks will need to be monitored carefully. There may also be a change in the risk appetite during the pandemic to allow for services to operate effectively and respond to issues in a timely manner. Some changes may be significant therefore officers and audit and risk committee members need to consider how sustainable these changes will be in the longer term.

19. Public bodies were already facing risks and challenges around, for example, financial sustainability, outcomes and inequalities. These risks and challenges have become greater due to Covid-19. They are also heightened further because of the uncertainty around the UK's exit from the European Union and increasing budget pressures.

20. [Exhibit 4](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 4

Risk management – questions to consider

Are there new expenditure or procurement streams, or delivery methods arising from Covid-19 that introduce new risk?

- What indicators does management have to support informed decisions on risk and is this data available in real time?
- Is your organisation's risk management strategy up-to-date to include risks associated with Covid-19?
- What risks have emerged that need to be addressed and what protocols are in place to report and analyse emerging risks as the situation evolves?
- Are risks being reported to the relevant committee?

Has your organisation's risk register been updated to reflect new risks arising from Covid-19?

Is there a need for management's risk appetite framework to be reviewed to ensure it is appropriate in this rapidly evolving environment?

- If so, when will the committee be informed of the outcome and any next steps?

How does Covid-19 impact on any financial risks already facing your organisation and how does this affect short, medium and long-term financial plans?

What impact does Covid-19 have on any scenario planning that your organisation has in place for events such as EU withdrawal and increasing budget uncertainty?

Looking ahead

21. This is the second in a series of Covid-19 guides prepared for public bodies and auditors. Our first publication, [Covid-19 Emerging fraud risks](#), sets out a range of fraud risks that may arise due to the pandemic. By drawing on our position as external auditors across the public sector in Scotland, we have used our recent experience to develop these Covid-19 outputs. We will be issuing further guidance to public bodies to support them as they move beyond the response phase of the pandemic into recovery and renewal.

22. We invite feedback on how the role of external audit can further support public bodies as they respond to the challenges Covid-19 presents.

Further reading

- [Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19](#), National Audit Office, June 2020.
- Financial scrutiny practice guide, The Chartered Institute of Public Finance and Accountancy, June 2020.
- <https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/implications-audit-committees-arising-covid-19>
- <https://www.iaa.org.uk/covid-19-hub/covid-19-guidance/>

Covid-19

Guide for audit and risk committees

This report is available in PDF and RTF formats,
along with a podcast summary at:

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: info@audit-scotland.gov.uk 

www.audit-scotland.gov.uk 

Covid-19 Guide for audit and risk committees – Audit Scotland – Questions

Internal controls and assurance – questions to consider	
<p>1. What changes to internal controls have been required due to Covid-19?</p> <ul style="list-style-type: none"> • Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls? 	<p>New Guidance for Assessment documentation was released by the College to all teaching staff in-line with the SQA's Covid-19 response. This guidance was only active for academic session 19/20. The College's Guidance for Assessment was designed by Learning and Quality and went through internal validation and Programme Team review prior to being released. Discussed by LSE and Audit Committee & Board</p>
<p>2. What new controls have been established to account for the distribution of any additional funds received?</p> <ul style="list-style-type: none"> • Have officers identified any weaknesses in new controls and if so, how are these being addressed? 	<p>None - any additional funding has been managed within existing processes</p>
<p>3. To what extent has your organisation assessed the impact of working remotely on the control environment and working practices?</p>	<p>Majority of processes remain unchanged, main change is around the use of electronic signatures for contracts etc.</p>
<p>4. Has internal audit reviewed their audit plan and assessed which projects might need to be cancelled, postponed or accelerated as your organisation navigates its way through the pandemic?</p>	<p>Yes – business continuity was already on the plan following the move to the new campus and the scope has been extended to cover the pandemic.</p>
<p>5. How is management supporting internal audit to balance its 'routine' programme of work and that required to respond to Covid-19-related audit work?</p>	<p>No additional work is currently required.</p>
<p>6 Has the external auditor's annual audit plan been updated to assess and address new risks?</p>	<p>Yes – addendum to Audit Planning Memo presented to Audit Committee on 5 October 20</p>
<p>7. To what extent has your organisation considered work undertaken by other organisations (via professional networks and bodies), or where appropriate, engaged with external experts to inform decision-making around significant areas of change in response to the pandemic?</p>	<p>Depute principal on Scottish Government working group on reopening of College campuses. Corporate Governance & Planning Officer on NHS general education group & NHS FE/HE Group</p>
<p>8. How have IT services performed during the pandemic?</p> <ul style="list-style-type: none"> • To what extent have cyber security controls been considered? 	<p>Well. Review of remote access undertaken and introduced Virtual Private Network (VPN) to replace remote desktop access which was identified as being high risk for cyber attacks. We've also enabled geo-blocking on our firewalls to limit traffic to only UK addresses.</p>
<p>9. To what extent has management assessed the impact of Covid-19 on overall staff capacity?</p> <ul style="list-style-type: none"> • What areas have been identified as being under resourced and how is this being addressed? 	<p>Most significant areas impacted by Covid 19 in relation to resource capacity is within Estates and teaching departments. Additional resource has</p>

	been approved for estates for 1 year. Additional teaching staff built into budget for delivery of training for deferred students.
<p>10. What is your organisation doing to support its staff during the pandemic?</p> <ul style="list-style-type: none"> • To what extent have workload and working practices been adjusted to allow for the challenges that people may face when working remotely? • What guidance, advice or signposting has your organisation put in place to support staff wellbeing? 	<p>Revised working from home policy approved. Working from home default and equipment provided to support this. Mental Health ambassadors have been trained and put in place. Guidance on support for mental health has been provided. A Carers forum created to support staff with caring responsibilities. Agreed processes for supporting staff with health concerns and monitoring updated to support management information whilst retaining staff privacy including Risk Assessments. A document on supporting wellbeing showing options available for staff has been created and distributed. Managers encouraged to keep in touch and be flexible with staff's individual circumstances with documentation providing guidance on best practice.</p>
<p>11. What opportunities and risks have arisen as staff are deployed across departments? How is your organisation capturing the learning and opportunities that arise from new ways of working?</p>	<p>Development of Digital Community on teams. We've formed a new Digital team to support and help staff enhance their digital skills, and to develop digital learning. Adoption of the use of IT communication and collaborative tools.</p>
Financial management and reporting – questions to consider	
<p>12. Is financial (and performance) information received in a timely manner, with sufficient detail, to inform the fast-paced changes that are required due to Covid-19?</p>	<p>Yes</p>
<p>13. How is management assessing the financial impact of Covid-19 on income and expenditure?</p> <ul style="list-style-type: none"> • What processes or procedures have been put in place to assess, for example, new demands, new expenditure streams, savings from activity foregone and lost income? 	<p>Several planning sessions with SMT,</p>
<p>14. What information has been used in determining the value of assets and liabilities?</p> <ul style="list-style-type: none"> • To what extent have estimated valuations been impacted by Covid-19, for example, disruption to the revaluation of properties or market volatility impacting on investments? • What is the likely impact of Covid-19 on pension deficits and what does this mean for your organisation? 	<p>External professional advisors used for assessing pension liabilities and valuation of assets.</p> <p>Property valuations have not been negatively impacted, and the property revaluation exercise was still able to take place.</p>

	The pension deficit increased in the academic year from £14.0 million to £26.7 million.
15. What commitments and guarantees have been made to third parties, and how are these being monitored?	None
• Where relevant, how is your organisation ensuring that the impacts of the pandemic on its arm's-length external organisations (ALEOs) are being appropriately monitored?	N/a
16. What impact has Covid-19 had on savings plans? • Is your organisation on track to deliver these savings and if not, what plans are your organisation putting in place to help with this?	Futures Programme still on track – no additional savings required due to Covid 19
17. What impact has Covid-19 had on transformational activity?	No projects deferred or delayed. Student Funding project completed as intended.
18. Is there sufficient capacity within the finance team to deal with competing pressures, such as preparing annual accounts, at a time when working practices are having to be adapted due to Covid-19?	Yes – however significant pressure on the team and the need to prioritise workload.
Governance – questions to consider	
19. What impact has Covid-19 had on governance arrangements?	Move to virtual meetings
• How is your organisation ensuring that effective oversight and scrutiny of key decisions is maintained as it responds rapidly to the challenges it faces during the pandemic?	Increased the number of meetings. Board members involve in specific projects – sale of Falkirk Campus (Steven & Trudi) and resuming campus operations (Davie)
• Have any significant changes been made to governance arrangements due to the pandemic, for example, suspension of committees or increased use of delegated decision-making powers?	No
• Where decisions are being made using delegated or emergency powers, how are these being recorded, made public and subjected to scrutiny by the relevant committee(s)?	N/a
• Have changes to processes and procedures made in response to Covid-19 been reviewed and documented appropriately to comply with overall governance arrangements?	N/a
20. Are governance arrangements being reviewed regularly to ensure they remain fit for purpose?	Yes Board effective reviews carried out annually. Committee review of remits annually.
21. Are non-executive directors providing appropriate levels of support, scrutiny and challenge to your organisation as it responds to the current environment and new risks?	Yes

22. What barriers, if any, have affected your organisation's ability to continue to provide services for individuals and communities during the pandemic?	Main barriers – lockdown / social distancing impacting on ability to deliver on campus. Digital poverty where students don't have access to IT or internet.
<ul style="list-style-type: none"> • How have these barriers been overcome? 	Distribution of College laptops Funding through Student Support On line delivery Academic year start delayed to accommodate delivery for deferred students
<ul style="list-style-type: none"> • What was the impact on service users? 	No significant quantifiable impact - Student Achievements increased on previous years.
23. What impact has Covid-19 had on your organisation achieving its stated objectives? <ul style="list-style-type: none"> • Does performance reporting highlight any changes on your organisation's ability to meet its objectives as a consequence of Covid-19? • Has the pandemic caused new risks to achieving your organisation's objectives? If so, how are these being addressed? 	The College has had to adapt delivery models to meet its objectives, however we have delivered our Credits target, and are tracking to show improvements in our key PIs. Separate Covid risk register monitored by Audit Committee
24. What impact has Covid-19 had on collaborative working?	Internal collaboration increased significantly with the use of digital tools
Risk management – questions to consider	
25. Are there new expenditure or procurement streams, or delivery methods arising from Covid-19 that introduce new risk?	No
<ul style="list-style-type: none"> • What indicators does management have to support informed decisions on risk and is this data available in real time? 	N/a
<ul style="list-style-type: none"> • Is your organisation's risk management strategy up-to-date to include risks associated with Covid-19? 	Yes
<ul style="list-style-type: none"> • What risks have emerged that need to be addressed and what protocols are in place to report and analyse emerging risks as the situation evolves? 	Refer to Covid Risk Register
<ul style="list-style-type: none"> • Are risks being reported to the relevant committee? 	Yes
26. Has your organisation's risk register been updated to reflect new risks arising from Covid-19?	Yes – Separate Covid 19 risk register.
27. Is there a need for management's risk appetite framework to be reviewed to ensure it is appropriate in this rapidly evolving environment?	No
<ul style="list-style-type: none"> • If so, when will the committee be informed of the outcome and any next steps? 	N/a
28. How does Covid-19 impact on any financial risks already facing your organisation and how does this affect short, medium and long-term financial plans?	Covered by Budget 20/21 & Forecasts for 2021-2023. Presented to FC in Sept and going for final approval at Board on 22 October

29. What impact does Covid-19 have on any scenario planning that your organisation has in place for events such as EU withdrawal and increasing budget uncertainty?

Adds an additional degree of uncertainty around commercial delivery & income targets

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