



11 June 2024

FINANCE, RESOURCE & INFRASTRUCTURE COMMITTEE

Stirling Campus, Room S1.19, 4.30pm

AGENDA

1. Declarations of Interest

FOR APPROVAL

2. Minutes of Meeting of 26 March 24
3. Matters Arising

3.1 Update on Accounts

3.2 F/23/028 HR Policies – New

3.3 F/23/031 Tuition Fees and Fee Waiver Session 2024/25

4. Accounting Policies for year ended 31 July 2024 Moira France
5. Development and Fundraising Strategy 2023 - 2025 Pauline Jackson

(Paper 5 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.)

FOR DISCUSSION

6. Q3 High Level Forecast Outturn 2023-24 Moira France

(Paper 6 is 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.)

7. Revenue and Capital Budgets 2024-25 Senga McKerr

(Paper 7 is 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.)

8. Financial Forecast Return 2023-27 Senga McKerr

(Paper 8 is withheld from publication on the Forth Valley College website under Section 36 Confidentiality of the Freedom of Information (Scotland) Act 2002.)

9. Consultation Update (Verbal) Alison Stewart

10. Review of Risk

11. Any other competent business



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FOR INFORMATION

12. Skills Transition Centre – Progress Report

(Paper 12 is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

13. Finance Update - 9 Months to April 2024

(Paper 13 is 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.)

14. Financial Controls Internal Audit Report

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2. Minutes of Meeting of 26 March 2024 For Approval

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FINANCE, RESOURCE & INFRASTRUCTURE COMMITTEE

Steeple Suite, Falkirk Campus (commencing at 4pm)

Present: Liam McCabe
Craig Arthur
Philip Harris
Graham Leebody

Apologies: Kirsten Kennedy, FVSA Vice President (FVSAVP)
Paul Devoy

In Attendance: Kenny MacInnes, Principal
Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
David Allison, Vice Principal Infrastructure and Communications (VPIC)
Colin McMurray, Vice Principal Business and Innovation (VPBI)
Senga McKerr, Director of Finance (DOF)
Ralph Burns, Head of Human Resources (HHR)
Moirira France, Finance Manager (FM)
Stephen Jarvie, Corporate Governance and Planning Officer (CGPO)
Martin Loy, Head of Estates, Facilities Management & Health and Safety (HEFMHS) for item F/23/032
Ester Vasallo, Supply Chain Manager (SCM) for item F/23/030
Karina Buchanan, Human Resources Business Manager (HRBM) for item F/23/034

The Chair welcomed Graham Leebody to his first committee meeting.

F/23/024 Declarations of Interest

None

F/23/025 Minutes of Meeting of 21 November 2023

Members considered the minutes of the meeting of 21 November 2023.

a) Members approved the minute of the meeting

F/23/026 Matters Arising

The Chair queried whether the 'No PO No Payment' approach uptake was progressing. The FM confirmed that this was the case.

The Chair noted at the last meeting the College had been asked to raise the issue of Foundation Apprenticeship funding with the College's SFC Outcome Agreement Manager. The VPIC confirmed that this had been raised and noted by the Outcome Agreement Manager.

The VPFACA informed members that the 2022/23 accounts had still not been signed owing to ongoing discussions with Mazars, the External Auditors. She highlighted that the Mazars are currently waiting on feedback from Audit Scotland in relation to this matter.



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She also highlighted that the accounts filing deadline for the Office of the Scottish Charity Regulator (OSCR) was imminent and would likely not be met.

Members noted that, once Mazars had formed their opinion, a meeting of the FRIAC and Audit Committee may be required to consider the Mazars audit opinion and Audit Report prior to circulation to the full Board for final approval.

It was agreed that following the conclusion of the 2022/23 audit it would be beneficial to have a meeting with Mazars to discuss how ongoing the relationship could be improved, in particular the geographical distance between the College and Mazar's offices in Leeds.

a) Members agreed this proposed approach.

F/23/027 HR Policy Updates

The HHR presented members with four policy documents which had become due for review. He noted that the changes were minor, either reflecting title changes of key staff involved or substance changes to reflect legislative changes. He confirmed to members that these changes had been made in consultation with the College's unions.

The reporting level of £50 within the Gifts and Hospitality policy was discussed. The HHR noted that there were tax implications for staff if the limit were over £50. Following discussion it was agreed the Scottish Government's policy would be consulted to ensure the value of declarable gift was in alignment with this.

In reference to the Flexible Working policy, the HHR informed members that the changes had been made to reflect legislative changes but that this was still being considered by the College unions.

- a) Members approved the Retirement Policy and the Prevention of Harassment and Bullying Policy
- b) Members approved the Gifts and Hospitality policy subject to any changes identified as outlined above
- c) Members approved the Flexible Working policy subject to successful outcome of the consultation with unions

F/23/028 HR Policies - New

The HHR presented a new policy for member's consideration on Professional Relationships. He noted that this was still under consultation with the Unions at this time.

He highlighted that there were duties on employers to prevent sexual harassment. Whilst the current policy was robust it was believed that a more specific description of what constitutes sexual harassment was a starting point in proactively preventing it. Members welcomed the overall direction the policy was taking and queried how this would be cascaded to existing and new staff. The HHR confirmed to members that this would form part of the new staff induction process and that steps were being taken to research and gain feedback on appropriate methods.



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The HHR requested approval for the policy as presented with the caveat that, should the consultation result in any significant changes, an updated version would be brought to the following meeting of the Committee.

a) Members approved the policy subject to the caveat outlined above.

F/23/029 Financial Regulations

The DOF presented an updated version of the Financial Regulations for members' consideration and approval. She highlighted that this review was earlier in the review cycle than normal but that it was needed to reflect changes to some roles, delegated authority levels and remain in compliance with SFC's Financial Memorandum

The Principal noted that the changes would be cascaded to relevant staff and included in role specific inductions going forward.

a) Members approved the financial regulations

F/23/030 Procurement Awards

The SCM presented three procurement items, noting that the value of the fresh butcher meat over the proposed period of the contract was of a level that requires full Board of Management approval.

She also discussed two contracts which are centrally procured on behalf of the sector and which would come into effect on 1 April 2024 covering electricity as well as waste & water waste billing. She highlighted that the suppliers appointed under these two procurement exercises were the same as the current suppliers.

In relation to the meat procurement, members noted that the recommended supplier scored higher on quality but slightly lower in terms of cost and queried where how the quality assessment had been done. The SCM confirmed that this was an APUC framework procurement and that all suppliers had been independently quality checked by APUC.

Members queried whether there was scope under the electricity procurement to reduce the capacity to the Falkirk campus as this may generate a saving. The VPIC confirmed that the capacity issue had been explored and reduced twice to match capacity to campus need.

a) Members noted the new contracts regarding electricity and water

b) Members agreed that the fresh butcher meat procurement could be circulated to the Board for approval with the Committee's endorsement

F/23/031 Tuition Fees and Fee Waiver Session 2024/25

The VPIC presented the proposed fee levels for the upcoming academic year. He highlighted that full time fees were set centrally and outwith the College's control. He further noted that there had not been an increase in the fee levels for a number of years but that, if it should happen, the College's fees would be adjusted to match.



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He outlined the rationale for the proposed fee levels and noted that they were towards the higher end of the sector's fees. Members commented that, given the College's high performance compared to the sector, this was appropriate.

Members debated the level of international fees. The VPIC highlighted that there were only a small number of international students at the College and discussion centred on whether a higher fee level might make the College more attractive to international students.

Following discussion, the Committee agreed that the College could consider this further and delegated authority to increase the level of international fees up to £8,000.

a) Members approved the Tuition Fees and Fee Waiver Session 2024/25

F/23/032 Estates Dashboard/Update

The HEFMHS presented an update on estates developments since the last meeting of the Committee. He noted that SFC had launched their College Infrastructure Facility Plan, which was appended to his paper. SFC are also looking at funding solutions so this information will come out in due course.

He also outlined SFC requests for information to support these developments, noting that the information goes beyond just estates and that this needed to be managed alongside existing workloads.

The Principal commented on current funding for capital works, noting that this had not increased and confirmed that there was currently backlog maintenance of circa £6.5m on the College estate. He also noted that this puts additional pressure on the estates team to deliver. He highlighted the work of the team and commended their efforts to be the most effective they can be with the resources available.

The VPFACA informed members that it was also anticipated that capital funding levels would take a slight cut when the indicative allocation is announced by SFC.

Members noted that this was a sobering position to be in and represented one of the most significant issue facing the Committee.

Members discussed the implications from this position for the College estate and possible actions that could be taken. It was agreed that this should be highlighted to the Board and the VPFACA confirmed that there was a finance update planned for the Board meeting on 25 April 2024.

The HEFMHS updated members on progress with the tender for the new Total Facilities Management (TFM) contract.

Members queried whether the contract would be brought to the Committee or the full Board for approval. The VPFACA confirmed that, owing to the value of the contract, it would be taken to the Board.

The HEFMHS discussed the elements of the contract, noting that changes were being made from the existing approach to manage costs.



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He also discussed the content of the health and safety dashboard included in the papers, highlighting the continued decrease in accident levels.

a) Members noted the content of the report and thanked the HEFMHS and his team for their work.

F/23/033 People Strategy Dashboard

The HHR presented the dashboard outlining progress against the targets of the People Strategy. He discussed the restructure which had occurred in 2023 and the increased levels of engagement with staff to get their feedback.

He discussed some new processes which had been put in place, covering the Disability Passport scheme and the Professional Relationships policy discussed earlier in the meeting.

He also highlighted the launch of a new equalities group for staff and discussed staff development and succession planning activity.

a) Members noted the content of the dashboard.

F/23/034 Health & Wellbeing Dashboard

The HRBM presented the update on progress on health and wellbeing.

She noted actions taken since the last meeting and commented on identified issues such as managers who find it difficult to have wellbeing conversations and outlined the training and support provided to address this.

She also highlighted areas of identified low engagement, noting that this seemed to happen in areas with more male staff and she outlined the changes made to support on offer to increase engagement levels.

She highlighted that the use of data being collected that is being used to support and direct these interventions.

Members welcomed the tailoring of activity to support staff identified as not engaging to date.

a) Members noted the content of the report

F/23/035 Q2 Forecast Outturn 2023-24

The FM presented the latest forecast outturn to members. She highlighted the main developments since the presentation of the Q1 figures to the Committee and reported that risks around pay award levels and costs of severance remained.

a) Members noted the content of the report



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F/23/036 Falkirk Council LGPS Triennial Valuation

The DOF presented a paper outlining the latest valuation information the College had received regarding the LGPS scheme. She highlighted that, as a result of the current pension scheme's performance, there was going to be a reduction in the employer's contribution rate of 3.5% resulting in a saving of approximately £360,000 in the College budget.

Members queried how long the reduction is set for.

The VPFACA confirmed that this new level would remain in place for the next three years.

a) Members noted the content of the report

F/23/037 Review of Risk

Risks were identified in their covering papers

F/23/038 Any Other Competent Business

None



4. Accounting Policies for year ended 31 July 2024 For Approval

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FINANCE, RESOURCE & INFRASTRUCTURE COMMITTEE

1. Purpose

To present to the members the proposed accounting policies to be applied to the Report and Financial Statements for the year ended 31 July 2024.

2. Recommendation

That members approve the accounting policies for application to the Report and Financial Statements for the year ended 31 July 2024.

3. Background

The Finance team has reviewed the accounting policies to ensure that they remain the most appropriate to the College's particular circumstances. The College's accounting principles are based on the current Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) 2019.

4. Key Considerations

The proposed accounting policies are attached for consideration. A section on Intangible fixed assets has been added since they were last presented to the Finance Committee on 13th June 2023. The financial statements will include additional narrative as requested by the external auditors, Mazars. This is not repeated in detail here, as it will specifically relate to the results of the year to 31 July 2024 and the balance sheet at that date, and does not alter the policies being applied.

5. Resource Implications (Financial, People, Estates and Communications)

There are no resource implications from this report.

6. Equalities

As this is a finance report on accounting practices, an equalities assessment is not applicable.

7. Communities and Partners

Given the nature of this report, it does not involve, or provide benefit to, stakeholder groups.

8. Risk and Impact

Applying these Accounting Policies is considered very low risk as there has been no change to the Accounting Standards we conform to and no change to Forth Valley College activities.

	Likelihood	Impact
Very High (5)		
High (4)		
Medium (3)		
Low (2)		
Very Low (1)	x	x

Total Risk Score – 1



4. Accounting Policies for year ended 31 July 2024 For Approval

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BoM Risk Categories & Risk Appetite (Select one area only)					
Cautious <15		Open 15> <20		Eager >20	
Governance	x	Strategy		People	
Legal		Financial	x	Project/Programme	
Property		Reputational			
		Technology			

Is the score above the Board Risk Appetite level? No, the score is less than the risk appetite for this category.

Risk Owner – Alison Stewart
Paper Author – Moira France

Action Owner – Senga McKerr
SMT Owner – Alison Stewart



4. Accounting Policies for year ended 31 July 2024 For Approval

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Appendix 1

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2019: 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2023-24 Government Financial Reporting Manual (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council. Forth Valley College is a public benefit entity as defined by FRS102.

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

The financial statements do not include the income and expenditure of the Students' Union as the College does not exert control or dominant influence over policy decisions.

Going Concern

The College's financial statements for 2023-24 have been prepared on a going concern basis. The going concern assessment period considered by the College covers the period from the approval of these financial statements through to 31 December 2025. As a public body, the College is presumed to be a going concern unless there is a stated intention to withdraw the statutory services it provides under legislation. We have not been informed by the Scottish Government of any such intention.

Recognition of income

Income

Income from grants, contracts and other services rendered is included in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Scottish Funding Council (SFC) are recognised in the period in which they are receivable.

Grant Funding

Government revenue grants including Funding Council block grants are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.



4. Accounting Policies for year ended 31 July 2024 For Approval

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Capital Grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Tangible fixed assets

In line with FReM all tangible assets must be carried at fair value.

Land and Buildings

Land and buildings are measured using the revaluation model and accordingly, assets are revalued to fair value. Where appropriate Depreciated Replacement cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used.

The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. In line with the FReM this will be supplemented by an interim professional valuation in year 3. Depreciation and impairment losses are subsequently charged on the revalued amount.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College. If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs and are not depreciated until they are brought into use.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives. The expected useful life of buildings can vary from 20 to 50 years as determined by professional opinion and valuation.

Equipment

Equipment costing less than £10k per individual item or grouped items is written off to the Statement of Comprehensive Income in the year of acquisition. All other equipment and vehicles are capitalised and depreciated in accordance with the depreciation policy.

Intangible fixed assets

When expenditure meets the recognition criteria for capitalisation as set out in FRS 102, the asset will be depreciated on a straight line basis over its useful economic life.



4. Accounting Policies for year ended 31 July 2024 For Approval

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Depreciation

Depreciation is provided to write off the cost or valuation of tangible fixed assets on a straight-line basis over the expected useful lives of the assets. All campuses are depreciated using a component accounting approach.

i) Buildings	20 - 50 years
ii) Plant & Equipment	5 years
iii) Building improvements	10 years
iv) IT Equipment	4 years
v) Motor vehicles	7 years
vi) Equipment acquired for other projects	project life
vii) Specialist Equipment acquired for Oil and Gas teaching	10 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Leased assets

Finance Leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The lease rentals are treated as consisting of capital and interest. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding.

Operating Leases

Leases not meeting the criteria of a finance lease are treated as an operating lease. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.



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Revaluation reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from the revaluation reserve to the Income and Expenditure Account together with any surplus or deficit on disposal.

Stocks

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash and cash equivalents

Cash and cash equivalents include sums on short-term deposits with recognised banks, building societies and government securities.

Taxation

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the College has a present or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Agency arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College's Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College's Statement of



4. Accounting Policies for year ended 31 July 2024 For Approval

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Comprehensive Income.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure.

Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Retirement benefits

The two principal pension schemes for the College are the Local Government Pension Scheme (LGPS) and the Scottish Teachers' Superannuation Scheme (STSS).

Local Government Pension Scheme (LGPS)

The LGPS is a pension scheme providing benefits based on final pensionable pay, prior to 1 April 2015 and a career average scheme from 1 April 2015. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the Statement of Comprehensive Income represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme (STSS)

The College participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the year.

Pension Provision

The College has made provision for the enhanced pensions, payable to former employees who have taken early retirement, for which it is liable. This provision is calculated based on the actuarial tables which take account of the enhancement payable, the age, sex and marital status of the former employee. The annual cost of the enhancement is funded from the provision. The provision is made in accordance with FRS 102 and any movements are adjusted through the Statement of Comprehensive Income.



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Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

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Forth Valley College

Internal Audit 2023-24

Overall Financial Controls
February 2024

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Forth Valley College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

1 EXECUTIVE SUMMARY

Overview

Purpose of review

This review considered the financial controls in place at the College to ensure these are adequate, performing as expected and are being adhered to by staff. We will perform a high-level controls review across all key financial control systems. This review included a review of processes relating to purchasing, income, cash and banking, payroll and fixed assets.

This review formed part of our 2023/24 Internal Audit Annual Plan.

Scope of review

Our objectives for this review were to ensure:

- Efficient and effective procedures and controls are in place for key finance processes.
- Adequate segregation of duties are in place.
- There is adequate management oversight of finance processes.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

1 EXECUTIVE SUMMARY

Background

Financial Regulations

The College has a robust set of Financial Regulations in place which outline the financial arrangements in place at the College and provide guidance to staff. The Financial Regulations were last fully reviewed and updated September 2022, with minor updates made in March and November of 2023.

Finance and Compliance Team

The Team of consists of the following members:

- Vice Principal Finance and Corporate Affairs
- Director of Finance
- Finance Manager
- Supply Chain Manager
- Systems and Management Accountant
- Pricing Manager
- Payroll and Pension Coordinator
- Senior Finance Assistant
- Finance Assistant
- Senior Student Funding Officer
- Pricing and Budget Officer

1 EXECUTIVE SUMMARY

College Finance Systems

The College uses the financial software InforSun with InforQ&A reporting software provided by a third-party. Feeding into InforSun is FIDO P2P, a purchase to payment system and d'EPM, budgeting software. Additionally, the team also use the Arlo commercial booking system and InforQ&A systems for commercial and reporting purposes.

Bank Reconciliations

The College's Finance Team undertake monthly bank reconciliations. The process is overseen by the College Finance Manager. Daily reconciliations are completed by the Finance Assistant so the College does not have any unreconciled items. The Finance Assistant prepares the month end reports, it is then reviewed and checked by the Finance Manager. During our review we sampled reconciliations from the months August – October. We have raised a low recommendation. **Please see section 3: Detailed Recommendations.**

Purchases

Purchases made inside their department are the responsibility of the budget holders. Before an order may be completed, the College asks that a purchase order be raised. After that, every step of the process is recorded in the finance system to guarantee that all required invoices have been received before any payments are issued.

Fixed Assets

The Vice Principal of Finance and Corporate Affairs is responsible for maintaining Forth Valley College's register of land, buildings, fixed plant and machinery. Heads of Department are responsible for maintaining a record of assets within their area.

There is a delegated authority of approval. Purchase of an asset must have first gone through the purchase order process with the invoice being received prior to an item being capitalised. Approval by the correct individual must be given before the purchase can be purchased. Each Asset is given a unique reference number and is recorded within the IT Department within the College.

1 EXECUTIVE SUMMARY

Income

The College receives income from the Scottish Government via the Scottish Funding Council. On a monthly basis the Finance Manager will calculate the drawdown and prepare a detailed cash flow for the month and provide that to the Scottish Funding Council.

Credit Card

The College's Vice Principal of Finance and Corporate Affairs has the authority to assign credit cards. The cards' holders are required to use them solely for the purposes for which they were provided and to stay within their allotted spending limit.

If the finance team feels it is necessary, they have the authority to temporarily raise each person's spend limit. Our sample testing brought this to light. In order to show the finance staff how each transaction was broken down, credit card holders must fill out a transaction log and give them the receipts for their purchases. If a cardholder is not the budget holder, they must ask permission before making a purchase.

Within the College there are 10 credit card holders. The College has a £30,000 limit and the total limit utilised is £27,950.

Payroll

We analysed 3 months' worth of Payroll to ensure that it was appropriately approved and to ensure that the bank statements matched the approved BACS.

Petty Cash

There is a delegated level of approval depending on the price of the purchase. Head of departments are responsible for approving their own department if the purchase is below £100. They need to provide the Finance Team with a signed petty cash request or email approval if the form is not signed. Afterwards receipts must be passed to Finance to support the request.

1 EXECUTIVE SUMMARY

Management Reports

The Finance Team does provide the Leadership Management Team (LMT) with Finance reports monthly. All management account packs follow the same structure and contains a detailed income and expenditure report, balance sheet, and narrative discussions of variances and risk.

The new monthly Finance Update format contains a summary I&E, reconciliation to most recent forecast, details on staff costs and property maintenance costs, bank balance and reserves note, capital budget, student funding update, and procurement update.

1 EXECUTIVE SUMMARY

Work Undertaken

Objective 1: Efficient and effective procedures and controls are in place for key finance processes.

- We reviewed the College's Financial Regulations and Financial Procedures.
- We discussed with the College the systems used by the College for processing key finance activities and reviewed the use in practice through our samples testing.
- We completed walkthrough testing of the following areas to confirm that activities were being processed in line with the College's procedures:
 - Bank reconciliations;
 - Purchases;
 - Fixed Assets;
 - Payroll;
 - Petty Cash;
 - Other Income; and
 - Credit Cards.

We completed transaction testing surrounding the following areas:

- **Bank Reconciliations:** We reviewed the August 2023 to October 2023 reconciliations to ensure that balances matched bank statements and the College's finance system, that unreconciled items were appropriately accounted for and that reconciliations were approved in line with the College's procedures.
- **Purchases:** We reviewed a sample of 20 purchases from the period August 2023 - December 2023 to ensure that transactions were properly approved prior to being raised, are recorded correctly within the finance system and BACS was appropriately authorised.
- **Fixed Assets:** We reviewed a sample of 10 fixed asset additions for the financial year 2023/24 to ensure that assets were appropriately approved prior to purchase and that the purchase and payment of the Asset was processed in line with college procedures.

1 EXECUTIVE SUMMARY

- **Credit Cards:** We reviewed a sample of 10 credit card transactions from the period January 2023- December 2023 to confirm that Statements were appropriately checked, purchases were completed in line with the College's procedures and that purchases could be traced to the corresponding receipts.
- **Payroll:** We reviewed August – October 2023 Payroll to ensure that it was appropriate approved.
- **Petty Cash:** We reviewed a sample of 5 Petty cash transactions from January 2023 -December 2023 to confirm that the correct level of approval was given and could be traced back to the corresponding receipts.

Objective 2: Adequate segregation of duties are in place.

- We discussed the Finance Team roles and responsibilities with the College's Finance Manager.
- We reviewed the Finance & Compliance Team Structure to confirm that the finance within the College is managed by staff with relevant job roles.
- We reviewed a sample of the Finance & Compliance Team's Job Descriptions to ensure duties and responsibilities are clearly defined.
- We reviewed user access to the College's Finance System.
- We confirmed segregation of duties in practice during our walkthrough and transaction testing.

Objective 3: There is adequate management oversight of finance processes.

- We reviewed the January, September, and November 2023 management accounts from the College. All 3 reports were structured the same as well as containing the following content: a summary income and expenditure report, detailed income and expenditure report, balance sheet, and cash balance.

1 EXECUTIVE SUMMARY

Conclusion

Overall conclusion

Overall Conclusion: Strong

Following our review, we can provide the College with a strong level of assurance surrounding the controls in place to manage the College's key financial functions. We have raised several good practice points and 1 low grade recommendation for improvement.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Overall Financial Controls	0	0	1	1

As can be seen from the above table there were no recommendations made which we have given a grading of high.

1 EXECUTIVE SUMMARY

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The Finance Team does provide the LMT with Finance reports monthly and all the reports are of the same structure and contain the same information.
2.	The College have a Finance & Compliance Team Structure in place. We completed a review of a sample of job descriptions and can confirm that duties and responsibilities are clearly outlined. We can also confirm that the Financial Regulations cover the roles and responsibilities for the financial affairs of the College.
3.	The College has a robust set of Financial Regulations which provides guidance on the overarching principles of the financial processes in place within the College as well as outlining the responsibilities of staff.
4.	During our screenshare testing we were able to confirm that the College's Finance Systems allows them to effectively process financial data.
5	We completed walkthrough testing of the College's key financial functions and we were able to confirm that processes were effective and being followed in practice regarding bank reconciliations, purchases, fixed assets, income, payroll and credit cards.
6	We completed a sample test of 20 purchases and can confirm that all samples were correctly authorised and matched the BACS.
7	We sampled the payroll for August – September can confirm that were appropriately approved and matched the bank statements.

2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Overall Financial Controls

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	0	1	1
Number of recommendations at Forth Valley College	0	0	1	1

From the table above it can be seen that the College has a similar number of recommendations compared to those Colleges it has been benchmarked against.

3 DETAILED RECOMMENDATIONS

Bank Reconciliation			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>Organisations should conduct bank reconciliations should be conducted on a regular basis. Evidence of the members of staff who prepared and approved should be documented.</p> <p>Our review found that whilst the evidence of the preparer is retained, evidence showing the member of staff who approved the reconciliation is not documented.</p> <p>There is a risk that without documenting the members of staff who prepared and approved reconciliations there is no clear audit trail and evidence that this has been undertaken.</p>	Low	We recommend that evidence of who approved the bank reconciliations is documented and stored.

3 DETAILED RECOMMENDATIONS

Management response	Responsibility and implementation date
Prior to the pandemic lockdown we printed, signed and filed paper copies of all of the monthly balance sheet reconciliations. As we moved to a paperless office we accept that it is not formally documented that the bank reconciliations have been reviewed and approved by the Finance Manager. The Finance Manager will now reply to the Finance Assistant via email confirming approval and this email will be retained with the reconciliation documents.	<i>Responsible Officer:</i> Director of Finance <i>Implementation Date:</i> With immediate effect

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit Committee meeting.

Audit stage	Date
Fieldwork start	15 January 2024
Closing meeting	19 January 2024
Draft report issued	1 February 2024
Receipt of management responses	28 February 2024
Final report issued	29 February 2024
Audit Committee	19 March 2024
Number of audit days	5

5 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Director	Stephen Pringle	Director of Internal Audit	stephen.pringle@wyliebisset.com
Senior Auditor	Colin McNeill	Internal Audit Senior	colin.mcneill@wyliebisset.com
Auditor	Susan Shaw	Internal Auditor	susan.shaw@wyliebisset.com

Forth Valley College			
Key Contact	Moira France	Finance Manager	Moira.france@forthvalley.ac.uk
Key Contact	Senga McKerr	Director of Finance	Senga.mckerr@forthvalley.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

A GRADING STRUCTURE

For each recommendation, we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit Committee and addressed by Senior Management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

Purpose of review

This review will consider the financial controls in place at the College to ensure these are adequate, performing as expected and are being adhered to by staff. We will perform a high-level controls review across all key financial control systems. This will include a review of processes relating to purchasing, income, cash and banking, payroll and fixed assets.

This review forms part of our 2023/24 Internal Audit Annual Plan.

Scope of review

Our objectives for this review are to ensure:

- Efficient and effective procedures and controls are in place for key finance processes.
- Adequate segregation of duties are in place.
- There is adequate management oversight of finance processes.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Review the Financial Regulations in place within the College to confirm that these are complete, appropriately reviewed, and comply with

regulatory requirements.

- Review the financial procedures to ensure that they are appropriate and in line with good practice.
- Conduct walk-through testing of key financial areas, these being: cash and bank; purchasing and payments; income; fixed assets; financial reporting.
- Sample testing key controls in place for the financial areas above to verify the effectiveness of each control.
- Review the level of integration of key systems to assess for level of efficiency.
- Review the segregation of duties in place and confirm that these cover all finance processes.
- Review the level of financial reporting in place and consider whether the reporting arrangements are robust.
- Review the month end process to confirm that there is a clear process in place which is being adhered to.
- Sample test month end reconciliations to ensure completeness and that these are appropriately reviewed.

Potential key risks

The potential key risks associated with the area under review are:

- Ineffective or inefficient procedures and controls may be in place for key finance processes.
- Inadequate segregation of duties may compromise the control environment in relation to key finance processes.
- Inadequate management oversight of financial processes compromises control effectiveness.