Fife College

AGENDA

PRIVATE PRE-MEETING WITH EXTERNAL AUDITORS
(NON EXECUTIVE BOARD MEMBERS AND AUDITORS ONLY)

A private pre-meeting with auditors and non Executive Board Members will be held on Wednesday 4 June 2014 at 3.45pm within Room ES02, Stenton Campus, Glenrothes.

No	Item	Action	Lead	Pages
1	External Audit Process	Discuss	DM	3-3

AUDIT AND RISK COMMITTEE

A meeting of the Audit and Risk Committee will be held on Wednesday 4 June 2014 at 4.00pm within Room ES02, Stenton Campus, Glenrothes.

No	Item	Action	Lead	Pages
1	Welcome and Apologies	Note	DM	N/A
2	Remit	Note	DM	4-5
3	Declarations of Interests	Note	DM	6-6
4	Minutes of the Previous Meeting	Approve	DM	7-10
5	Matters Arising / Actions Outstanding	Note	DM	11-12
6	Risk Management			
	6.1 Risk Management Policy	Approve	DN	13-19
	6.2 Strategic Risk Register 2013-14: Update	Note	DN	20-45
7	Internal Audits:			
	7.1 Voluntary Severance Scheme	Approve	DM	46-54
	7.2 Key Financial Controls	Approve	DM	55-69
	7.3 Corporate Governance	Approve	DM	70-84
	7.4 Interim Review of SUMs	Approve	DM	85-98
	7.5 Follow-Up Reviews	Approve	DM	99-142
8	Adam Smith College Recommendations Summary & Action Plan	Approve	DN	143-166
9	Internal Audit Plan 2014-15	Approve	DN	167-185
10	External Audit Plan 2013-14	Approve	DN	186-202
11	External Audit Fee	Approve	DN	203-203
12	Annual Review of Internal Control and Risk Management 2013-14	Approve	DN	204-213

13	Draft Policies:			
	13.1 Bribery	Approve	DN	214-225
	13.2 Fraud Prevention	Approve	DN	226-232
	13.3 Whistleblowing	Approve	DN	233-240
14	Sign off of Chair's Fee/Expenses	Approve	DN	241-241
15	Update on Arm's Length Foundation	Note	DN	242-242
16	Self-Evaluation 2013-14			
	16.1 Evaluating the External Audit Service	Discuss	DM	234-246
	16.2 Evaluating the Internal Audit Service	Discuss	DM	247-248
	16.3 Audit Committee: Self Assessment Review	Discuss	DM	249-251
17	Review of Committee Structure: Audit and Risk Committee	Discuss	DM	252-255

18 Date of Next Meeting
Wednesday 18 September 2014 at 4.00pm
Room G22, Rosyth Campus

Equality Impact Assessment

Equality Impact Assessment (EqIA) is the process by which organisations examine their activities in order to minimise the potential for discrimination. The process is also used to monitor interventions designed to have a positive impact on a particular group. Those present are invited to agree which agenda items should be agreed for EqIA and how this should then be undertaken. Any significant issues identified should be directed to Quality Development Services for logging.

THE BOARD OF GOVERNORS OF FIFE COLLEGE

Audit and Risk Committee: Private Pre-Meeting with External and Internal Auditors

External / Internal Audit Process

1 Introduction

It is considered good practice for Audit Committees to meet auditors (in particular External Auditors) in a private session without management present. The purpose of this is to allow the Committee to ask questions on matters that might not have been specifically addressed as part of the audit.

This arrangement does not remove or replace the right of the auditors to request a private meeting with the Audit and Risk Committee at any time should concerns arise that they wish to raise.

2 Extract from "Audit Committees – a Framework for Assessment"

The purpose of the meeting is to:

- "Enquire whether any members of executive management are frustrating audit enquiries
- Identify and understand differences of opinion between management and the external auditor, facilitating their resolution and monitoring implementation of the agreed solution
- Enquire whether there are aspects of management's attitude towards control and financial governance which could be improved
- Consider any request by the external auditor to resign
- Discuss feedback on the external auditors' overall performance."

3 Some Potential Areas for Discussion

- Attitudes – management's attitude towards financial reporting, internal controls and the auditor
- Resources – the adequacy of people and other resources in the financial management area and the internal audit function
- Relationships – the nature of the relationship between the auditors and management
- Other Issues – other issues of concern to the Audit Committee or the Auditor

4 Recommendations

- Members of the Committee are invited to discuss any issues not specifically addressed as part of the audit.
- The Chair is invited to feedback the outcome of any discussions, in particular action points and recommendations, to the Principal.

T:/EG/Meetings/2013-14/BoG/04.06.14/external-internal audit process

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BOARD OF GOVERNORS

AUDIT AND RISK COMMITTEE

1.0 Composition

The Audit and Risk Committee will have a minimum of four members of the Board.

For a meeting to be quorate, three members must be present.

The Committee should have a range of skills and experience and at least one member should have a background in finance, accounting or audit.

The Vice Principal Finance and Planning, or their nominee, should be in attendance at each meeting. The Chair of the Board, the Chair of the Finance, Commercial, Planning and Estates Committee and the Principal is invited to attend meetings. The College's appointed internal and external auditors will be invited to send representatives to each meeting.

Members of the Finance Committee, the staff nominees or anyone with executive authority in the college may not be members of the Audit and Risk Committee.

The Committee should normally meet four times per year and at least three times per year, one of which must be to consider the annual financial statements and accompanying external audit report. The Committee will annually hold a private meeting (without College executives present) with internal and external auditors to discuss audit issues.

2.0 Overall Purpose

The purpose of the Audit and Risk Committee is to assure the Board of Governors that Fife College has in place a system of governance, internal control and risk management which is being maintained and developed to meet legislation and regulations applying to the sector.

3.0 Remit and Duties

3.1 Probity

- Advise on the selection, appointment and remuneration of the internal audit service
- Agree an internal audit work programme annually based on an audit needs assessment
- Receive the internal audit reports as per the agreed work programme and ensure that recommendations are adequately responded to by the college
- Receive an annual report from the internal auditor which should include an opinion on the degree of assurance that can be placed on the systems of internal control and any follow-up actions still outstanding which should be closed off by the College

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- Review the annual financial statements with a view to recommending them to the Board for approval
- Receive the external auditor annual report and management letters and to ensure that any recommendations are adequately responded to by the college
- Monitor the effectiveness of internal and external audit service and promote co-ordination between the two
- Review the effectiveness of financial and other control systems ensuring value for money
- Oversee the policies on fraud and irregularity and receive reports on any fraud or irregularity, potential or real, ensuring that action is taken by the college to address these
- Receive an annual report on any matters of whistleblowing or disclosure and ensure that any recommendations from these are adequately responded to by the college

3.2 Risk Management

- Monitor and ensure the effectiveness of the college's approach to risk assessment and management through regular review of the Risk Register and other reports
- Review the prioritisation of risk management taking into account financial, reputational, commercial and other risks
- Request reviews by the college of areas of high or escalating risk ensuring that recommendations from these are adequately responded to
- Review key risks associated from subsidiary companies of the college, at least annually, ensuring that action is taken in mitigation of any risks identified
- Receive ad-hoc reports on matters of potential reputational, commercial and/or financial risk and ensure that the college's approach to managing the risks is appropriate and adequate

3.3 Other Matters

- Receive and review reports related to the work of the Committee prepared by external bodies

3.4 Reports from the Committee

- Report to each Board of Governors meeting relevant matters discussed within the Committee
- Prepare an annual report to the Board of Governors that gives an opinion on the system of governance, internal control and risk management within the college
- Report to the relevant Committee of the Board of Governors matters that impact on their remit

THE BOARD OF GOVERNORS OF FIFE COLLEGE

Audit and Risk Committee

Standing Declarations of Interests

1 Members' Declaration of Interests

Committee Members are asked to note the following standing declarations of interests:

- **Bob Black**
  With regard to any business which may be transacted and which may relate to the business relationship between Fife College and Shell International / BG Group and the Scottish Children's Panel.

- **Violeta Ilendo**
  With regard to any business which may be transacted and which may relate to the business relationship between Fife College and VI Consultancy, Fife Migrants Forum and Fife Polish Educational Trust.

- **Don Munro**
  With regard to any business which may be transacted and which may relate to the business relationship between Fife College and Business Gateway Fife and Adam Smith Foundation.

- **Bryan Poole**
  With regard to any business which may be transacted and which may relate to the business relationship between Fife College and Fife Council.

- **Steven Wexelstein**
  With regard to any business which may be transacted and which may relate to the business relationship between Fife College and Planys Cloud Ltd, Braw Idea Ltd and Carnegie Enterprise.

2 Specific Declarations of Interests

In addition to 1 above Members may wish, where appropriate, to declare an interest with regard to specific items of business.

3 Recommendation

It is recommended that Members of the Committee note the contents of the paper.

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Unapproved Circulated

MINUTES

Minutes of the Audit Committee private pre-meeting with External and Internal Auditors held on Monday 3 March 2014 at 4.00pm in the Boardroom, Carnegie College, Dunfermline.

Present: Don Munro (Chair), Violeta Ilendo, Bryan Poole

Apologies: Ruth McFarlane, Steven Wexelstein

In Attendance: Marianne Philp, Stuart Inglis (Henderson Loggie)

1 External / Internal Audit Process

It was confirmed that there were no concerns to be raised in relation to the internal audit process. It was noted that some actions outstanding relating to the former Carnegie College were well overdue for completion, and that this largely related to activity that was put on hold due to the merger process (where it would involve significant resource). It was confirmed that the outgoing internal auditors had been asked to undertake a follow-up review on actions outstanding and that the paper would be condensed to show which actions were still relevant and which could be removed as they were either covered elsewhere in work post-merger or were now irrelevant. It was highlighted that Scottish Funding Council transformational funding could be made available for some of the larger ICT projects that would now take place following on from merger, eg in relation to the student records and other systems.

Committee Members commented that in future years, they would expect to see significantly fewer actions outstanding as timescales should be agreed and then adhered to.

As the external auditor had failed to attend this part of the meeting, it was agreed that the private meeting would be reconvened after the Audit and Risk Committee meeting if possible.

Fife College

Unapproved Circulated

MINUTES

Minutes of the Audit Committee meeting held on Monday 3 March 2014 at 4.00pm in the Boardroom, Carnegie College, Dunfermline.

Present: Don Munro (Chair), Violeta Ilendo, Bryan Poole

Apologies: Ruth McFarlane, Steven Wexelstein

In Attendance: Hugh Logan, David Neilson, Marianne Philp, Stuart Inglis (Henderson Loggie)

1 Welcome

Don Munro welcomed those present to the meeting.

2 Remit

The contents of the paper that had been circulated were noted.

3 Declarations of Interests

The declarations of interests, as detailed within the paper that had been circulated, were noted.

4 Minutes of the Previous Meeting

The minutes of the previous meeting were approved as an accurate record.

5 Matters Arising / Actions Outstanding

The contents of the paper that had been circulated were noted and updates were given.

Decisions:

- To amend Action A1.1 to note that the outgoing internal auditors would update the actions outstanding paper for the former Carnegie College (not the newly appointed auditors) and to note that this would come to the next meeting.
  Responsibility: Marianne Philp **Deadline:** 4 June 2014
- To continue to chase the External Auditors for a response to the query about the remit (action A2.1 refers).
  Responsibility: David Neilson/Marianne Philp **Deadline:** ASAP

5.1 Handed Over from Carnegie College

The contents of the paper that had been circulated were noted. There was significant discussion around the outstanding actions in relation to ICT and noted that several of these had been put on hold due to the merger process and resourcing implications. Reassurance was given that these were lower priority recommendations.

Fife College

An update was given on progress with the appointment of a Head of ICT and consultancy work that was engaged over the summer in order to identify key priorities for ICT over the period ahead.

Decision: A significant tidy-up of this report would be undertaken following on from the internal auditor's follow-up review and in advance of the next meeting.
Responsibility: David Neilson / Marianne Philp **Deadline:** 4 June 2014

6 Strategic Risk Register 2013-14

The contents of the paper that had been circulated were outlined and noted. Members agreed that the paper was a useful document which now required to be kept live. It was noted that at each meeting, Members would wish to see the risks reducing, and this would be a useful performance indicator for the Senior Management Team.

A query was raised in relation to risk 3 where there had been a lack of clarity at Board level at the former Adam Smith College in relation to information provided and what was really happening. It was agreed that the Board required to triangulate information given with further assurances, and that the information given within the risk register should be expanded upon to include further sources of reassurance.

Decisions:

- To amend risk 11 to read "Failure to establish a positive Fife College culture".
  Responsibility: David Neilson **Deadline:** ASAP
- To expand on the areas where further assurance could be given to Board Members – either in the risk register or in a separate report.
  Responsibility: David Neilson **Deadline:** 4 June 2014

7 Update on Appointment of Internal Auditors

Members were reminded of the process that had been agreed and followed for the appointment of internal auditors. The tender for this service had been awarded to BDO who would take up appointment from 1 April 2014. Members confirmed they were happy to endorse this decision.

8 Internal Audit Plan to March 2014

The schedule of activities as detailed in the internal audit plan to March 2014 were agreed.

It was noted that the timing of the governance audit may change to better fit with the code of practice being developed by the Scottish Funding Council. In addition, the reliance required by the external auditors would be provided by Henderson Loggie.

9 External Audit Fee

As the external auditor was not present, it was not possible to discuss this item.

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Decision: To circulate by email details of the external audit fee once known and ratify the decision taken by Members at the next meeting.
Responsibility: David Neilson **Deadline:** ASAP / 4 June 2014

10 Timing of Next Private Pre-Meeting

The contents of the paper that had been circulated were noted and agreed.

As the external auditor had not attended this meeting, it was agreed that an additional meeting should be reconvened immediately prior to the next Audit and Risk Committee meeting.

Members were reminded that in addition to the scheduled annual private pre-meetings, auditors or Members of the Committee could request a private meeting at any time if concerns were to arise.

Decision: To ask the external auditor to attend a pre-meeting at the next Audit and Risk Committee meeting, indicating that if he had concerns he wished to raise with the Committee earlier, he should make contact either with the Clerk or the Chair.
Responsibility: David Neilson **Deadline:** ASAP

11 Update on Arms Length Foundation

Progress made with the set-up of the arms length foundation was noted.

12 Date of Next Meeting:

Wednesday 4 June 2014 at 4.00pm, Stenton Campus, Glenrothes

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Key:	
👎	Outstanding and deadline passed
👉	Progressing and on target
👍	Complete

Audit and Risk Committee

Actions Outstanding / Progress Made

Section A: Actions Outstanding / Progress Made

	Date of Meeting	Action	Responsibility	Deadline	Status	Comments
A1.1	28.11.13	**Matters Arising / Actions Outstanding** To ask the outgoing internal auditors to identify on the actions outstanding papers (for former Adam Smith and Carnegie Colleges) what was business critical or had been superseded by merger and to create a new list.	David Neilson	04.06.14	👉	To be confirmed at today's meeting following clarification of the follow-up internal audit.
A1.2	03.03.14	To amend action A1.1 to note that the outgoing internal auditors would update the actions outstanding paper for the former Carnegie College (not the newly appointed auditors) and to note that this would come to the next meeting.	Marianne Philp	ASAP.	👍	Complete
A1.3	03.03.14	A significant tidy-up of this report would be undertaken following on from the internal auditors follow-up review and in advance of the next meeting.	David Neilson / Marianne Philp	04.06.14	👍	Included in action A1.1.
A2.1	28.11.13	**Remit** To check the remit of the Chair's and Audit Committees to ensure performance management is adequately covered.	Marianne Philp	June 2014	👍	Complete. Suggested amendment on agenda (item 15). Once agreed, can go to Board for approval as part of Committee review.
A2.2	03.03.14	To continue to chase the External Auditors for a response to the query about the remit (action A2.1)	Marianne Philp	Ongoing	👍	Complete. Response received.
A8.1	03.03.14	**Strategic Risk Register 2013-14** To amend risk 11 to read "Failure to establish a positive Fife College culture."	David Neilson	ASAP	👍	Complete

	Date of Meeting	Action	Responsibility	Deadline	Status	Comments
A8.2	03.03.14	To expand on the areas where further assurance could be given to Board Members – either in the risk register or in a separate report.	David Neilson	04.06.14	👍	Complete
A9.1	03.03.14	**External Audit Fee** To circulate by email details of the external audit fee once known and ratify the decision taken by Members at the next meeting.	David Neilson	ASAP / 04.06.14	👍	Complete
A10.1	03.03.14	**Pre-Meeting** To ask the external auditor to attend a pre-meeting at the next Audit and Risk Committee meeting, indicating that if he had concerns he wished to raise with the Committee earlier, he should make contact with either the Clerk or the Chair.	David Neilson	ASAP	👍	Complete. No urgent concerns, so pre-meeting rescheduled for prior to today's meeting.

FIFE COLLEGE

Risk Management Policy

1 Introduction

Fife College is accountable to a variety of stakeholders and the environment in which it operates is subject to wide range of risks, requiring effective risk management. This document forms part of Fife College and its subsidiary companies internal control and corporate governance arrangements.

The Policy outlines the roles various individuals and committees have to play in risk management and monitoring. It will only be successful if staff incorporate it into their daily working practices and is not seen merely as a paper exercise.

The purpose of the policy is for Fife College to create robust structures, systems and processes that will minimise or eliminate risks where possible.

Fife College senior management will:

- Set the tone and influence the culture of risk management across the College
- Determine the appropriate risk appetite for the College
- Monitor the management of fundamental risks
- Periodically review the College's approach to risk management
- Consider whether risk management continues to be linked to the achievement of the College's objectives
- Consider the level to which risk management is embedded in the College's processes and procedures
- Consider the effectiveness of the overall approach to risk management.

2 Nature of Risk

Risk can be defined as the combination of the probability of an event occurring and its likely consequences. In all types of undertaking, there is the potential for events and consequences that constitute opportunities for benefit – the upside, or threats to success – the downside. Risk Management is increasingly recognised as being concerned with both negative and positive aspects of risk.

Risks can be categorised as strategic, or operational:

- Strategic risk is associated with a failure to meet corporate objectives and would be monitored at Senior Management/Audit and Risk Committee level.
- Operational risk is associated with the delivery of routine activities which would be monitored at departmental level.

However, it is important to appreciate that risks do not always conveniently fit or stay in the boxes initially allocated to them and that the importance and relevance of a good reporting system is to include a mechanism to highlight those risks whose nature has changed.

3 Risk Management

Risk Management is the process whereby Fife College addresses and quantifies the risks attaching to its activities with the aim of managing and monitoring the risks on an ongoing basis.

The focus of good risk management is the identification and treatment of these risks. Its objective is to add value to the activities of the College. It increases the probability of success and reduces both the probability of failure and the uncertainty of achieving the College's overall objectives.

Response to risk will involve one or more of the following:

- Tolerating the risk, supplemented by contingency plans if deemed necessary
- Treating the risk in an appropriate way to constrain the risk to an acceptable level or actively taking advantage, regarding the uncertainty as an opportunity to gain a benefit
- Transferring the risk, for example by insurance or paying a third party to take the risk in another way
- Terminating the activity, possibly in turn giving rise to risk, bearing in mind that this option is limited given the scope of the College's activities
- Taking the opportunity - this option is not an alternative to those above, rather it is an option which should be considered whenever tolerating, transferring or treating a risk.

4 Responsibilities

Responsibilities are assigned as follows:

The Board of Governors

- Receives assurance from the Accounting Officer that a framework for the effective management of risk is in place
- Endorses the policy and approves the strategy
- Receives a formal annual review from the Audit and Risk Committee as the basis for the preparation of the Statement on Internal Control
- Receives and comments upon periodic reviews of key risks facing the College and actions put in place to manage those risks. This function is delegated by the Board of Governors to the Audit and Risk Committee

The Accounting Officer (the Principal)

- Accepts overall responsibility for risk management within the College
- Sets the policy and strategy for the management of risk within the College.

The Audit and Risk Committee

- Implements the policy and strategy set by the Accounting Officer and endorsed by the Board of Governors
- Reviews strategic risks and action plans, including those identified through the operational risk management process on a periodic basis and reports this to the Board of Governors
- Ensures that an appropriate overarching framework is in place and operational in order that objectives set out above are met.
- Determines the level of maturity the risk management process should achieve

The Senior Management Team

- Identify key risks to business plan objectives as an integral part of the business planning process
- Ensure that management plans are in place and reviewed to mitigate the key risks identified during the business planning risk assessment process
- Ensure regular receipt and review of risk reports on key business plan objectives within their area of responsibility
- Ensure that risk to business plan objectives is a regular item on the agenda for the Senior Management Team meetings

Risk Owners

- The risk owner is the individual responsible for ongoing management and reporting of a specific risk on the Risk Register.

Assurance Responsibilities

The Audit and Risk Committee

- Reviews the adequacy and effectiveness of the overall arrangements put in place by management to manage risk
- Received regular updates from the Senior Management Team on the management of the risks on the Strategic Risk Register
- Reviews the annual Statement on Internal Control and recommends it for approval by the Board of Governors

6 Nature of Fife College's Approach

A strategic approach to risk management articulates how Fife College manages risk; the main challenge does not lie in the initial identification and analysis of risk, but rather in the ongoing review and improvement of the risk management process.

This approach has to be dynamic in order for any lessons learned in the course of its operation to be used to adapt and improve the process. The challenge for risk management is to provide the framework to help management deal with uncertainty, and the associated risk and opportunity to agreed levels of acceptability, with risk management embedded as part of Fife College's strategic and operational management processes.

Risk management will continue to be embedded in the operation of the College and be part of its culture by actions such as:

- Including risk at departmental level, both in setting a development plan for the year ahead and monitoring throughout the year
- Including risk in strategic and operational planning
- Regular review of risk management arrangements
- Operating a formalised reporting process
- Promoting at a high level

7 Risk Management Processes

Strategic Risk Management Process

The Strategic Risk Management Process focuses on the views of the Accounting Officer and the other Senior Management Team Members, (both as a team and individually). It will also include the views of key Non Executive Directors and any issues of a strategic nature identified through the Operational Risk Management process or Strategic Planning.

As part of the planning process, each departmental plan will contain a Risk Register. As these plans should be informed by the Strategic Plan, the local Risk Registers will have been drawn up taking into account the main two main Risk Registers.

Monitoring and Reporting - the management of risk has to be reviewed and reported for two reasons:

- To monitor whether or not the risk profile is changing
- To gain assurance that risk management is effective and to identify when further action is necessary

Programme and Operational Risk Management Process

The Operational Risk Management Process will focus on the views of the Academic and Support Managers and other relevant staff within the College.

8 Risk Review and Reporting

In order to ensure that the risk management cycle of risk identification, analysis, control, review and reporting is complete, it is necessary for key risks to be considered on a regular basis.

Departmental risks are reviewed on an ongoing basis at departmental meetings as part of an ongoing review of the Department's plan.

- The Audit and Risk Committee will review the top 12/15 risks in terms of a score calculated by multiplying the probability of the risk materialising by the impact of each risk.

9 Fife College Risk Appetite

Risk appetite is the level of risk that is acceptable to Fife College and gives a guideline on the limits of risk it is prepared to tolerate. A model for the assessment of risk has been developed that enables risks to be evaluated on a consistent basis so that both over-control and under-control can be avoided. This is periodically reviewed to ensure that it remains current and appropriate. Risk appetite cannot always be viewed as tangible and measurable, but is really a measure of the acceptance of a level of risk over time in the light of the organisation's development.

All risks should be scored in terms of Impact and Likelihood using the following five-point scale; the scores are multiplied together to produce the overall assessment:

Impact	Likelihood		
5	Fundamental	5	Almost Certain
4	Major	4	Likely
3	Moderate	3	Possible
2	Minor	2	Unlikely
1	Insignificant	1	Rare

This model indicates degrees of risk severity, as measured by the combined impact and likelihood of occurrence. Scores are given “gross” and then reduced to “net” following mitigating actions.

The Fife College risk appetite model is shown below. The shaded green area (where risks score 9 or greater “net”) mean these risks will appear on the Risk Register to be reported to the Audit and Risk Committee. Risks scoring less than 9 are monitored by the Senior Management Team.

RISK APPETITE

Impact Severity	Multiplier					
Fundamental	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5
	Multiplier	1	2	3	4	5
Likelihood		Rare	Unlikely	Possible	Likely	Almost Certain

10 Risk Registers

Risk registers are an integral part of the process of managing risk and are used to:

- Record risks related to objectives and express risks in terms of event, consequence and impact
- Store information on significant risks in a meaningful way that can be distributed to key stakeholders and used to make better informed decisions
- Rank risks by severity of consequences in order that they may be prioritised for action.

Fife College has adopted a standard format risk register, a sample of which is shown below:

Fife College

Risk Area: **Risk No:**

Risk Level	
Strategic Aims / Objectives:	
Owner:	
Description of the Risk:	
What are the possible consequences if the risk was to emerge:	

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A)	What is the predicted **IMPACT** of the risk?	(B)	What is the total risk score? (A x B)	
The **GROSS** risk is therefore: (low/medium/high)					

Control Measures					
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?					
Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A)	What is the predicted **IMPACT** of the risk?	(B)	What is the total risk score? (A x B)	

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
The NET Risk is therefore (High/Medium/Low):				

Risk Indicators

Further Action Required	
Risk Tolerance	
What is the tolerable level of risk?	(low/medium/high):

THE BOARD OF GOVERNORS OF FIFE COLLEGE

The Audit and Risk Committee

Strategic Risk Register 2013-14

1 Introduction

Attached are the 12 strategic risks for Fife College. Any changes to the narratives since the last Audit and Risk Committee meeting have been highlighted in grey.

Direction arrows have been reviewed to reflect the situation for Quarter 2 (July to September 2014).

2 Recommendation

Audit Committee Members are invited to review the Strategic Risk Register and agree that these remain the top 12 risks for Fife College.

Risk Register Summary 2013-14

Risk No	Risk Description	Gross Score	Net Score	Risk Tolerance	Score Exceeds Tolerance	Risk Status	Risk Owner
1	Failure to achieve the Estates Strategy.	16	12	Low	Yes	→	D Neilson
2	Failure to affect integration and interoperability of systems.	16	12	Low	Yes	→	D Neilson
3	Failure to achieve financial targets.	20	12	Low	Yes	→	H Logan
4	Not being technologically able to deliver excellence in learning.	16	12	Low	Yes	→	D Hosey
5	Inaccuracy of data.	15	12	Low	Yes	→	D Hosey
6	Not providing a regional curriculum which meets the needs of our learners, employers and industry sectors. Ensuring curriculum delivery is kept relevant.	20	12	Low	Yes	↗	D Hosey
7	Failure to create and deliver access to Higher Education.	16	9	Low	Yes	→	D Hosey
8	Loss of focus on core business during regionalisation/restructure.	15	9	Low	Yes	→	H Logan
9	Threat from competition.	16	12	Medium		→	D Miller
10	Inability to take advantage of commercialisation / internationalisation in a regional context.	16	9	Low	Yes	↗	D Miller
11	Failure to esatblish a Fife College culture.	16	9	Low	Yes	↗	C Scott
12	Failure to maximise economies of scale arising out of merger.	16	9	Low	Yes	→	C Scott

Risk No	Risk Description	Further Assurance
1	Failure to achieve the Estates Strategy.	Estates SLWG, Curriculum consolidation
2	Failure to affect integration and interoperability of systems.	ISO, Internal Audit, availability of data/information
3	Failure to achieve financial targets.	External Audit, SFC
4	Not being technologically able to deliver excellence in learning.	Education Scotland
5	Inaccuracy of data.	Reconciliation of information from different systems
6	Not providing a regional curriculum which meets the needs of our learners, employers and industry sectors. Ensuring curriculum delivery is kept relevant.	Education Scotland, SDS
7	Failure to create and deliver access to Higher Education.	Education Scotland
8	Loss of focus on core business during regionalisation/restructure.	Student PI's
9	Threat from competition.	CEL/non-GIA performance
10	Inability to take advantage of commercialisation / internationalisation in a regional context.	CEL/non-GIA financial trends
11	Failure to esatblish a Fife College culture.	Education Scotland, Staff Surveys
12	Failure to maximise economies of scale arising out of merger.	Financial Performance, year on year cost comparisons

Fife College

Risk Area: Strategic **Risk No:** 1

Risk Level	
Strategic Aims / Objectives:	
Owner:	David Neilson
Description of the Risk:	Failure to achieve the Estates Strategy.
What are the possible consequences if the risk was to emerge:	• New college estate not realised. • Existing facilities become decreasingly fit for purpose. • Recruitment becomes negatively affected. • Economic recession makes financing more difficult. • Lack of sound technological infrastructure increases costs, down-time with impact on business continuity, and curriculum out-datedness.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 4/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	16/25
The **GROSS** risk is therefore: (low/medium/high)	High				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Engage external expertise to produce Estates Strategy • Set up short life working group • Board strategy day to agree way forward • Continue to monitor/lobby Fife Council. • Continue to monitor any existing and new funding opportunities. • Maximise any capital funding available. • Prioritise essential spend with focus on learner / customer needs. • Ensure adherence to procurement rules.

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	12/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	→	→		

The NET Risk is therefore (High/Medium/Low):

Medium

Risk Indicators

- New estate not realised.
- Current estate becomes unfit for purpose.
- Technology Infrastructure open to interruption.
- Difficulty in finding finance.

Further Action Required

- Maintain dialogue with relevant parties, Fife Council, Scottish Funding Council etc.
- Monitor financial/borrowing environment.
- Maintain and improve financial position.
- Prioritise only essential infrastructure spend.
- Ensure the issue is kept live.
- Engage professional advice as appropriate.
- Issue is highlighted post-merger.

Risk Tolerance

What is the tolerable level of risk?	(low/medium/high): Low

Fife College

Risk Area: Academic/Operational **Risk No:** 2

Risk Level	
Strategic Aims / Objectives:	
Owner:	David Neilson
Description of the Risk:	Failure to affect integration and interoperability of systems.
What are the possible consequences if the risk was to emerge:	• Inefficient operation. • Errors and inconsistency in data. • Decisions based on incorrect/late information. • Customer dissatisfaction. • Unnecessary expense. • Lack of reliability, accessibility and validity of data / information.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 4/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	16/25
The **GROSS** risk is therefore: (low/medium/high)	High				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Post merger review of processes. • Selection of a single system for Fife College (Finance, MIS etc.) • Appointment of Data Manager for student data. • Consolidation of support departments. • Monitoring/benchmarking best practice in the sector. •

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	12/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	→	→		

The NET Risk is therefore (High/Medium/Low):

Medium

Risk Indicators

- Late/incorrect data.
- Unnecessary support costs.
- Customer complaints.
- Education Scotland risk (caveats and feedback via Review).
- Utilisation levels of MIS systems low.
- Developments stalled during regionalisation (failure to invest pending choice of systems going forward).
- Regional information incomplete or inaccurate.

Further Action Required

- Continued review of processes to streamline as much as possible.
- Clarification of data/information required.
- Further review of college structure if required.
- Properly resourced Business Systems Co-ordination function.
- Use of external expertise.
- Staff Development in effective data handling.
- Clear responsibility IT/Business Systems Co-ordination.

Risk Tolerance

What is the tolerable level of risk?	(low/medium/high): Low

Fife College

Risk Area: Strategic **Risk No:** 3

Risk Level	
Strategic Aims / Objectives:	
Owner:	Hugh Logan
Description of the Risk:	Failure to achieve financial targets.
What are the possible consequences if the risk was to emerge:	• Ongoing financial challenges in delivery of planned budgets. • Inability to invest in future resources. • Inability to realise Estates Strategy. • Inability to continue to offer relevant curriculum. • Inability to "invest to save".

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 4/5	What is the predicted **IMPACT** of the risk?	(B) 5/5	What is the total risk score? (A x B)	20/25
The **GROSS** risk is therefore: (low/medium/high)	High				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Rationalise estate utilisation. • Implement Estates Strategy. • Ensure budgetary control and financial reporting in new structure. • Plan and monitor annual curriculum offering (summable and full cost). • Monitor resource allocation and efficiency improvements. •

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	12/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	→	→		

The NET Risk is therefore (High/Medium/Low):

Medium

Risk Indicators

- Not meeting planned budget out-turn.
- Inability to deliver SUMs target.
- Estate ceases to be fit for purpose.
- Inability to attract learners / customers.
- Reputational negativity projected.
- Inadequate regionalisation funding inhibits business as usual during restructure.

Further Action Required

- Rigorous monitoring of the whole picture (finance, estates, curriculum).
- Improved reporting systems.
- Improved structure to enable service integration and efficiency.
- Reduce unit delivery cost through workforce (T&L) modernisation.
- Improved financial forecasting.
- Adequate backfill/resourcing during regionalisation transformation.
- Continue to lobby SFC re transformational funding.
- Ensure benefits of funded VS are realised as quickly as possible.

Risk Tolerance

What is the tolerable level of risk?	(low/medium/high): Low

Fife College

Risk Area: Academic/Operational **Risk No:** 4

Risk Level	
Strategic Aims / Objectives:	
Owner:	David Hosey
Description of the Risk:	Not being technologically able to deliver excellence in learning.
What are the possible consequences if the risk was to emerge:	• Curriculum unattractive to future learners preferred style. • Poor retention and progression. • High costs in delivery versus competitors. • Curriculum outdated. • Learners choose an alternative provider.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 4/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	16/25
The **GROSS** risk is therefore: (low/medium/high)	High				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Planned Resourced ICT strategy to ensure curriculum is adequately supported. • Integration of ICT in Academic Planning. • Optimal use of resources available. • Effective managed adoption of selected technology tools. • Consultation re learner preferred / staff preferences. • Rationalisation of software use.

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	12/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	→	→		

The NET Risk is therefore (High/Medium/Low):

Medium

Risk Indicators

- Poor recruitment and retention resulting from out-dated learning methodology.
- Lack of a robust IT infrastructure – high maintenance costs.
- Complaints.
- Poor Education Scotland feedback / grades.
- Progress is stalled during regionalisation (investment decisions).

Further Action Required

- ICT strategy to be fully integrated with Curriculum Development.
- ICT investment to be prioritised.
- Effective use of JISC consultancy / tools online.
- Board of Management fully appraised.
- Maintain focus during regionalisation.
- Ensure Learning, Teaching and Assessment discussions inform ICT Strategy.

Risk Tolerance	
What is the tolerable level of risk?	(low/medium/high): Low

Fife College

Risk Area: **Risk No:** 5

Risk Level	
Strategic Aims / Objectives:	
Owner:	David Hosey
Description of the Risk:	Inaccuracy of data.
What are the possible consequences if the risk was to emerge:	• Poor decision making based on poor data/information. • Lack of clarity in curriculum offering. • Lack of clarity in performance. • Future funding jeopardised.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 5/5	What is the total risk score? (A x B)	15/25
The **GROSS** risk is therefore: (low/medium/high)	Medium				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Achieve consistency of practice. • Rigorous review of systems and processes. • Appointment of Data Manager. • Careful selection of student records system. • Embedding performance review on an ongoing basis.

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	12/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	→	→		

The NET Risk is therefore (High/Medium/Low):

Medium

Risk Indicators

- Lack of clarity regarding SUM position.
- Curriculum offering not in line with market demand.

Further Action Required

- Review processes and responsibilities.
- Thorough process in selection of Fife College student records system.

Risk Tolerance	
What is the tolerable level of risk?	(low/medium/high): Low

Fife College

Risk Area: Academic/Operational **Risk No:** 6

Risk Level	
Strategic Aims / Objectives:	
Owner:	David Hosey
Description of the Risk:	Not providing a regional curriculum which meets the needs of our learners, employers and industry sectors. Ensuring curriculum delivery is kept relevant.
What are the possible consequences if the risk was to emerge:	• Potential students turned away. • Poor recruitment to summable and full cost courses. • Viability and sustainability issues. • Poor progression percentages. • Poor retention.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 4/5	What is the predicted **IMPACT** of the risk?	(B) 5/5	What is the total risk score? (A x B)	20/25
The **GROSS** risk is therefore: (low/medium/high)	High				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Fife-wide curriculum consolidation exercise. • Rigorous, consistent curriculum planning. • Continuous review of non-summable offering. • Response to Education Scotland reviews. • Ensure College Outcome Agreement reflects reality. • MIS/Data analysis and self-evaluation impacting positively on improvements.

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	12/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	↗	↗		

The NET Risk is therefore (High/Medium/Low):

Medium

Risk Indicators

- Poor recruitment.
- Poor retention / attainment.
- Poor progression.
- Full cost work does not achieve target.
- Regional curriculum does not meet Fife demands.
- Inconsistent offering across Fife.

Further Action Required

- Continue to improve Fife-wide academic planning.
- Rigorous Academic Approvals process to ensure curriculum offering is fit for purpose.
- Continue to monitor and improve curriculum delivery.
- Continue to partner on articulation agreements.

Risk Tolerance

What is the tolerable level of risk?	(low/medium/high): Low

Fife College

Risk Area: Academic/Operational **Risk No:** 7

Risk Level	
Strategic Aims / Objectives:	
Owner:	David Hosey
Description of the Risk:	Failure to create and deliver access to Higher Education.
What are the possible consequences if the risk was to emerge:	• Failure to achieve institutional sustainability. • Failure to provide a full curriculum offering. • Failure to provide viable progression opportunities • Financial losses as well as poor learning experience.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 4/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	16/25
The **GROSS** risk is therefore: (low/medium/high)	Medium				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Curriculum Consolidation • Articulation agreements sustained • Review and plan curriculum offering to enable progression. • Ensure non-advanced and HE learners are aware of opportunities. • Maintain relationships with other organisations. • Effective marketing

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 3/5	What is the total risk score? (A x B)	9/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	→	→		

The NET Risk is therefore (High/Medium/Low):

Low

Risk Indicators

- Learners attend for only one Academic year.
- Progression percentages do not improve.
- Class sizes progressing remain small and unsustainable

Further Action Required

- Spread awareness of progression opportunities.
- Continually review and plan curriculum offering.
- Sustain high quality learning opportunities.
- Retention of balanced portfolio.
- Continue to develop access arrangements.
- Continue to work with the Open University to increase access to HE.

Risk Tolerance

What is the tolerable level of risk?	(low/medium/high): Low

Fife College

Risk Area: **Risk No:** 8

Risk Level	
Strategic Aims / Objectives:	
Owner:	Hugh Logan
Description of the Risk:	Loss of focus on core business during regionalisation/restructure.
What are the possible consequences if the risk was to emerge:	• Loss of customer satisfaction. • Cashflow problems. • Vulnerability to merger in the sector. • Inability to offer full curriculum.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 5/5	What is the total risk score? (A x B)	15/25
The **GROSS** risk is therefore: (low/medium/high)	Medium				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Prudent financial forecasting / management. • Continued curriculum consolidation. • Remaining on a sustainable regional trajectory. • Controlled allocation of resources in the College. • Role clarity during restructure.

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 3/5	What is the total risk score? (A x B)	9/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	→	→		

The NET Risk is therefore (High/Medium/Low):

Low

Risk Indicators

- Sub optimal financial performance.
- Cashflow problems.
- Inability to offer whole curriculum.
- Inability to deal with funding cuts.

Further Action Required

- Improved financial reporting / control.
- Financial forecasting.
- Ability to respond to financial environment.
- Ensure regional College realises potential.
- Keep Learner at the Centre.
- Lobby SFC for increased transformational funding.

Risk Tolerance

What is the tolerable level of risk?	(low/medium/high): Low

Fife College

Risk Area: Customers **Risk No:** 9

Risk Level	
Strategic Aims / Objectives:	
Owner:	Debbie Miller
Description of the Risk:	Threat from competition.
What are the possible consequences if the risk was to emerge:	• Inability to achieve targets. • Inability to lead with curriculum offering. • Following not leading. • Failure to increase or retain commercial income. • Reduction in applications.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 4/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	16/25
The **GROSS** risk is therefore: (low/medium/high)	Medium				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Constant environmental scanning. • Membership/attendance with relevant bodies (Chamber of Commerce, Scottish Funding Council working groups). • Effective marketing campaigns. • Awareness during regional discussions re change of competition.

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	12/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	→	→		

The NET Risk is therefore (High/Medium/Low):

Medium

Risk Indicators

- Inability to attract available funding.
- Loss of market share.
- Late implementation of new products.
- Loss of local, Fife, and National Scottish/UK, support.
- Issues regarding delivery.
- Failure to realise regional benefits.
- Inability to replace contracts that have reached the end of their lifecycle.

Further Action Required

- Continue to monitor local/national environment.
- Continue to monitor competitor activity.
- Improving marketing and sales processes – to close of sale.
- Launch of Online Services.
- Strategic use of WSUMs.
- Develop a clear strategy for growth in our biggest key sector market – engineering.
- Moving forward on a regional basis.

Risk Tolerance

What is the tolerable level of risk?	(low/medium/high): Medium

Fife College

Risk Area: **Risk No:** 10

Risk Level	
Strategic Aims / Objectives:	
Owner:	Debbie Miller
Description of the Risk:	Inability to take advantage of commercialisation / internationalisation in a regional context.
What are the possible consequences if the risk was to emerge:	• Failure to realise financial projections. • Inefficient use of additional resources. • Loss of significant opportunities. • Loss of focus during regionalisation.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 4/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	16/25
The **GROSS** risk is therefore: (low/medium/high)	Medium				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Procedures / processes are in place to deal with demand. • Horizon scanning is sufficient to be aware of opportunities. • Continue to work with partners on the international scene. • Effective post merger departmental structure..

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 3/5	What is the total risk score? (A x B)	9/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	↗	↗		

The NET Risk is therefore (High/Medium/Low):

Low

Risk Indicators

- Inability to achieve income targets.
- Customers buying behaviour changing.
- Increase in unpaid debt.
- Unwillingness of Board to prioritise the issue.

Further Action Required

- Ensure processes can react to opportunities.
- Continue to work with partner organisations.
- Be aware of opportunities.
- Focus on key market sectors: engineering, renewable, care, and business/management.
- Ensure the issue is kept to the forefront at the relevant workstream(s).
- Ensure clarity around proposed regional business model.
- Ensure all of Fife College engages in the activity.

Risk Tolerance

What is the tolerable level of risk?	(low/medium/high): Low

Fife College

Risk Area: Strategic **Risk No:** 11

Risk Level	
Strategic Aims / Objectives:	
Owner:	Carol Scott
Description of the Risk:	Failure to establish a positive Fife College culture.
What are the possible consequences if the risk was to emerge:	• Ongoing perception of 2 separate colleges. • Staff unrest during merger and restructure. • Ongoing low staff morale.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 4/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	16/25
The **GROSS** risk is therefore: (low/medium/high)	Medium				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Harmonisation of terms and conditions. • Press ahead with the restructure. • Transparency in decision making.

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 3/5	What is the total risk score? (A x B)	9/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	↗	↗		

The NET Risk is therefore (High/Medium/Low):

Low

Risk Indicators

- Staff unrest.
- Merger efficiencies not recognised.
- Failure to establish Fife College ethos.

Further Action Required

- Transparency in decision making
- Ongoing consultation.
- Staff involvement in branding decisions.
- Harmonisation of terms and conditions.

Risk Tolerance

What is the tolerable level of risk?	(low/medium/high): Low

Fife College

Risk Area: Strategic **Risk No:** 12

Risk Level	
Strategic Aims / Objectives:	
Owner:	Carol Scott
Description of the Risk:	Failure to maximise economies of scale arising out of merger.
What are the possible consequences if the risk was to emerge:	• Inefficient delivery. • Support functions not centralised. • Curriculum consolidation delayed/not achieved.

Numerical Scoring of Gross Risk (i.e. without controls in place)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 4/5	What is the predicted **IMPACT** of the risk?	(B) 4/5	What is the total risk score? (A x B)	16/25
The **GROSS** risk is therefore: (low/medium/high)	Medium				

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	• Maintain pace of restructure. • Restructure to take account of efficiencies, not easy compromises. • Recognisable curriculum consolidation.

Numerical Scoring of NET Risk (i.e. with controls in place) (2 cont)					
What is the predicted **LIKELIHOOD** of the risk occurring?	(A) 3/5	What is the predicted **IMPACT** of the risk?	(B) 3/5	What is the total risk score? (A x B)	9/25

Risk Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	→	→		

The NET Risk is therefore (High/Medium/Low):

Low

Risk Indicators

- Sub optimal financial performance.
- Confusion regarding curriculum delivery.
- Inefficient curriculum delivery.

Further Action Required

- Push through post-merger structures.
- Rationalise curriculum delivery.
- Keep to post merger timetable.
- Review restructure benefits.
- Maximise benefit of transformational VS funding.

Risk Tolerance

What is the tolerable level of risk?	(low/medium/high): Low

HENDERSON LOGGIE
Chartered Accountants

Fife College

Voluntary Severance Scheme 2013/14

Internal Audit Report No: 2014/02

Draft Issued: 23 May 2014

Final Issued: 27 May 2014

HENDERSON LOGGIE

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1. Management Summary

HENDERSON LOGGIE

Introduction and Background

As part of the Internal Audit programme at Fife College ('the College') for 2013/14 we carried out a review of the arrangements in place for the College's Voluntary Severance Scheme (VSS). The Annual Plan, issued in March 2014, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Governors ('the Board') and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Key factors influencing the merger of Carnegie College and Adam Smith College were forecast payroll savings and staffing efficiencies as a result of restructuring and staff voluntary severances. The original merger proposal highlighted a planned reduction of 117 posts (13%), with voluntary severances over 2012/13, 2013/14 and 2014/15 which would lead to forecast savings of £4.9 million from 2015/16 onwards.

To ensure these savings are met with minimal impact on students it is important for the College's VSS to meet targeted reductions while ensuring there are sufficient skills, experience and knowledge remaining in the staff base.

The number and amounts approved under the VSS to the date of our testing, and the overall payback periods were as follows:

	Number	Amount (£)	Payback
Adam Smith College	56	1,767,580	11.2 months
Carnegie College	56	1,561,687	11.4 months
Fife College	5	273,164	11.5 months

Scope of the Audit

This audit covered the risks relating to the College's VSS.

Objectives of the Audit

The objective of the audit was to ensure that:

- the VSS had been reviewed to ensure it is in line with terms and conditions of VSS funding received;
- the Board of Governors Remuneration Committee considered the appropriateness of the VSS and approved it;
- the VSS was communicated to all staff and sufficient time was given for staff to consider it;
- a robust process was in place to review VSS applications received;
- VSS payments were correctly calculated and approved; and
- payments to higher paid employees through the VSS complied with the requirements of Scottish Funding Council (SFC) circular FE/03/2000.

1. Management Summary

HENDERSON LOGGIE

Audit Approach

The process used for assessing VSS applications was determined from discussion with Human Resources (HR) staff, review of the VSS details and a walkthrough of processes. This was followed by detailed testing of a sample of VSS payments and key documentation and approvals.

Action Plan

This report includes one improvement action which is discussed within the text for clarity. An action plan for implementation of this recommendation can be found at Section 2 of this report.

In making recommendations we assess the relative impact of the related risk on the organisation. The more serious the risk the higher the priority assigned to the recommendation.

Recommendation levels:

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

Overall Conclusion

On the basis of work undertaken we found that:

- the VSS is in line with terms and conditions of VSS funding received;
- the Fife Regional College Partnership Board and the Remuneration Committees of Carnegie College and Adam Smith College considered the appropriateness of the VSS and approved it;
- the VSS was communicated to all staff and sufficient time was given for staff to consider it;
- a robust process was in place to review VSS applications received;
- VSS payments were correctly calculated and approved; and
- payments to higher paid employees (severances greater than £75,000 or staff with an annual salary of more than £50,000) through the VSS complied with the requirements of SFC circular FE/03/2000 except that confidentiality clauses were included in Settlement Agreements which are not allowed per the circular.

During our audit testing it was identified that three severance payments, totalling £179,411, that fell outwith the VSS had been reclaimed from the SFC in error. Following discussion between the College Principal and the SFC it was agreed that this amount would be repaid to the SFC. Assurances have been received from College senior management that there are processes being put in place to ensure there is no repeat of this.

1. Management Summary

HENDERSON LOGGIE

Overall Report Grade

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of priority that should be given to the report, with 1 being low priority for attention and 4 being high priority. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place. **This report has been graded 'Satisfactory' – 2.**

Gradings are defined as follows:

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

Summary of Main Findings and Recommendations

The VSS used by both Adam Smith College and Carnegie College prior to merger, and used for a small number of individuals after merger, was approved by the Fife Regional College Partnership Board, and Remuneration Committees of Adam Smith College and Carnegie College.

Communication of the scheme was made through a variety of channels, including the College's intranet and through emails and letters to staff.

A robust process was used to review applications for the main tranche of VSS applications, with interaction between staff at Adam Smith College and Carnegie College to consider implications for the merged college, as well as discussions within colleges. We recalculated a sample of 22 of these VSS payments using information from the HR systems and noted no exceptions. We also obtained the spreadsheets used to calculate the VSS amounts and using formulas recalculated all of the VSS payments for staff approved in May 2013, with no exceptions noted. The main tranche of VSS applications was reviewed in a joint meeting of Adam Smith College and Carnegie College senior managers and HR staff on 16 May 2013 and decisions made then as to who to approve for the VSS.

Between the main tranche of VSS staff and 27 March 2014, the completion date of audit fieldwork, there were a further 11 staff accepted by the Senior Management Team for VSS and these were found to have been appropriately approved.

The requirements of the SFC relating to severances of higher paid staff, as set out in SFC circular FE/03/2000 were reviewed. We consider that the College has complied with these except that confidentiality clauses were used in some Settlement Agreements with staff receiving severance which is not allowed per the circular. We recommend that the College should reconsider the use of confidentiality clauses in Settlement Agreements for 'senior staff' in light of the guidance given in the SFC circular.

Acknowledgements

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

HENDERSON LOGGIE

2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
5.3	***Compliance with SFC Voluntary Severance Requirements for Higher Paid Employees*** **R1** Reconsider the use of confidentiality clauses in Settlement Agreements for 'senior staff' (as defined by the SFC) in light of the guidance given in SFC circular FE/03/2000.	2	Fife College will progress the use of a standard template for settlement agreements going forward.	Yes	Vice Principal Organisation and Development	September 2014

3. Main Report

HENDERSON LOGGIE

1. Compliance with SFC VSS Funding Requirements

1.1 The Scottish Funding Council (SFC) set out in a letter to the Principals of Adam Smith College and Carnegie College that funding for voluntary severances at the colleges would be provided up to the value of £4.2 million. This letter set out a number of requirements for claiming the funding, including requiring an overall payback period of one year or less.

1.2 We reviewed these requirements, including recalculating the payback period and consider all requirements have been met.

1.3 During our audit testing it was identified that three severance payments, totalling £179,411, that fell outwith the Voluntary Severance Scheme (VSS) had been reclaimed from the SFC in error. Following discussion between the College Principal and the SFC it was agreed that this amount would be repaid to the SFC. Assurances have been received from College senior management that there are processes being put in place to ensure there is no repeat of this.

2. Review and Approval of the VSS

2.1 The VSS was prepared by Adam Smith College and Carnegie College Human Resources (HR) staff and was reviewed by external lawyers to identify if there were any legal concerns with it.

2.2 The HR and Organisational Development Workstream then met on 8 January 2013 to review the draft terms and criteria for the VSS. Following this it was presented to the Fife Regional College Partnership Board on 18 January 2013, along with a paper explaining the background, key elements, and other key information about the VSS. The VSS was reviewed and approved by the Partnership Board subject to certain changes being made to it.

2.3 The Remuneration Committee of Carnegie College then reviewed and approved the draft VSS on 24 January 2013, the same date that the Remuneration Committee of Adam Smith College reviewed and approved it. The VSS was also provided to EIS and Unison for obtaining their feedback.

3. VSS Communications with Staff

3.1 Information about the VSS was provided to staff through a variety of channels including:

- inclusion in 'The Bulletin' (staff newsletter);
- being posted on the staff intranet;
- emails to all staff;
- letters to all staff; and
- communications to specific staff involved in aspects of the VSS, such as managers and senior managers.

From review of communications provided to staff these were considered to be adequate.

3.2 The VSS period was opened on 18 February 2013 and closed on 10 May 2013, with it being closed temporarily from 16 April 2013 to 19 April 2013 to allow for high-level College structures to be announced. This time frame is considered by us as adequate for staff to gain an understanding of the VSS and make a decision as to whether they wanted to apply.

3. Main Report

4. Review of VSS Applications and Payments

4.1 Two forms were provided to staff as part of the VSS document. The first, a VS1 form could be completed by a staff member and submitted to HR for a quotation of how much they might receive if they were accepted for the VSS.

4.2 The second form, a VS2, would be filled in by a staff member if they decided to apply for the VSS and they would submit this to HR. Details of applications received were recorded on a spreadsheet (one being used by Adam Smith College and another by Carnegie College).

4.3 Managers were made aware of who had applied for the VSS and were required to discuss applications with their counterparts in the other college to determine what impact this might have on the merged college before considering accepting an applicant.

4.4 Managers in each college then met with senior management and discussed whether applicants met the VSS's conditions, considered whether the post would require any backfilling and considered whether this would lead to unacceptable operational consequences, such as creating staff skills and knowledge gaps.

4.5 A final meeting of senior management and HR staff from both colleges was held on 16 May 2013 to agree which staff would be accepted for the VSS, including discussing the justification for accepting or rejecting applicants, and this information was recorded on the central spreadsheets referred to above.

4.6 Any Senior Management Team members who requested VSS were considered for approval by a joint meeting of the two Remuneration Committees on 27 May 2013.

4.7 All non-senior management staff were advised of whether or not they were successful for the VSS on 24 May 2013. The dates for departures were also agreed at that time.

4.8 Prior to ceasing employment and payment of VSS lump sums all successful VSS applicants had to sign a Settlement Agreement which was countersigned by HR staff in their respective college. This document confirmed the amount being paid and confirmed that the staff member was ceasing employment and giving up all of their rights under their employment contract.

4.9 We reviewed a sample of 22 staff receiving VSS payments as part of the main VSS tranche approved on 16 May 2013 (20% of the 112 staff who were accepted for the VSS in May 2013) to ensure that the payments were correctly calculated using information on the colleges' HR systems and that amounts calculated agreed to amounts disclosed in signed Settlement Agreements. We noted no exceptions from this testing.

4.10 We obtained the spreadsheets used to calculate all the VSS amounts for staff approved in May 2013 and using formulas recalculated all of the VSS payments amounts, with no exceptions noted.

4.11 There were no VSS applicants approved between June 2013 and December 2013. However 11 staff, including senior staff, were approved by the Fife College Senior Management Team for VSS between January 2014 and March 2014. We obtained a schedule signed by the SMT approving all such applicants, most of whom were to be leaving between April and July 2014.

4.12 The Terms of Reference of the Fife College Chair's Committee sets out that the Committee should approve any VSS and approve voluntary severance applications from senior staff following recommendations by the Principal or Vice Principals. We were advised by the Secretary to the Board of Fife College that, with the current VSS being approved already, the Chair's Committee had agreed that they would only need to approve any VSS application for Senior Management Team members. Any other members of management could be approved by the Senior Management Team and reported to the Chair's Committee, the first report which is planned for May 2014.

5. Compliance with SFC Voluntary Severance Requirements for Higher Paid Employees

5.1 The SFC's requirements for severances of 'senior staff' are set out in circular letter FE/03/2000, with some amendments made to this in SFC circular FE/13/2004. The aim of the circular is to ensure that severance payments are appropriate and made in a fair and transparent way. 'Senior staff' are defined as those earning more than £50,000 p.a. or receiving a severance package of more than £75,000 (excluding pension strain costs).

5.2 The key requirements set out in the guidance are:

- In exercising their discretion in issuing employees with terms and conditions of employment, colleges must act reasonably;
- There must be a clear allocation of responsibility to named committees and individuals, proper reporting to governing bodies and openness and transparency in dealing with stakeholders;
- Delegation must be within a specific remit, have full compliance with the College's policy on severance matters and with clear boundaries as determined by the Board of Governors;
- The terms of the employee's contract must be used as the basis of determining severance arrangements;
- Where an exceptional arrangement is being considered, clear and comprehensive documentation must be prepared (and retained) that fully demonstrates how the cost of severance terms, beyond contractual obligations, provide (and are seen to provide) the best value for money;
- If the severance arrangement provides for a reference, colleges must ensure that it is accurate and complete;
- Colleges must not agree to confidentiality clauses within severance agreements except where it is necessary to protect commercially sensitive information. Commercially sensitive information does not include information on the details of the severance package itself, nor generalised clauses whereby individuals undertake not to make statements that might damage the reputation of an institution. However, there may be exceptional cases not covered by commercial considerations, where it is in the public interest to include a confidentiality clause. In these circumstances, the institution must consult with the Council's Chief Executive, in his capacity as Accounting Officer, before agreeing to such a clause; and
- The college's external auditors must review severance settlements for senior staff (and if guidance is not conformed to this should be reported on).

5.3 Observation

We reviewed all four severances of those classed as 'senior staff' between January 2013 and March 2014 for compliance with the SFC's requirements set out in SFC circular FE/03/2000. We consider that the College has adequately complied with these requirements except that Settlement Agreements for senior staff receiving severance include confidentiality clauses which paragraph 32 of circular FE/03/2000 states must not be used 'except where it is necessary to protect commercially sensitive information' and we found the confidentiality clauses used by the College were wider than this.

Risk

SFC guidance on senior staff is not being followed, and could potentially lead to a clawback in severance funding.

Recommendation

R1 Reconsider the use of confidentiality clauses in Settlement Agreements for 'senior staff' (as defined by the SFC) in light of the guidance given in SFC circular FE/03/2000.

Benefit

The College will be compliant with SFC requirements and help ensure that they are transparent and open about senior staff severance packages.

HENDERSON LOGGIE
Chartered Accountants

Fife College

Key Financial Controls 2013/14

Internal Audit Report No: 2014/04

Draft Issued: 26 May 2014

Final Issued: 28 May 2014

HENDERSON LOGGIE

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HENDERSON LOGGIE

1. Management Summary

Introduction and Background

As part of the Internal Audit programme at Fife College ('the College') for 2013/14 we carried out a review of the key financial controls in place. The Annual Plan, issued in March 2014, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management ('the Board') and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Effectively operating financial controls are an important foundation for ensuring that management accounts, used for internal budget monitoring and review, and annual financial statements, used for external scrutiny, are robust. This review has been undertaken to determine whether key financial controls are in place and operating effectively throughout the 8 month period to 31 March 2014, and is planned to assist the external auditors in their first audit of Fife College which combines the financial processes from the previous Adam Smith and Carnegie colleges.

During 2013/14 a range of different systems were used by the College, as shown in the table below, each being operated by separate teams. The systems used were those previously used by the former Adam Smith College (hereafter referred to as 'Fife College East') and the former Carnegie College (hereafter referred to as 'Fife College West). All transactions relating to the provision transferred to Fife College from Scotland's Rural College (SRUC) Cupar Campus were processed through the Fife College East systems. The Sun finance system was discontinued from 1 April 2014 and systems integration work in the other areas will be undertaken in due course.

Area	Fife College East (former Adam Smith and SRUC, Cupar)	Fife College West (former Carnegie College)
Payroll	CINTRA	CINTRA
General ledger / budgetary control	Sun	Tech One
Sales	SITS and Sun	Unit-E and Tech One
Purchases	PECOS and Sun	Tech One

Scope of the Audit

This audit covered the main finance system and its key feeder system interfaces. This included a review of: budget monitoring; general ledger; student fees; creditors and purchasing; payroll; debtors and income; and cash and bank.

Objectives of the Audit

The objective of the audit was to determine whether the key financial controls to be relied upon for the production of figures for the financial statements and periodic management accounts were operating effectively.

We also considered whether the budget monitoring arrangements in place centrally and within departments were robust.

1. Management Summary

HENDERSON LOGGIE

Audit Approach

We documented the systems and controls through interviews with Finance and other relevant staff and walkthroughs. We then compared actual controls against expected key controls using good practice checklists, and undertook detailed compliance testing to determine whether controls were operating effectively. As the legacy systems from both the former Adam Smith College and Carnegie College were still in use by Fife College in the period under review both sets of these systems were reviewed.

Action Plan

This report includes improvement actions which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

In making recommendations we assess the relative impact of the related risk on the organisation. The more serious the risk the higher the priority assigned to the recommendation.

During the audit a number of weaknesses were noted which have not been raised as recommendations within this report. This has been done because the weaknesses noted will no longer be relevant (with the discontinuation of the Sun system) or should be covered through system integration activities.

Recommendation levels:

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

Overall Conclusion

On the basis of work undertaken we found that:

- Payroll processes appeared reasonable except for payroll review processes in Fife College East which were not as comprehensive as they could have been.
- Budget setting and monitoring in Fife College West were considered appropriate however in Fife College East the budget setting process was not as accurate as it might have been, and budget holders were not provided with regular management accounts for monitoring.
- Processes were in place for closing off monthly management accounts and the year end, however some of these could have been more formalised. Some control accounts had still to be reconciled at time of audit fieldwork.
- Student fees raising processes appeared to be appropriate to ensure all students were charged correctly. However we found the interfaces to bring student fee information from the Unit-E student registry system into the Tech1 finance system were not reconciled for the period from January to March 2014.
- Purchase orders and invoices appeared to be appropriately approved. Payment runs, did not have formal evidence of independent review although we were advised they had been reviewed.

1. Management Summary

HENDERSON LOGGIE

Overall Report Grade

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of priority that should be given to the report, with 1 being low priority for attention and 4 being high priority. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place. **The systems covered by this report have been graded as follows:**

Area	Fife College East	Fife College West
Payroll	Requires Improvement	Good
Budgetary control	Requires Improvement	Good
General ledger	Satisfactory	Satisfactory
Sales	Good	Satisfactory
Purchases	Good	Good

Gradings are defined as follows:

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

Summary of Main Findings and Recommendations

Payroll processes in place over new starts, leavers, extra payments and deductions were found to be reasonable. Payroll review processes in Fife College West also appeared reasonable, however payroll review processes in Fife College East were not as comprehensive as they could have been.

Budget setting and monitoring in Fife College West were considered appropriate, with appropriate budget setting spreadsheets and budget reports available for budget holders. However in Fife College East the budget setting process was not as accurate as it might have been, and budget holders were not provided with regular management accounts for monitoring. Instead, the Finance Manager reviewed management accounts. Budget monitoring was undertaken at a high level across the whole College by the AP Finance and Planning and major variances reported to the Finance Committee.

There were processes in place to finalise the monthly management accounts, however those at Fife College East were not formal. No year-end financial statement checklists were in place and we have recommended that a year-end checklist is used.

Most control and suspense accounts were found to have been reconciled with only a few accounts still to be reconciled for year-end at the time of audit fieldwork in April 2014. Testing of a sample of general journals found these to have appropriate supporting documentation, although these were not always reviewed by an independent person prior to posting. Testing of interfaces for complete and accurate transfer of data was reviewed and we noted that the Fife College West's Unit-E to Tech1 reconciliation had not been completed from 1 January to 31 March 2014 and we have recommended that this is done.

We reviewed a sample of student fees raised to ensure the correct fee had been raised and noted that these agreed to approved fee levels. A sample of manual invoice requests was also checked to ensure that these had been correctly processed on the finance systems and we noted no issues.

1. Management Summary

HENDERSON LOGGIE

Summary of Main Findings and Recommendations (Continued)

Purchase ledger testing of a sample of expenditure items found that these had been appropriately authorised and were supported with invoices or other documentation, however one purchase order had been amended by Finance beyond their authorisation level and this change should have been approved by a budget holder. We have recommended that controls are strengthened in this area. Payment runs on BACS software did not require a second electronic authoriser thereby allowing a single BACS user to process payments from the College's bank account. We have recommended that the requirement for a second person to be involved in processing payment batches is set up in the authorisation processes in the BACS software.

Acknowledgements

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

HENDERSON LOGGIE

2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
3.1.2	***General Ledger*** **R1** Ensure that all entries on the monthly close off checklist have been completed prior to advising staff that management accounts are available.	2	Checklist in place and will be completed by Management Accountant as part of month end prior to issuing accounts.	Yes	Liz Moyes – Management Accountant	April 2014
3.1.3	**R2** Ensure that the year-end closeoff checklist is used and that the Tech1 technical checklist is completed on a timely basis.	2	A checklist will be compiled as part of the year end process.	Yes	Liz Moyes – Management Accountant	March 2015
3.4.6	**R3** Ensure that reconciliations of items transferred from Unit-E to Tech1 between 1 January and 31 March 2014 are completed.	2	Monthly reconciliations will be completed as part of the month end close off process. Any outstanding reconciliations will be completed as part of May 2014 month end processing.	Yes	John Thomson – Finance Services Manager	May 2014
4.3.1	***Sales Ledger*** **R4** Ensure that all credit note authorisations are supported by a fully completed and authorised credit note form.	3	A credit note request form is now in place, it will be authorised by Finance Services Manager or Head of Finance.	Yes	John Thomson – Finance Services Manager	May 2014

HENDERSON LOGGIE

2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
5.1.2	***Purchase Ledger*** **R5** Put in place enhanced controls to ensure that Finance staff do not make additions to POs beyond a suitable set limit.	3	Process will be reviewed to ensure that Finance staff are unable to amend orders above the set limit without the order amendment process being followed through the approval route within Tech 1.	Yes	John Thomson – Finance Services Manager Andrew Hookham – Business Systems Co-ordinator	June 2014
5.2.2	**R6** Investigate whether the ALBACS system can be altered so that all payments require one person to raise a payment file and another person to authorise and send it.	2	Without altering the ALBACS system, BACS files (student funds, creditors, payroll etc.) are created by an individual and then approved and processed by a different individual. ***Auditor comment*** **–** updating the ALBACS system to make it technically impossible for one person to create and process a payment would be a stronger control. We do however recognise that the control above, coupled with bank reconciliation procedures reduces the risk in this area.	Proposal not to change the process	Susan Dunsmuir – Head of Finance	May 2014

3. Main Report

HENDERSON LOGGIE

1. Payroll

1.1 Starters and Leavers

1.1.1 A sample of five new starts was selected at random from payroll reports from each of the Fife College East and Fife College West payroll systems. We ensured that each starter within our sample had an appropriately authorised new start forms and checked the employees' first payslip to ensure that pay had been calculated correctly. No exceptions were noted from our testing.

1.1.2 A sample of five leavers from each of the Fife College East and Fife College West payroll systems were selected. We found a leavers form or other adequate documentation had been completed and appropriately authorised for each leaver within our sample and that the termination date recorded on the form agreed to the date recorded within the payroll system. As part of our audit we reviewed the employees' final pay to ensure that this had been calculated correctly. No exceptions were noted from our testing.

1.2 Gross Pay, Extra Payments and Deductions

1.2.1 For a sample of five individuals for each of the Fife College East and Fife College West payroll systems we checked that their gross pay as recorded in the payroll system agreed to the gross pay on the HR systems. No exceptions were noted from our testing.

1.2.2 A sample of 10 employees for each of the Fife College East and Fife College West payroll systems with extra payments, such as overtime or additional hours, was selected at random and these were checked back to authorised records. We found no exceptions in the Fife College West payroll system however we found two timesheets in the Fife College East payroll system which did not have authorisation for overtime. However we note that the Fife College East system requires individuals to complete a timesheet and email it to their manager for approval, after which this is forwarded on to Payroll staff who print out the timesheet and the accompanying email and process it onto the payroll system. As these two timesheets were printed out it is likely that there had been authorising emails but these had not been printed out as an oversight.

1.2.3 For each of the Fife College East and Fife College West payroll systems we obtained printouts of the PAYE, NI and pension rates tables which the payroll software used to calculate these deductions and agreed these back to HMRC and pension agency rates schedules. Then for a sample of two staff for each payroll system we recalculated the PAYE, NI and pension deductions using published HMRC PAYE and NI online calculators and pension agency rates. No exceptions were noted from our testing.

1.3 Review of Payroll Reports and Payroll Payments

1.3.1 We reviewed key payroll reports prepared as part of the payroll process for evidence of senior independent staff reviewing these for accuracy and authenticity. We noted that for Fife College West there were a good range of payroll reports run and there was evidence of these being checked for all payrolls throughout the period. For the Fife College East payroll system we noted that there were a small number of payroll checking reports prepared and that there was very limited review of these. One of the checks that was meant to be happening was for HR staff to check that the Payroll staff were paid the correct amount of pay (as these staff could alter their own pay amounts) however we found that this check was not happening. As a result of limited payroll checks in the Fife College East payroll system there may have been unauthorised payments made.

1.3.2 Payroll payments were mostly made by a payroll bureau in both Fife College East and Fife College West payment processes and payroll clearing accounts were used to ensure that amounts paid agreed to the payroll systems' figures. Payroll clearing accounts were reviewed and found to clear appropriately. Only the Carnegie Enterprises Limited weekly payroll was paid by the College and as this was not significant no checking of controls over these payments was undertaken.

2. Budget Monitoring

2.1 Budget Setting

2.1.1 For Fife College East we were advised that the budget was set based on historic expenditure, with amendments made for known changes. A budget revision was made in October 2013 which we were advised updated staff costs for known staff movements and any other changes. There was no detailed analysis of permanent staffing, or temporary staffing required to meet the curriculum plan, and limited meetings of Finance staff with managers to refine the original budget. As a result the budget setting process was not as robust as it might have been.

2.1.2 For Fife College West we reviewed a budget setting spreadsheet which appeared comprehensive and we were advised this was prepared using actual costs for permanent staff, calculations of temporary staff costs based on need as set out in the curriculum plan, and input from a range of managers to ensure the figures were reasonable. We were advised that there were budget revisions in October 2013 and January 2014. This budget setting process appeared to be reasonable.

2.2 Budget Monitoring and Review

2.2.1 At Fife College East we were advised by the Finance Manager based at St Brycedale that budget holder reports were only sent out once to budget holders, although budget monitoring reports were produced centrally and reviewed by him, with any significant variances followed up with the respective budget holders. As the Finance Manager had administrator access to the Sun finance system and was also monitoring budget variances this meant there was not effective segregation of duties at individual budget holder level. However high level management accounts were prepared on a monthly basis and consolidated into Fife College management accounts. The Assistant Principal – Finance and Planning advised that he reviewed these with Finance staff and that these were provided to the SMT for their review and discussion on any relevant matters. Reports were also provided to the Finance Committee with a high level variance analysis and also a summary to the full Board.

2.2.2 At Fife College West budget reports were available each month which budget holders were required to review. Budget holders were able to log into Tech1 to obtain these and drill down to get more information. We were advised by the Management Accountant that there were finance staff appointed to be business partners for each budget area and that they should have met monthly with budget holders. However there were no formal records kept of such meetings so we could not substantiate whether these meetings were held. Management accounts for the Fife College West were prepared and consolidated into Fife College management accounts and reviewed as set out in 2.2.1 above.

3. General Ledger

3.1 Month-End Management Accounts and Year-End Financial Statement Close Process

3.1.1 At Fife College East every month end the ledgers were closed and month end journals done. No checklist was used to remind the Finance Manager what to do, instead they used the list of codes on the trial balance as a checklist and from experience knew what journals and actions were required. Once all required journals had been processed the draft financial figures were reviewed before being sent to the AP – Finance and Planning for his review as set out in section 2.2.1 above. We were advised the year end financial statement close process was the same as for the month end process, although supporting documentation was being prepared to support balance sheet amounts.

3. General Ledger (Continued)

3.1 Month-End Management Accounts and Year-End Financial Statement Close Process (Continued)

3.1.2 Observation

At Fife College West a checklist was used to ensure that all required month-end closeoff processes had been completed. We found that this had been completed by the Management Accountant for all months in the period but that there were some sections, relating to commercial accruals and advising staff of when management accounts were ready, that had not been signed off. We were advised that these were done but just not signed off on the checklist.

Risk

Not all adjustments may have been done to the management accounts or financial statements.

R1 Ensure that all entries on the monthly close off checklist have been completed prior to advising staff that management accounts are available.

Benefit

There will be greater assurance that management accounts are accurate and complete.

3.1.3 Observation

For the year end close off, at Fife College West a checklist for technical matters relating to Tech1 was being used but at the time of audit fieldwork in late April 2014 some items had not been completed well beyond their target date. The monthly close off checklist was also being used for year end and there was no separate year-end checklist being used although we were advised that one did exist.

Risk

Not all adjustments may have been made, or all information gathered, for the year-end financial statements.

R2 Ensure that the year-end closeoff checklist is used and that the Tech1 technical checklist is completed on a timely basis.

Benefit

There will be greater assurance that year-end financial statements are accurate and complete.

3.2 Suspense and Control Account Reconciliations

3.2.1 As part of our review we sought assurance that the control and suspense accounts are being reconciled on a regular basis. We found that at Fife College East control and suspense accounts had been cleared or reconciled, with only approx. £5,000 on the Interface Payment Balance account (a key control to ensure that all cash and card payments have been received for fees raised on SITS) still to be reconciled at the time of audit testing in April 2014.

3.2.2 At Fife College West a Balance Sheet Reconciliation Model spreadsheet is in use, setting out all the balance sheet codes, who should reconcile these and how often. We reviewed this and found that some reconciliations had been done but not noted as complete on this spreadsheet. It was also found that the Debtor Control and Creditor Control accounts had not been reconciled throughout the period, for two months the ILA suspense account had not been reconciled and for one month the ELCAS fee account had not been reconciled. We were advised that with the Finance team from Fife College East moving to the Halbeath campus that the Balance Sheet Reconciliation Model spreadsheet will be revised and that checks will be done to ensure that this is completed in future.

3. General Ledger (Continued)

3.3 Journal Entries

3.3.1 We tested a sampled of 15 journals input into the Sun system (Fife College East) and noted that these had adequate backup and had been adequately signed off by the preparer and reviewer, except in three cases where the Finance Manager had prepared and reviewed his own journals and one journal which had just been signed by the preparer. These journals included items of expenditure which were paid by internet banking (FASTER, CHAPS) or cheque.

3.3.2 Another sample of 15 journals from the Tech1 system (Fife College West system) was reviewed and we noted that the system records who posted the journal (who is generally the person who prepared it) but there is no requirement for review of these. Adequate explanation and supporting documentation was provided for these journals.

3.4 Feeder System Entries

3.4.1 There were three main transfers of data between subsidiary systems into the main finance system in the Sun system (Fife College East): PECOS (purchases); SITS (income from students); and CINTRA (payroll). These are described in the following paragraphs.

3.4.2 PECOS software is used to raise and authorise purchase orders and invoices for payment. We were advised that an interface file is created by APUC (Associated Procurement for Universities and Colleges) and that this is then loaded into Sun which is a simple process, and Sun would pick up any incorrect codes or suppliers who had not been set up on Sun previously. No testing was done on this interface as it appears to be low risk.

3.4.3 Income for student fees is raised on SITS where there has been part payment of a student fee. Periodically these fees are interfaced into Sun by staff using a file upload process to create debtor balances and credit income codes. We were advised that SITS selects all balances which are ready to be invoiced when creating the upload file. We selected a sample of 10 SITS interface files generated and for one student on each checked that the debt had been correctly transferred into Sun. No exceptions were noted from this testing.

3.4.4 The payroll costs and creditor balances (for net pay, pensions and statutory and non-statutory deductions) are calculated by the CINTRA payroll system. A file with the cost centre, general ledger codes and amounts is produced from CINTRA and uploaded into Sun. Payroll control accounts are used to ensure that the amounts loaded into Sun agree to payments made. These were tested as set out in section 3.2.1 above and no issues noted.

3.4.5 There were two main transfers of data between subsidiary systems into the main finance system in the Tech1 system (Fife College West): Unit-E (income from students); and CINTRA (payroll). These are described in the following paragraphs.

3.4.6 Observation

Income for student fees is raised on Unit-E and interfaced through to Tech1 periodically through an automated process. A reconciliation should have been done for all items transferred in the period between Unit-E and Sun but we found that this had only been done for the period from 1 August to 31 December 2013.

Risk

Not all student fees may have been transferred from Unit-E to Sun

Recommendation

R3 Ensure that reconciliations of items transferred from Unit-E to Tech1 between 1 January and 31 March 2014 are completed.

Benefit

There will be greater assurance that all student fees have transferred from Unit-E to Sun.

3. General Ledger (Continued)

3.4 Feeder System Entries (Continued)

3.4.7 A payroll journal upload is done from the payroll system at Fife College West into Tech1, as is done for Fife College East. Payroll control accounts are used to ensure that the amounts loaded into Tech1 agree to payments made. These were tested as set out in 3.2.2 above and no issues were noted.

3.5 Bank Reconciliations

3.5.1 We reviewed all of the bank accounts' reconciliations for the period and noted that the Fife College West childcare bank account had not been formally reconciled (although we were advised this had a nil balance and was no longer used), and the Fife College West online account had not been formally reconciled for August 2013 and although it had been reconciled in September 2013 it had no evidence of review although the balance was nil. The bank reconciliations at Fife College East had been completed throughout the period and at year end for all bank accounts except for the Fife College account where for four months in the period no reconciliation had been prepared.

4. Sales Ledger

4.1 Student Fees

4.1.1 At Fife College East fees were raised on Extended Programme (an access database created by the College) or on SITS. Staff who took payments charged fees based on the fee held on SITS or from other information provided to them, such as fee schedules for commercial courses.

4.1.2 To gain assurance that correct fees had been charged we obtained a list of all fees raised on SITS in the 2013/14 period and analysed this. For major groupings of fees, such as HNCs, we checked that the rates charged agreed to the approved fee for that type of qualification. Then for a sample of 10 other fees we checked that these agreed to the approved fee list or other supporting documentation. As outlined above in section 3.4, we also checked a sample of invoices to check that these had been transferred to Sun correctly. At Fife College East we undertook the same checks on data from Unit-E. No exceptions were noted in our testing.

4.1.3 At Fife College East for students who had paid fully at enrolment receipts were entered directly onto Sun by one staff member and debited to the Interface Payments Balance account. The cash or card payments received were then credited to the Interface Payments Balance account. Any cash misappropriated should have been picked up by this account not balancing. As set out in section two above this account still had to be reconciled at year end.

4.2 Other Income

4.2.1 For other income, such as bespoke commercial work or large contracts staff responsible for these would raise invoices on manual invoice request forms and Finance would prepare invoices and send these out. We selected 10 invoices from manual invoice request files at each of the Fife College East and Fife College West to check that invoices had been appropriately reviewed and authorised and details agree to what had been input into the Sun and Tech1 finance systems. We found that although there was no sign of independent review of the manual invoice request forms, these had been signed by an appropriate individual in 19 out of the 20 forms reviewed (one had no evidence of who had prepared this), and all had adequate supporting information attached.

4. Sales Ledger (Continued)

4.2 Other Income (Continued)

4.2.2 There are a range of areas of the College where cash is received, including hairdressing salons, a training restaurant and refectory income. The largest of these income sources is the Rotunda refectory at the Stenton campus and it had income of £275,000 for the period. All other refectories are outsourced. We reviewed the monthly takings recorded in the Sun system for the Rotunda and noted that the variation in the monthly amounts appeared reasonable, so no detailed testing was undertaken on this.

4.3 Credit Notes

4.3.1 Observation

We obtained credit note listings from the Sun and Tech1 systems covering the period and reviewed these for reasonableness. We selected two credit notes from each system and found that one did not have a sales credit note request form signed off, although this related to cancelling an invoice for one debtor and re-invoicing this to a related debtor account.

Risk

Credit notes processed may not have been adequately reviewed and authorised.

Recommendation

R4 Ensure that all credit note authorisations are supported by a fully completed and authorised credit note form.

Benefit

Credit notes raised will be adequately supported and appropriately reviewed.

5. Purchase Ledger

5.1 Purchase Order and Invoice Authorisation

5.1.1 We tested a selection of 16 Purchase Orders (POs) raised on PECOS at Fife College East to ensure that there was evidence of these being approved appropriately, goods or services recorded as received, and invoices matched to POs. No exceptions were noted. A further four payments which were made by cheque or internet banking were reviewed to ensure that hard copy journal authorisation vouchers had been approved for these and appropriate supporting documentation was attached. No issues were noted with these.

5.1.2 Observation

For expenditure raised on Tech1 we tested a selection of 20 items to ensure that there was evidence of these being approved appropriately, goods or services recorded as received, and invoices matched to POs where required or invoices being approved. Of the 20 items there were 9 without POs and we noted that three of these should have had POs according to the Financial Regulations, however all such items had adequately authorised invoices. Furthermore we noted that one invoice for £100 had a PO raised for £73, with Finance staff adding lines to the PO for delivery charges and VAT to bring the original PO up to £100 in order to match the invoice. We were advised that normally such differences would have to be authorised by the budget holder as they were over £10.

5. Purchase Ledger (Continued)

5.1 Purchase Order and Invoice Authorisation (Continued)

5.1.2 Continued

Risk
Differences between invoices and POs may be accepted when they should not be.

Recommendation
R5 Put in place enhanced controls to ensure that Finance staff do not make additions to POs beyond a suitable set limit.

Benefit
There will be greater assurance that changes to POs have been appropriately reviewed and authorised.

5.1.3 We were advised that cheques were rarely used at Fife College West so no testing was done on these. Some payments are made by internet banking and it was confirmed, through corroboration with Finance staff, that one person had to raise a payment on the internet banking software and a separate staff member had to authorise it. A hard copy payment form with supporting documentation had to also be completed and signed off. A walkthrough of this process was undertaken and no issues noted so no detailed testing was done over these payments.

5.2 Purchase Run Payment Authorisation Processes

5.2.1 At Fife College East payment runs were created and loaded into the BACS payment system and payment authorised by one staff member. We were advised that the Head of Finance or AP – Finance and Planning reviewed these payment runs and we sighted emails with evidence of these reviews for eight of the 13 payments in the period.

5.2.2 Observation
At Fife College West we reviewed the 27 BACS payment runs in the period and noted that only six of these had any evidence of independent review, however we were advised by the Head of Finance that she reviewed these payment runs but did not evidence these. It was noted that BACS payments at both Fife College East and Fife College West only required one person to raise, approve and send a payment file.

Risk
Without two individuals being required in the electronic processing of BACS payments it is possible that a fraudulent payment could be made

Recommendation
R6 Investigate whether the ALBACS system can be altered so that all payments require one person to raise a payment file and another person to authorise and send it.

Benefit
There will be greater assurance that all BACS payments are valid and have been appropriately authorised.

HENDERSON LOGGIE
Chartered Accountants

Fife College

Corporate Governance 2013/14

Internal Audit Report No: 2014/05

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HENDERSON LOGGIE

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1. Management Summary

HENDERSON LOGGIE

Introduction and Background

As part of the Internal Audit programme at Fife College ('the College') for 2013/14 we carried out a review of the corporate governance arrangements in place. The Annual Plan, issued in March 2014, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Governors ('the Board') and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Corporate Governance can be defined as 'the combination of processes and structures implemented by the board in order to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives' (Source: Chartered Institute of Internal Auditors).

The Scottish Funding Council's (SFC's) Accounts Direction requires colleges to include in their financial statements a statement covering the responsibilities of their governing bodies in relation to corporate governance. The statement is required to indicate how the college has complied with good practice in this area, and in particular whether it complies with 'The UK Corporate Governance Code'. The Accounts Direction also refers colleges to the 'Guide for College Board Members' issued by Colleges Scotland in 2012.

The Post-16 Education (Scotland) Act 2013 includes provisions in relation to the identification of principles of good governance practice for the college sector. In anticipation of them coming into effect, the SFC invited the Regional Leads to convene a Steering Group to develop a draft 'Code of Good Governance for Scotland's Colleges'.

The first stage of consultation took place in December 2013 when stakeholders were invited to provide comments on what should be included in the new Code, for consideration by the Steering Group. On 24 April 2014 the second stage of consultation commenced, with comments invited from all interested parties by 2 June 2014. The Steering Group has taken a very deliberate decision to keep the Code focussed on the principles of good governance and not include practical guidance on best practice. In so doing, the aim is to achieve a more concise, accessible and unambiguous document that sets out clearly what is required of colleges. The draft Code sets out the principles of good governance across five main areas: Leadership and Strategy; Quality of the Student Experience; Accountability; Effectiveness; and Relationships and Collaboration. Colleges will be expected to comply with the new Code as condition of grant from the SFC or their regional strategic body.

Scope of the Audit

The scope of this audit was to carry out a high-level review of the corporate governance arrangements in place within the College.

Objectives of the Audit

The objective of the audit was to obtain reasonable assurance that:

- there is a process in place to provide comfort to the Board of Governors when signing the statement on compliance with 'The UK Corporate Governance Code' (June 2010) for the financial statements, in so far as it applies to the further education sector; and
- the process in place complies with the principles of good governance set out in the draft 'Code of Good Governance for Scotland's Colleges'.

1. Management Summary

HENDERSON LOGGIE

Audit Approach

The control environment in place at the College was reviewed and benchmarked against current best practice, using checklists based on the above guidance.

Our work involved review of policy and procedure documents, Board and committee minutes and other documents, to ensure that they covered all aspects currently recommended by best practice, as well as discussion with the Clerk to the Board.

Action Plan

This report includes improvement actions which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of this recommendation can be found at Section 2 of this report.

In making recommendations we assess the relative impact of the related risk on the organisation. The more serious the risk the higher the priority assigned to the recommendation.

Recommendation levels:

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

Overall Conclusion

From our audit work, we found that, overall, there is a process in place to provide comfort to the Board of Governors when signing the statement on compliance with 'The UK Corporate Governance Code' (June 2010) for the financial statements in so far as it applies to the further education sector, although some points have been identified for further consideration; and the process in place complies with the majority of the principles of good governance set out in the draft 'Code of Good Governance for Scotland's Colleges'.

Overall Report Grade

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of priority that should be given to the report, with 1 being low priority for attention and 4 being high priority. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place. **This report has been graded 'Satisfactory' – 2.**

Gradings are defined as follows:

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

1. Management Summary

HENDERSON LOGGIE

Summary of Main Findings and Recommendations

The College's corporate governance arrangements show a high level of compliance with the good practice set out in the 'The UK Corporate Governance Code'. Many of the recommendations made in this report relate to the inclusion of further detail in the Annual Report on the work of the Board and its Committees. It has already been recognised by the College that training for new and existing Board members could be further enhanced however no recommendations have been raised in this area as plans are already in place to address this.

The College's processes meet the majority of the draft 'Code of Good Governance for Scotland's Colleges' requirements, however a number of areas were noted where procedures are required to be formally documented or where further action is required to ensure full compliance.

Acknowledgements

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

HENDERSON LOGGIE

2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
	Comparison with UK Corporate Governance Code **The Role of the Board**					
1.2.1	**R1** Include in the Annual Report a high-level statement setting out which types of decisions are to be taken by the Board and which are to be delegated to management.	3	This will be included in the next annual report.	Y	D Neilson	Oct 2014
	Non-Executive Directors					
1.3.1	**R2** Ensure the Chair holds meetings with the non-executive Board members without the executives present.	3	This will be discussed with the Chair and diaried during the Committee cycle for 2014-15.	Y	M Philp	December 2014
1.3.1	**R3** Led by the Vice Chair, the non-executive Board members should meet without the Chair present at least annually to appraise the Chair's performance and on such other occasions as are deemed appropriate.	3	This will be discussed with the Chair and diaried for 2014-15. However the evaluation of the Chair is now being undertaken by Scottish Ministers, therefore this may be a duplication and best "explained" rather than "complied with".	Y	M Philp	December 2014

HENDERSON LOGGIE

2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.4.1	**Appointments to the Board** **R4** Ensure the Annual Report sets out the process the Chair's Committee has used in relation to Board appointments.	3	This will be included in the next annual report.	Y	D Neilson	Oct 2014
1.6.1	**Evaluation** **R5** Fully disclose in the Annual Report how the performance of the Board and Board Committees has been undertaken.	3	This will be included in the next annual report.	Y	D Neilson	Oct 2014
1.7.1	**Risk Management and Internal Control** **R6** The Corporate Governance Statement should summarise the process the College has applied in reviewing the effectiveness of the system of risk management and internal control and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review, if applicable.	3	This will be included in the next corporate governance statement.	Y	D Neilson	Oct 2014

HENDERSON LOGGIE

2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.8.1	**Audit Committee and Auditors** **R7** Ensure that the Audit and Risk Committee is provided with the main financial judgements in the financial statements, along with key supporting assumptions, to assist with its review of the financial statements.	3	This will be included with the next financial statements.	Y	D Neilson	Oct 2014
2.1	***Comparison with Draft Code of Good Governance for Scotland's Colleges*** **R8** Review the areas identified at Appendix I of this report where further work is required to ensure full compliance with the 'Code of Good Governance for Scotland's Colleges' and put in place a plan to ensure that all required actions are implemented on a timely basis.	2	This is already being actioned in the review of Fife College Board of Governors Constitution and Standing Orders. It will be fully actioned after the consultation period has ended and final report published.	Y	M Philp	Within 2 months of the final report being published

3. Main Report

1. Comparison with UK Corporate Governance Code

1.1 Introduction

1.1.1 From discussion with the Clerk to the Board in relation to the provisions of 'The UK Corporate Governance Code', and review of documentation, we identified a number of areas for further consideration. These points are noted in the following sections.

1.2 The Role of the Board

1.2.1 Observation

The UK Corporate Governance Code section A.1.1 sets out that the annual report should include a statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management. At the time of audit fieldwork the 2013/14 Corporate Governance Statement was not available, however we were advised that it would be based on the 2012/13 Carnegie College Corporate Governance Statement. We found there is no section in the 2012/13 Carnegie College Corporate Governance Statement that stated which decisions were to be taken by the board and which were to be delegated to management.

Risk

The delegation of responsibilities between the Board and management is not as transparent as it could be.

Recommendation

R1 Include in the Annual Report a high-level statement setting out which types of decisions are to be taken by the Board and which are to be delegated to management.

Benefit

There will be greater transparency around who can make different types of decisions.

1.3 Non-Executive Directors

1.3.1 Observation

The UK Corporate Governance Code section A.4.2 sets out that the chair should hold meetings with the non-executive directors without the executives present. It also states that, led by the senior independent director, the non-executive directors should meet without the chairman present at least annually to appraise the chairman's performance and on such other occasions as are deemed appropriate. Similarly, at section B6.3, the Code states that the non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors. We found this has not occurred in 2013/14. It is recognised that, from 2014/15, the Scottish Government will lead on performance evaluation of the Chair.

Risk

The performance of the Chair and executive is not adequately assessed.

Recommendations

R2 Ensure the Chair holds meetings with the non-executive Board members without the executives present.

R3 Led by the Vice Chair, the non-executive Board members should meet without the Chair present at least annually to appraise the Chair's performance and on such other occasions as are deemed appropriate.

Benefit

There will be greater assurance that Board members can openly discuss matters relating to the executive, and that the Chair's performance is satisfactory.

1. Comparison with UK Corporate Governance Code (Continued)

1.4 Appointments to the Board

1.4.1 Observation

The UK Corporate Governance Code section B.2.4 sets out that a separate section of the Annual Report should describe the work of the nomination committee (Chair's Committee for Fife College), including the process it has used in relation to board appointments. We noted that the 2012/13 Carnegie College Corporate Governance Statement set out the work of the Chair's Committee but did not describe the process it had used in relation to board appointments.

Risk

The process for the appointment of new Board members is not as transparent as it could be.

Recommendation

R4 Ensure the Annual Report sets out the process the Chair's Committee has used in relation to Board appointments.

Benefit

There will be greater transparency over the process used to appoint Board members.

1.5 Development

1.5.1 The UK Corporate Governance Code section B.4.1 sets out that the chair should ensure that new board members receive a full, formal and tailored induction on joining the board. Section B.4.2 states the chair should regularly review and agree with each board member their training and development needs.

1.5.2 The Clerk to the Board advised that, due to sector and College changes some of which were unknown, the induction process for 2013/14 was as follows: new Board members 'buddied up' with existing members and the Chair spoke to individuals; information was provided tailored around the Committees they are on and the new Board members met with key senior staff who attend those Committees; and some further training was provided during the Board Strategy Day to aid understanding of the College, for example, timetabling, commercial issues, scenarios relating to Board role / things that have happened in the past in the two legacy colleges that may be relevant. The Clerk to the Board has recognised that there is a need to provide more training once changes have bedded in, which may involve new Board members attending a new fuller induction day.

1.5.3 In addition, the Chair has not reviewed and agreed with each Board member their training and development needs. We understand however that the Chair has requested the Clerk to the Board to prepare a form for Board members to identify their training needs. Members are also invited to attend Colleges Scotland College Development Network events.

1.6 Evaluation

1.6.1 Observation

The UK Corporate Governance Code section B.6.1 sets out that the board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted. The 2012/13 Carnegie College Corporate Governance Statement stated that an evaluation had been done, but did not set out how it had been completed. We were advised that in the 2013/14 academic year it is planned to review the performance of the Board and Committees in the May / June meetings cycle.

Risk

The College's process for performance evaluation of the Board is not as transparent as it could be.

3. Main Report

1. Comparison with UK Corporate Governance Code (Continued)

1.6 Evaluation (Continued)

1.6.1 (Continued)

Recommendation
R5 Fully disclose in the Annual Report how the performance of the Board and Board Committees has been undertaken.

Benefit
There will be greater transparency over whether the process used to assess board performance is robust.

1.7 Risk Management and Internal Control

1.7.1 Observation
The UK Corporate Governance Code section C.2.1 sets out that the board should, at least annually, conduct a review of the effectiveness of the company's risk management and internal controls systems and should report that they have done so. The review should cover all material controls, including financial, operational and compliance controls. Guidance on how to undertake this review is set out in the Financial Reporting Council's 'Internal Control: Guidance to Directors' (previously the Turnbull Guidance) which can be found at https://www.frc.org.uk/getattachment/5e4d12e4-a94f-4186-9d6f-19e17aeb5351/Turnbull-guidance-October-2005.aspx. The 'Internal Control: Guidance to Directors' guidance (para 36) states that the board should summarise the process it has applied in reviewing the effectiveness of the system of internal control and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review.

The 2012/13 Carnegie College Corporate Governance Statement set out that the Board was of the view that there was an ongoing process for identifying, evaluating and managing the College's significant risks. In addition, the 2012/13 Carnegie College Statement of Board of Governor's Responsibilities set out key elements of the College's system of internal controls. However there was no statement stating that the Board had conducted a review of the effectiveness of the College's risk management and internal controls, or the process used to do this.

Risk
The College's process for the review of the effectiveness of controls is not as transparent as it could be.

Recommendation
R6 The Corporate Governance Statement should summarise the process the College has applied in reviewing the effectiveness of the system of risk management and internal control and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review, if applicable.

Benefit
There will be greater transparency over the process used to assess the effectiveness of the internal control framework.

3. Main Report

1. Comparison with UK Corporate Governance Code (Continued)

1.8 Audit Committee and Auditors

1.8.1 Observation

The UK Corporate Governance Code section C.3.2 sets out that the main role and responsibilities of the audit committee should be set out in a written terms of reference and should include the requirement to monitor the integrity of the financial statements and review significant financial reporting judgments contained in them. We noted the Audit and Risk Committee remit does not include the requirement to review significant financial reporting judgments.

Risk

The Audit and Risk Committee's review of the financial statements may not be as thorough as it should be.

Recommendation

R7 Ensure that the Audit and Risk Committee is provided with the main financial judgements in the financial statements, along with key supporting assumptions, to assist with its review of the financial statements.

Benefit

There will be greater challenge of the financial statements by the Audit and Risk Committee.

2. Comparison with Draft Code of Good Governance for Scotland's Colleges

2.1 Observation

We reviewed the College's current corporate governance framework against the draft 'Code of Good Governance for Scotland's Colleges' issued on 24 April 2014 and identified a number of areas for further consideration which are outlined in Appendix I. Once the new Code has been finalised the College will be required to comply with it as condition of grant from the SFC.

Risk

The College's corporate governance arrangements are not in line with good practice and the College would be non-compliant with the conditions of SFC grant funding.

Recommendation

R8 Review the areas identified at Appendix I of this report where further work is required to ensure full compliance with the 'Code of Good Governance for Scotland's Colleges' and put in place a plan to ensure that all required actions are implemented on a timely basis.

Benefit

There will be greater assurance that the College will be fully compliant with the SFC's 'Code of Good Governance for Scotland's Colleges'.

HENDERSON LOGGIE

Appendix I – Action Points Identified from Review of the Draft Code of Good Governance for Scotland's Colleges

Section from Draft SFC 'Code of Good Governance for Scotland's Colleges'	Findings
Vision, Mission and Strategy A.3 The board is responsible for determining the college's mission, strategic direction, educational character, values and ethos. Board members have a collective leadership role in fostering an environment that enables the college to fulfil its mission, for the benefit of learners and the community it serves.	The Constitution should be expanded to formally set out these matters.
Corporate Social Responsibility A.8 The board must demonstrate high levels of corporate social responsibility by ensuring the college behaves ethically and contributes to economic development while improving the quality of life of its workforce as well as of the local community and society at large. A.9 The board must exercise its functions with a view to improving economic and social wellbeing in the locality of the college. It should have regard to social and economic needs and social inclusion issues. A.12 The senior independent director should be available where contact through the normal channels of chairman, principal or other board members has failed to resolve an issue or for which such contact is inappropriate.	There is nothing formally set out in the Constitution regarding corporate social responsibility or the use of a senior independent board member to assist in resolving issues.
Learner Engagement B.1 The board must have close regard to the voice of its learners and the quality of the student experience should be central to all board decisions. B.2 The board must lead by example in relation to openness, by ensuring that there is meaningful on going engagement and dialogue with students, the students' association and as appropriate staff and trades unions in relation to the quality of the student experience. Consultation is essential where significant changes are being proposed.	There is no Board Committee currently looking at this, although the Board will get quarterly presentations from Heads of School from June 2014 onwards. The Annual Quality Report went to the Board in December 2013 which covered some aspects of this. The College needs to formally consider how to meet these requirements.
Quality Monitoring and Oversight B.5 The board must expect to see student surveys and monitor action plans that could impact on the quality of the student experience.	Surveys are performed but these do not currently go to the Board. The Annual Quality Report covered some aspects of this. The College needs to formally consider how to meet this requirement.

HENDERSON LOGGIE

Appendix I – Action Points Identified from Review of the Draft Code of Good Governance for Scotland's Colleges

Section from Draft SFC 'Code of Good Governance for Scotland's Colleges'	Findings
Risk Management and Audit C.7 The board is responsible for the management of risk and opportunity. It must set the risk appetite of the college and ensure there is an appropriate balance between risk and opportunity and that this is communicated via the principal to the executive team. C.12 The Audit Committee terms of reference must provide for the committee to sit privately without any non-members present for all or part of a meeting if they so decide.	A Fife College Risk Management Policy has yet to be developed. This is not included in the Audit and Risk Committee remit, although a change to require this had been proposed by the College at the time of the audit fieldwork. The Audit and Risk Committee does routinely meet with the internal and / or external auditors without College executives present.
Financial and Institutional Sustainability C.16 For colleges that are charitable organisations, board members are also charity trustees. Boards must be aware of their responsibilities under charity legislation and ensure compliance with relevant provisions.	Information about charity trustee requirements was not provided to new board members who joined in 2013/14.
Board members D.2 The whole board is collectively responsibility and accountable for all board decisions. Board members must make decisions in the interest of the college as a whole rather than selectively or in the interests or as a representative of a particular constituency.	This is not specifically stated in the Constitution, although there is a requirement to disclose conflicts of interest.
Principal and Chief Executive D.5 The board must appoint the principal as chief executive of the college, securing approval from the regional strategic body if necessary and must put in place suitable arrangements for monitoring their performance. D.8 The board must ensure a clear process is in place to set and agree Key Performance Indicator's for the principal. This process should seek the views of student and staff members. The chair, on behalf of the board, should monitor and review the principal's performance at least annually against the agreed KPIs. D.9 There must be a formal procedure in place for setting the remuneration of the principal by a designated committee of non-executive members. The board may wish to supplement this by taking evidence from a range of sources. In particular, staff and students could have a role in gathering and submitting evidence to the relevant committee.	The Chairs' Committee is currently considering how to take forward the Principal's performance appraisal although there have been regular meetings between the Chair and Principal to cover performance. There is a procedure for setting remuneration however the Board needs to further consider the process, including consideration of whether it wishes to take staff and students views into account.

HENDERSON LOGGIE

Appendix I – Action Points Identified from Review of the Draft Code of Good Governance for Scotland's Colleges

Section from Draft SFC 'Code of Good Governance for Scotland's Colleges'	Findings
Board Secretary D.15 The board secretary is responsible to the chair and the board. The processes and procedures for appointment and removal of the board secretary should be a decision of the board as a whole.	These requirements are not formally set out in the Constitution.
Board Member Appointment, Induction and Training D.16 Regional college boards must ensure that there is a formal and open procedure in place for recruiting and selecting new non-executive board members. Boards must have regard to all relevant Ministerial Guidance on board appointments.	The College's procedure is currently being updated, particularly with regard to Ministerial Guidance on this matter. However, the process being followed for Board member recruitment at the time of our audit fieldwork was based on the contents of the Ministerial Guidance.
Board Evaluation D.20 Extension of the term of office of board appointments requires evidence and the Board must ensure appropriate mechanisms are in place to support this.	Forms are being prepared to enable this requirement to be met.
D.22 The board must agree a process for evaluating the effectiveness of the board chair and the committee chairs. The evaluation of the board chair should normally be led by the vice-chair or senior independent director.	This has not been undertaken in 2013/14 but is planned for May and June 2014. The process for the evaluation has not been documented, although this is a formal process.
Partnership working E.3 Boards must ensure effective partnership working with local and national bodies including businesses, public and third sector organisations to develop commonly agreed priorities following the principles of effective collaborative working.	The College has ongoing partnership working which is set out in the College Outcome Agreement. However it needs to consider how to formally identify and document agreed priorities.

HENDERSON LOGGIE
Chartered Accountants

Fife College

Interim Review of SUMs 2013/14

Internal Audit Report No: 2014/06

Draft Issued: 26 May 2014

Final Issued: 29 May 2014

HENDERSON LOGGIE

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1. Management Summary

HENDERSON LOGGIE

Introduction and Background

As part of the Internal Audit programme at Fife College ('the College') for 2013/14 we carried out a review of the arrangements in place for the collection and recording of SUMs data. The Annual Plan, issued in March 2014, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Governors ('the Board') and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

On 1 August 2013, Carnegie College and Adam Smith College merged to form the new regional Fife College. Both legacy colleges operated different student records systems with Carnegie using UNIT-e and Adam Smith using SITS. A decision on which system will be used going forward has yet to be taken.

The Scottish Funding Council (SFC) set the College a target of 176,318 WSUMs for academic year 2013/14, including 51,202 WSUMs for Fife College (West), formerly Carnegie College, and 125,116 WSUMs for Fife College (East), which includes the former Adam Smith College plus an element of provision at Scotland's Rural College (SRUC) Campus in Cupar.

Scope of the Audit

On an academic year basis the College is required to obtain from its auditors assurances as to the reasonableness of procedures used in the compilation of the SUMs related element of the FES return. The scope of this audit was to carry out an interim review of the procedures to provide comfort on the robustness of the data available.

Initial discussion with College senior management indicated that the main focus for the audit should be: the curriculum planning process and how this feeds into SITS / UNITe; the process for identifying Extended Learning Support (ELS) students and flagging these in SITS / UNITe; and the process for in-year review and reporting of SITS / UNITe data.

Objectives of the Audit

The objective of this audit was to obtain reasonable assurance that adequate procedures are in place to ensure the accurate collection and recording of the SUMs data.

Audit Approach

Through discussion with College staff, and review of relevant documents, we recorded the systems and procedures used by the College in compiling the SUMs related element of the FES return and assessed and tested their adequacy. We then carried out further detailed testing, as necessary, to enable us to conclude that the systems and procedures are working satisfactorily as described to us.

Action Plan

This report includes several improvement actions which we consider necessary to ensure efficient delivery of the audit objectives and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

1. Management Summary

Action Plan (Continued)

In making recommendations we assess the relative impact of the related risk on the organisation. The more serious the risk the higher the priority assigned to the recommendation.

Recommendation levels:

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

Overall Conclusion

From the work undertaken some weaknesses were identified in the procedures for the collection and recording of SUMs data. College senior management were already aware of the majority of these issues and were taking action to address them.

Our audit testing did not however identify any material overstatement in the SUMs claimed for the sample of courses and students selected. As management were already aware, ELS SUMs are currently understated due to the timing of recognition of ELS students in SITS at Fife College (East). Our audit testing also identified that the use of 'multipliers' in SITS for part-time courses had led to an understatement of SUMs for the sample of courses tested. Further work is being undertaken by the College in order to quantify the impact of these issues on the final SUMs outturn.

Overall Report Grade

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of priority that should be given to the report, with 1 being low priority for attention and 4 being high priority. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place. **This report has been graded 'Requires Improvement' – 3.**

Gradings are defined as follows:

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

1. Management Summary

HENDERSON LOGGIE

Summary of Main Findings and Recommendations

Our review noted that there were significant differences in the way curriculum planning was undertaken in the legacy colleges prior to the merger and subsequently in Fife College East and West. Weaknesses in relation to the planning processes at Fife College (East) have been identified, which senior management are aware of and plan to address by strengthening the planning process for 2014/15. Issues identified included: a lack of robust analysis of historic data when setting enrolment, retention and SUMs targets; and targets outlined in the original Curriculum Plan not being 'locked-down' and being overwritten during the year. We recommend that the planning process is strengthened in relation to these issues.

Our review noted that there are significant differences across Fife College East and West in the way in which the SUMs claimed for ELS students are recorded and reported. At the time of our audit fieldwork in mid-May 2014 there was a forecast shortfall of approximately 2,000 ELS SUMs for Fife College (East). Our review identified that in Fife College (East) ELS students are not being recognised in SITS until after Personal Learning Support Plans (PLSPs) have been completed and subject to review, which is generally towards the end of the year. Management advised that the completion of the review of all PLSPs in Fife College (East) is expected to result in a further 2,000 WSUMs being achieved. We recommend that ELS students are flagged in SITS earlier in the year in order that the actual SUMs position can be forecast more accurately.

Management reports on the SUMs value used at Fife College (East) show the actual SUMS to date and also 'At Risk' SUMs. Due to delays in Student Records staff receiving notification of withdrawn students from academic staff, the Student Records team at Fife College (East) has for a number of years monitored student registers in order to identify trends where students' recorded attendances are dropping, indicating that they could potentially withdraw from the College. These are flagged as 'At Risk' by Student Records and excluded from the actual SUMs count in management reports. In order for management to obtain a more accurate picture of actual WSUMs at any point in the year we recommend that all students are included in the SUMs count until official notification is received that a student has withdrawn prior to their SUMs 'required date'. Any 'At Risk' SUMs should be shown separately on management reports.

We identified that the actual SUMs for part-time courses in SITS at Fife College (East) is based on a calculation using a 'multiplier' and the number of eligible students. For a sample of part-time courses tested we found that the multiplier did not correlate to the credit value of the course, which resulted in SUMs being overstated in some instances and understated in others, with a net understatement of SUMs. It was agreed at the time of our fieldwork that Student Records staff would undertake a review of all part-time courses in SITS to determine the level of errors and quantify any potential impact on the final SUMs figures.

Acknowledgements

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

HENDERSON LOGGIE

2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.2	***Curriculum Planning*** **R1** We would recommend that, as per the Fife College (West) process, no changes to the target data in SITS should be permitted once the Curriculum Plan has been agreed and finalised by management.	2	Discussion has taken place with staff responsible for setting up targets in the PMS and SITS systems and they are now aware that they are no longer allowed to change original targets linked to the Curriculum Plan.	Yes	Ann Sinclair	28 May 2014
1.3	**R2** As part of the curriculum planning and budget setting process academic staff should be made aware of the importance of analysing historic trends when setting enrolment targets. These should then be reviewed by senior management to ensure that they appear reasonable.	2	Discussion has taken place with Heads of Department in relation to the new Curriculum Planner now being used which provides trend information	Yes	David Hosey	May 2014
2.3	***Extended Learning Support*** **R3** In order to ensure that all ELS students are included in SITS on a timely basis ELS students recorded in the Learning and Inclusion Team database at Fife College (East) should be flagged in SITS earlier in the academic year.	2	Discussion has taken place with staff responsible for completion of PLSPs for ELS funded students. Students will be flagged in SITS as potentially ELS funded once the PLSPs are set up and review dates are scheduled.	Yes	Ann Sinclair/Margaret Barrie	August 2014

HENDERSON LOGGIE

2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
3.1	***Management SUMs Reports*** **R4** Ensure that all students are included in the SUMs count until official notification is received that a student has withdrawn prior to their SUMs 'required date'. Any 'At Risk' SUMs should be shown separately on management reports.	2	The attendance monitoring policy procedures are in the process of being reviewed and responsibility for identifying students who have withdrawn will transfer from Student Funding to the academic staff in 2014/15.	Yes	Ann Sinclair	August 2014
3.1	**R5** Going forward the College should aim to minimise duplication in the monitoring of student attendance by more than one College department.	3	From 2014/15 the monitoring of student attendance will be the responsibility of the academic departments and student funding team (in relation to releasing payments only).	Yes	Heads of Department	August 2014
4.4	***Review of UNIT-e / SITS Data*** **R6** Ensure that the multiplier used for part-time courses in SITS is equal to the total credit value of modules or planned hours / 40 as appropriate.	2	The multiplier (planned SUMs) will match the planned hours in the Curriculum Planner and will be based on total credit value of units or planned hours/40.	Yes	Ann Sinclair	August 2014

HENDERSON LOGGIE

2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
4.5	**R7** Checks to ensure that, for each student, all modules are registered in SITS should be undertaken earlier in the year to provide greater comfort over the accuracy of the actual SUMs being reported.	3	Academic staff should be monitoring the entries/results of students within their responsibility on a regular basis throughout the academic session and arranging for records to be updated as appropriate. The Data and Information Management team will also be responsible for checking information held in SITS in advance of returns to SFC throughout the year.	Yes	Academic Departments/ Ann Sinclair	August 2014 however ongoing throughout the year.

3. Main Report

1. Curriculum Planning

1.1 Our review noted that there were significant differences in the way curriculum planning was undertaken in the legacy colleges prior to the merger. At Carnegie College the planning for the next academic year was finalised in January with the target enrolments, target retention rates and target weighted SUMs (WSUMs), based on historic trends of previous actual figures, set against the WSUMs target advised by the Scottish Funding Council (SFC). The final agreed figures would be input into the College's Curriculum Development Plan (CDP) and the UNIT-e student records system. These figures would not be amended during the academic year and would act as the base against which the in-year actual and forecast SUMs figures would be reported. This method ensured that the College could identify programmes where the actual enrolments were lower than originally anticipated and corrective action could be taken where necessary. This process remained in place for the planning for Fife College (West) for 2013/14.

1.2 Observation

At Adam Smith College academic staff were required to submit programme proposals detailing course title; qualification level; modules; planned delivery hours; whether it was fundable by the SFC; credit values; target student enrolments; target retention rates; and SUMs value. Once these proposals had been agreed by management they were entered into SITS and the College Curriculum Plan. This plan then identified the level of SUMs provision for the year and would be adjusted prior to the start of the year to ensure that as a minimum the SFC WSUMs target would be achieved. However, the target enrolments, target retention figures and target WSUMs were not 'locked down', as they were at Carnegie College / Fife College (West), and these were able to be amended during the year. Student Records staff monitored actual enrolments against target enrolments and discussed with academic staff any programmes where actuals were significantly below target. Our discussions with Student Records staff identified that where academic staff advised that estimated enrolments may have originally been too high then the target data in SITS was revised downwards with the original target data in SITS then overwritten. This process remained in place for the planning for Fife College (East) for 2013/14.

Risks

No record is kept of the original enrolment or SUMs targets.

As the initial Curriculum Plan is based on at least achieving the SFC target WSUMs, if this is adjusted downwards during the year the performance of actual enrolments and retention rates against target is then distorted, management does not receive accurate information and the achievement of the SFC WSUMs target is put at risk as management is not able to take corrective action to address areas with SUMs shortfalls.

Recommendation

R1 We would recommend that, as per the Fife College (West) process, no changes to the target data in SITS should be permitted once the Curriculum Plan has been agreed and finalised by management.

Benefit

Management information is more robust and accurate.

1.3 Observations

Our discussion with staff identified that as part of the curriculum planning process at Adam Smith College / Fife College (East) target enrolment and retention figures were not always realistic and that robust analysis of historic trends was not always undertaken. Our review noted that although historic data on actual retention rates was available to academic staff in SITS it appears that it may not have been used as effectively as it could have been.

3. Main Report

1. Curriculum Planning (Continued)

1.3 *Observations (Continued)*

In the years prior to the merger Adam Smith College had undergone a significant period of curriculum restructuring with courses redesigned and in some cases being assigned under a different departmental ownership which made it difficult to accurately compare course data year on year.

A further issue identified in the curriculum planning process at the former Adam Smith College is that academic budget holders were given a WSUMs budget and an income budget set by Finance with the only requirement of management was that each curriculum area delivered the minimum level of SUMs to meet its budget i.e. the notional income received from WSUMs was at least equal to the costs of running a programme.

Risk

Inadequate analysis of historic trends resulting in targets that are not robust.

Recommendation

R2 As part of the curriculum planning and budget setting process academic staff should be made aware of the importance of analysing historic trends when setting enrolment targets. These should then be reviewed by senior management to ensure that they appear reasonable.

Benefit

Management information that is more robust.

1.4 It is our understanding that the Senior Management Group of Fife College is aware of the differences in the planning processes between the two legacy colleges and the planning process for 2014/15 is being revised to ensure that a consistent approach is adopted across the College and that identified weaknesses are addressed.

2. Extended Learning Support (ELS)

2.1 Our review noted that there are significant differences across Fife College East and West in the way in which the SUMs claimed for Extended Learning Support (ELS) students are recorded and reported. In Fife College (West) the Learning and Inclusion Team notifies Student Records as soon as a student has been identified as requiring additional support needs and a Personal Learning Support Plan (PLSP) has been put in place. Student Records staff then update UNIT-e to show the student as an ELS student.

2.2 In Fife College (East) the Learning and Inclusion Team is responsible for identifying ELS students and then supporting these students throughout their time at the College. For each ELS student identified the Learning and Inclusion Team enters student details onto a separate database system which is used to track potential ELS students. This system contains a flagging system whereby once the Learning and Inclusion Team is satisfied that agreed PLSPs are in place, additional resource requirements for the student have been identified, and that a process of reviewing PLSPs during the academic year is complete, the student is flagged in the Learning and Inclusion Team's database as an ELS student. The ELS database interfaces with the SITS system by way of a direct transfer which is undertaken once a week. All flagged students in the ELS system are transferred to SITS and flagged as ELS in SITS for SUMs purposes. Students that are not flagged in the ELS system are not transferred into SITS.

2. Extended Learning Support (ELS) (Continued)

2.3 *Observation*

In mid-April 2014 a shortfall of approximately 4,000 ELS SUMs was forecast for Fife College with the shortfall identified as relating to Fife College (East). At the time of our audit fieldwork in mid-May 2014 approximately a further 2,000 ELS SUMs had been identified in SITS as a result of the Learning and Inclusion Team in Fife College (East) reviewing and approving completed PLSPs. Our discussions with the staff from the Learning and Inclusion Team noted that a further 2,000 ELS SUMs were expected as a result of further PLSPs that had still to be reviewed, including an estimated 1,300 ELS SUMs for students enrolled at the Cupar Campus where details of PLSPs had yet to be passed to Fife College from Scotland's Rural College (SRUC) relating to Fife College students studying there.

Risk

Not all ELS students are recognised in SITS resulting in incomplete management reporting of SUMs during the academic year.

Recommendation

R3 In order to ensure that all ELS students are included in SITS on a timely basis ELS students recorded in the Learning and Inclusion Team database at Fife College (East) should be flagged in SITS earlier in the academic year.

Benefits

More accurate management reporting of SUMs data and also reduces the administrative burden of processing ELS in SITS at the end of the year.

2.4 We obtained reports from the Learning and Inclusion Teams, at both Fife College (West) and Fife College (East), which detailed the students identified as qualifying for ELS. We then agreed a sample of students from each report to the UNIT-e or SITS data obtained during our review to ensure that they had been included in each system and therefore were included in the SUMs count. This testing proved satisfactory.

3. Management SUMs Reports

3.1 *Observations*

Management reports on the SUMs value used at Fife College (East) show the actual SUMS to date and also 'At Risk' SUMs. Due to delays in Student Records staff receiving notification of withdrawn students from academic staff, the Student Records team at Fife College (East) has for a number of years monitored student registers in order to identify trends where students recorded attendances are dropping, indicating that they could potentially withdraw from the College. These students are flagged as 'At Risk' by Student Records and excluded from the actual SUMs count in management reports. This has been identified as good practice in the past by both the SFC and previous internal auditors of Adam Smith College. In order for management to obtain a more accurate picture of actual WSUMs at any point it in the year it would be beneficial for SUMs to be removed from the actual count only when a student has officially withdrawn prior to the SUMs 'required date', although it would be useful management information to highlight any 'At Risk' SUMs separately.

We also noted duplication undertaken by staff in that the College's Student Funding team also monitors student attendances as part of the award of bursaries and other forms of student financial support.

3. Management SUMs Reports (Continued)

3.1 *(Continued)*

Risks
Students attending the College are not included in the SUMs count resulting in incomplete management reporting of SUMs during the academic year.

Inefficient use of Student Records staff time resulting from duplication of tasks already undertaken by staff in other areas of the College.

Recommendations
R4 Ensure that all students are included in the SUMs count until official notification is received that a student has withdrawn prior to their SUMs 'required date'. Any 'At Risk' SUMs should be shown separately on management reports.

R5 Going forward the College should aim to minimise duplication in the monitoring of student attendance by more than one College department.

Benefits
More accurate management reporting of SUMs data and more efficient use of Student Records staff time.

4. Review of UNIT-e / SITS Data

4.1 The following tests were carried out for a sample of 20 courses selected from the UNIT-e and SITS systems:

a) Ensured that the course met the criteria for fundable activity set out at section 5 of the SUMs guidance notes;
b) Where applicable, ensured that the course met the definition of higher education set out at section 8 of the SUMs guidance notes;
c) Ensured that courses recorded as full-time met the definition for full-time tariffs set out in section 9 of the SUMs guidance notes;
d) Checked the student total for a programme against course / class lists or course / class register. Checked calculation of the required date and ensured that students who had withdrawn prior to this date had been excluded from the SUM count; and
e) Checked allocation of SUMs to courses is in accordance with section 14 of the SUMs guidance notes.

4.2 For a sample of 58 students selected for testing from the above courses the following tests were carried out, where applicable:

a) Ensured that the credit value of the modules, or the total planned hours of activity, that the student had been registered on correlated to the number of SUMs claimed for that student; and
b) For withdrawals, checked that the withdrawal date noted on the system was the students last date of participation on their course and that SUMs were only claimed where the student had attended after the required date.

4. Review of UNIT-e / SITS Data (Continued)

4.3 We reviewed the SUMs data obtained from the SITS system and noted that the actual SUMs claimed for each course in SITS is based on a calculation of the number of eligible students (i.e. those that satisfy the SFC criteria for fundable and participate at least once after the required date) and a 'multiplier' which is entered into the system as part of the course set up during the curriculum planning process. For a sample of six full-time courses selected from SITS we noted that in each case the multiplier in SITS was the same as the full-time tariff for further education or higher education full-time programmes. Testing detailed at 4.1 above confirmed that each course satisfied the full-time criteria and so the multiplier value used in the SUMs calculation was correct. For one full-time Dominant Programme Group (DPG) 18, special educational needs, course tested the multiplier was confirmed as being the total planned hours divided by 40, the notional planned hours of activity to deliver one SUM. No similar method of applying a multiplier was found to be used in the UNIT-e system.

4.4 Observation

Our sample selected from SITS also included six part-time courses. For three of these we were able to agree the multiplier used in the SUMs calculation as being correctly equal to the credit value of the modules included within each course. For the remaining three we could not agree the multiplier to the credit value of modules included in each course. Discussion with Student Records staff determined that the multiplier used in the SUMs calculation is determined by academic staff during the curriculum planning process and in some cases was found to be a historical average of the credits obtained by students on a particular course. A summary of the three courses identified is shown in the table below:

Programme	PMS Tariff SUMS Multiplier	Multiplier based on course details	SITS Students Eligible for SUMS	SITS Actual SUMS	Revised Actual SUMS	Difference
PDACSUP/O1/A, PDA Computer	3.38	4.00	16.00	54.00	64.00	10.00
Q3PBW/B3/A, SVQ 3 Domestic	10.40	9.00	16.00	166.40	144.00	-22.40
Q4HSE/E1/A, SVQ Housing Level 4	5.21	8.00	24.00	125.00	192.00	67.00

These inconsistencies were raised with staff at the time of our audit fieldwork and it was agreed that an exercise would be undertaken to review all part-time courses to identify where the multiplier did not relate to the credit value of modules in order to quantify any potential impact on the overall actual SUMs.

Risk

The College may be over or under claiming SUMs.

Where the SUMs claimed are based on a multiplier that does not correlate to the credit value of the course there is a potential risk that self-financing students or their sponsors may not be invoiced for the correct amount. Changes to the curriculum planning process being proposed by management may help to strengthen controls in this area.

Recommendation

R6 Ensure that the multiplier used for part-time courses in SITS is equal to the total credit value of modules or planned hours / 40 as appropriate.

Benefits

Additional assurance will be obtained that SUMs calculated in SITS are correct and that the correct fees are invoiced.

4. Review of SITS Data (Continued)

4.5 *Observation*

In our sample of students tested we found that for six students enrolled on part-time courses the SUMs claimed for each student per SITS was greater than the total credit value of the modules registered for each student. On further discussion with staff we found that the SUMs claimed were correct based on the timetabled activity for each course which showed that several modules had not yet been registered in SITS. It is our understanding that it is normal practice for Student Records staff to perform additional checks at the year end to ensure that all modules are recorded in SITS and that the final SUMs claim is correct.

Risk

Course information recorded in SITS is incomplete reducing the assurance that the SUMs claimed for each student correlates to the credit value of the course.

Recommendation

R7 Checks to ensure that, for each student, all modules are registered in SITS should be undertaken earlier in the year to provide greater comfort over the accuracy of the actual SUMs being reported.

Benefit

Greater assurance that SUMs data is accurate and robust.

HENDERSON LOGGIE
Chartered Accountants

Fife College

Follow-Up Reviews 2013/14

Internal Audit Report No: 2014/03

Draft Issued: 22 May 2014

Final Issued: 28 May 2014

HENDERSON LOGGIE

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Carnegie College

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1. Management Summary

HENDERSON LOGGIE

Introduction and Background

We have been appointed as Internal Auditors of Fife College ('the College') for the period from 1 August 2013 to 31 March 2014. The Internal Audit Plan for 2013/14 includes four days for a follow-up of the recommendations made in the following Internal Audit reports issued during 2012/13:

Adam Smith College (Wylie & Bisset)

- Internal Audit Visit IV 2012/13 – Follow-Up Reviews

Carnegie College (Henderson Loggie)

- Internal Audit Report 2013/05 – Student Experience – Curriculum;
- Internal Audit Report 2013/06 – Procurement and Creditors / Purchasing;
- Internal Audit Report 2013/07 – Follow-Up Reviews; and
- Internal Audit Report 2013/08 – Student Activity Data 2012/13

Objectives of the Audit

The objective of each of our follow-up reviews is to establish the status of implementation of recommendations made in previous Internal Audit reports and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

Audit Approach

Our audit approach was:

- For the recommendations made in each of the reports listed above we ascertained by enquiry or sample testing, as appropriate, whether they were completed or what stage they had reached in terms of completion and whether the due date needed to be revised; and

- We prepared a summary of the current status of the recommendations for the Audit Committee.

Action plans from the original reports, updated to include a column for progress made to date, are appended to this report.

Overall Conclusion

Overall, the College has made progress in implementing the recommendations followed-up as part of this review. Many of the outstanding actions are to be considered as part of merger integration activities currently being undertaken.

Of the outstanding recommendations many of these have not been completed due to waiting for matters related to the merger and staff structures to be decided first. This particularly relates to the areas of Payroll, Budgetary Control and Asset Management from ex-Adam Smith College reports, and IT and Health and Safety from ex-Carnegie College reports.

1. Management Summary

HENDERSON LOGGIE

Overall Conclusion (Continued)

Our findings from each of the follow-up reviews have been summarised as follows:

From Original Reports			*From Follow-Up Work Performed*					
Area	**Rec'n Grades**	**Number Agreed**	**Fully Impleme-nted / No Longer Applicable**	**Partially Impleme -nted**	**Little or No Progress Made**	**To Be Covered By Merger Integration Activities**	**Not Past Agreed Completion Date / No Opportunity to Implement**	**Considered But Not Implemented**
Adam Smith College								
Follow-up Reviews 2012/13	High	1	-	-	-	-	-	1
	Medium	7	-	-	-	6	1	-
	Low	12	3	2	-	7	-	-
Total		**20**	**3**	**2**	**-**	**13**	**1**	**1**
Carnegie College								
Follow-up Reviews 2012/13	Priority 1	-	-	-	-	-	-	-
	Priority 2	8	1	1	-	6	-	-
	Priority 3	12	5	2	-	2	-	3
Total		**20**	**6**	**3**	**-**	**8**	**-**	**3**
Student Experience – Curriculum	Priority 1	-	-	-	-	-	-	-
	Priority 2	-	-	-	-	-	-	-
	Priority 3	3	1	-	-	-	2	-
Total		**3**	**1**	**-**	**-**	**-**	**2**	**-**
Procurement and Creditors / Purchasing	Priority 1	-	-	-	-	-	-	-
	Priority 2	-	-	-	-	-	-	-
	Priority 3	8	3	1	2	1	-	1
Total		**8**	**3**	**1**	**2**	**1**	**-**	**1**
Student Activity Data 2012/13	Priority 1	-	-	-	-	-	-	-
	Priority 2	-	-	-	-	-	-	-
	Priority 3	3	1	1	1	-	-	-
Total		**3**	**1**	**1**	**1**	**-**	**-**	**-**
Grand Total		**54**	**14**	**7**	**3**	**22**	**3**	**5**
Percentage		**100%**	**26%**	**13%**	**5.5%**	**41%**	**5.5%**	**9%**

The grades, as detailed below, denote the level of importance that should have been given to each recommendation within the internal audit reports.

Gradings for recommendations from Wylie Bissett internal audit reports:

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

Gradings for recommendations from Henderson Loggie internal audit reports:

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

1. Management Summary

Acknowledgements

We would like to thank all staff for the co-operation and assistance we received during the course of our reviews

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Adam Smith College – Follow-Up Reviews 2012/13

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
Internal Audit Visit III 2012/13 – Follow-Up Reviews 2011/12						
The College should put in place a documented Policy on dealing with a data security breach in line with the Information Commissioner's Office guidance on same.	Low	Agreed	Y	**Original:** Interim Principal **May 2013:** DP Office	**Original:** September 2012 **May 2013:** June 2013	The Data Protection Policy and Data Protection Procedure have been updated and a Policy and Procedure on Data Security Breach Management has been drawn up. ***Fully Implemented***

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Adam Smith College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
Internal Audit Visit I 2012/13 – Asset Management						
The College should produce a central register for all non-ICT and non-capital assets. The recording of these assets onto the central register should be done by the procurement / stores staff once the goods have been received by the College. This would require all goods received notes or other confirmation that goods had been received by the College to be passed to the procurement / stores staff. The College should consider whether the ICT asset management system could be adopted for non-ICT assets. Once the central register has been established, once a year a list of items per department should be issued to the Head of Department for them to confirm that they still have the asset and give its current location.	Low	Accepted - agreed to review and implement asset register for non-capital / ICT items. Account to be taken on nature of asset and also expenditure level.	Y	Campus Services Manager / Finance Manager	August 2013	This has been superseded by the merger and a new Procurement / Stores team has yet to be appointed. This new team will consider, along with the new Finance team, what the asset management policy and procedures will be. ***To Be Covered By Merger Integration Activities***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
The College should prepare an asset management procedure. This should include: • Asset acquisition • Monitoring • Disposal of assets This should include details of the process to be followed and the responsible members of staff.	Med	Accepted - as part of implementation of asset register, asset management procedures will be documented. Currently asset disposal procedure and asset disposal forms are in place and will be included in the overall asset management procedures.	Y	Campus Services Manager / Finance Manager	August 2013	This has been superseded by the merger and a new Procurement / Stores team has yet to be appointed. This new team will consider, along with the new Finance team, what the asset management policy and procedures will be. ***To Be Covered By Merger Integration Activities***
To make the monitoring of ICT assets more robust ICT staff should specify for which project the asset has been purchased. This will enable the College to keep closer track on the ICT equipment purchased for the individual projects.	Low	Accepted - agreed to review option of adding the relevant project to which assets are purchased against.	Y	Director of ICT	August 2013	This has been done. ***Fully Implemented***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
We recommend that the list of staff leavers is circulated to ICT and Estates staff prior to the member of staff leaving the College's employment. In that way ICT and Estates staff can alert the individual, their line manager and the HR department of any equipment which is required to be returned prior to the employee's leaving date.	Low	Accepted - at present list of new starts and leavers are circulated to relevant staff after the member of staff has started / left the College. Point will be raised with HR to see if staff leavers list can be circulated to Estates / ICT in advance to ensure recommendation can be actioned.	Y	HR Manager	August 2013	The information is provided by a report generated by the HR system but this only identifies leavers at their end date. The information can be provided prior to the employee's leaving date as it is known by the HR team but it would not be part of a systematic electronic process. Estates / ICT staff still receive the information in the current format. The HR team for the merged College will in time be looking at joint procedures and this will be reviewed as part of this. ***To Be Covered By Merger Integration Activities***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
Internal Audit Visit I 2012/13 – Payroll						
We recommend that the Payroll Assistants' access to the HR system is restricted to read only access, if not removed entirely. In the case of the Payroll & HR Systems Specialist we would suggest that the HR Manager discusses with IT whether or not the Payroll & HR Systems Specialist's access to the HR system can be restricted to give her access to the systems based information (report writing etc) but read only access to the actual processing facilities within the HR system.	High	Accepted - An audit log from the HR System will be created on a weekly basis to identify any changes to staff records and checked monthly. The audit log will identify who has made the changes and will be read only access for all HR Staff including Payroll. The report will identify any changes made by payroll staff. The report will be checked and signed off by HR Manager. A procedure will be developed for the process to be followed for this audit log check and the check below.	Y	HR Manager	June 2013	On developing a procedure for this it was identified that it was not practical due to the nature of the audit log generated from the system. However the review of the exceptions report, which identifies new starts and leavers, is considered an adequate check in this respect along with the World Service Audit Log check conducted for each pay run (which checks any changes to salary and / or hourly rate). These controls are considered adequate to mitigate the original risk. ***Considered But Not Implemented***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
All staff should be reminded that Authorisation to Recruit (ATR) Forms should be raised in advance of the employee working the hours. We would also recommend that the ATRs are only raised when the amendment will actually be required. The ATRs should only be raised for definite commitments not raised on speculation. We recommend that if a question is raised the ATR is passed back to the appropriate person to answer the question prior to authorisation being given. Consideration should also be given to completing the comments box in all instances, this could be as simple as stating 'sufficient budget' etc., this would provide a more transparent audit trail regarding what each person authorising the form is checking.	Med	The ATR process is currently being reviewed to introduce an additional ATR process to reduce the authorisation stages required for short term cover e.g. absence. Review authorisation process with ICT to determine where the authorisation is required for curriculum staff that this is directed to the Vice Principal Curriculum rather than the Vice Principal Finance and Resources. Staff Briefings to be held for all managers to ensure understanding of revised processes.	Y	HR Manager	June 2013	The process was reviewed and a paper submitted to the Senior Management Team (SMT) in November 2013. The SMT felt that it would be more appropriate to review again in June 2014 once the new managers were appointed as they are involved in the process and would have a fuller understanding of budgets / staffing requirements. ***To Be Covered By Merger Integration Activities***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
We recommend that the College considers bringing the payment of the payroll in-house. The BACS payments should be processed by Finance staff to ensure that there is segregation of duties between the staff processing the payroll and the payment of the payroll.	Low	The Payroll processes will be reviewed as part of the regionalisation / merger process.	Y	HR Manager	As soon as is practical after merger	At present the payroll systems from the legacy colleges are still in place. It is hoped to have one HR system by August 2014 and dependent on the harmonisation of terms and conditions, the payroll processes will then be reviewed with the aim of having one payroll system. ***To Be Covered By Merger Integration Activities***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
Internal Audit Visit II 2012/13 – Corporate Governance						
We recommend that the Fraud Response Policy is updated to remove all reference to old governing bodies. We also recommend that mention is made of the Bribery Act 2010 and the requirements of this in the Fraud Response Policy. Failing this we would suggest that a separate Anti-Bribery And Corruption Policy is produced by the College.	Low	The Finance Workstream is taking forward the development of finance policies and procedures for the Fife College. The audit recommendation above will be taken into account when preparing the Anti-Bribery And Corruption Policy for the new College.	Y	Interim Vice Principal Finance & Resources	August 2013	An anti-bribery policy and procedure which will encompass fraud will be presented to the Audit Committee at the meeting on 4 June 2014. ***Partially Implemented***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
Internal Audit Visit II 2012/13 – Risk Management						
We recommend that the Risk Management Group (RMG) put in place a formal process for reviewing, discussing and assessing any adverse incidents or complaints at the College to ensure that cognisance is taken of any which should result in a risk being added to the risk register. This review could be done on an annual basis.	Low	The Chair of the RMG will ensure that on a six monthly basis an item is added to the RMG agenda to address any areas of risk which have come to attention. A process will need to be developed to ensure this information is captured and how, when and to who such maters should be reported for review. It should be noted that the College Gateway already identifies changes to the risk status of current identified risks, something to capture new ones or incidents needs added.	Y	Chair of the RMG supported by RMG members	July 2013	There is a process in place in Fife College for complaints to be made and analysed and reported upwards. This process is handled by the Quality department. The Risk Register is discussed and updated at the SMT meetings and reviewed quarterly at the Audit Committee. The SMT would take cognisance of any significant risks identified from the complaints process. ***Fully Implemented***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
We recommend that the College continues to embed the risk assessment process throughout the whole College. Also that a process for all staff members to raise potential risks with the RMG is put in place. This should be disseminated to all staff.	Low	The RMG are aware of this issue and need, it is more a timing issue when the audit was carried out than the fact that this need had not been considered. Risk Management will be raised regularly at College SMT meeting and College manger meetings. Risk management at department level will also be developed and will form the next stage of action for the RMG.		Chair and members of the RMG, College's senior managers and College management	April 2014	Local risk assessments will be undertaken following clarification of the new College structure and production of departmental operational plans. ***To Be Covered By Merger Integration Activities***
The Risk Management Policy should be presented to the Audit Committee at its May / June 2013 meeting.	Low	This was purely a case of timing in relation to the audit and when the Audit Committee could accept this item on their agenda. It will be raised with the Secretary of the Board to ensure it is added to the next most appropriate Audit Committee meeting.		RMG Chair and Secretary of the Board.	June 2013	A Fife College Risk Management Policy will be presented to the Audit Committee at the meeting on 4 June 2014. ***Partially Implemented***

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Adam Smith College – Follow-Up Reviews 2012/13

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
Internal Audit Visit I 2012/13 – Budgetary and Financial Controls						
For the 2013/14 budget setting process, the budget holders should be involved more and kept informed of decisions regarding their budget.	Med	Accepted - in setting the 2013/14 budget, College management and budget holders will be given an outline of the budget process and given a chance to influence it. Depending on merger activity and changes to staff structures during the budget process, every chance will be taken to allow budget holder input wherever possible. Note that not all budgets are set by the Finance Manager e.g. department sums allocation, and will require senior management assistance.	Y	Finance manager / SMT	April to August 2013	This was not undertaken however this will be picked up as part of the new Fife College budget process. Some of these actions are in progress and some will be dealt with as the merger on to Tech One as the single finance system progresses. ***To Be Covered By Merger Integration Activities***

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Adam Smith College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
We recommend the College strives to have the devolved budget allocation to and agreed with the budget holders for the start of the academic year. Also that budget statements are produced monthly and contain sufficient timely information to enable budget holders to monitor their budget.	Med	Accepted - it is acknowledged that during 2012/13 production of financial information has been delayed due to College issues. It is the intention to issue monthly management accounts earlier over the coming months to ensure budget holders have more timely information.	Y	Finance Manager	April 2013 Ongoing	The budget allocation was prepared prior to the start of the financial year, but budget statements were not disseminated on a monthly basis to budget holders to allow them to monitor their budgets. Awaiting confirmation of new College structure and matching of staff to senior posts. This will be picked up as part of the new Fife College budget process. Some of these actions are in progress and some will be dealt with as the merger on to Tech One as the single finance system progresses. ***To Be Covered By Merger Integration Activities***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
We recommend that consideration is given to producing procedures or guidance notes on the budget setting process to provide details of the actual process and what is expected of staff members as well as to act as a strategic document for the budget setting process. Also we recommend that the budget timetable is updated as appropriate for 2013/14 budget setting process. Consideration should also be given to the Finance team producing month end guidance notes.	Med	Accepted - annual budget timetable will be updated prior to the 2013/14 budget being prepared. Timetable to be distributed and agreed with SMT.	Y	Finance Manager / Vice Principal Finance & Resources	April 2013 Ongoing	This will be picked up as part of the new Fife College budget process. Some of these actions are in progress and some will be dealt with as the merger on to Tech One as the single finance system progresses. ***To Be Covered By Merger Integration Activities***
Project records should be reconciled to the finance system on a monthly basis. Also, month-end adjustments should be made to the finance system to reallocate costs, including staffing costs, to the various projects.	Med	Accepted - costs are currently allocated directly against projects at time expense incurred. Agreed to put in place system to ensure project claims are prepared using the finance system information.	Y	Finance Manager / Director of Finance	August 2013	The College currently has no European projects. This will be done in future when there are new projects. ***No Opportunity To Implement***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
Formal sign-off by the budget holders should be obtained for the final budget allocations. At this time the Finance Manager or Vice Principal can explain why the final allocations differ from what was initially requested or negotiated by the budget holder. This will make the budget holders more aware of why their budget was set at a certain level and also make them more accountable for their budget.	Low	Accepted - as part of the budget process, budget holders will be asked to confirm that they have received their 2013/14 budget. In terms of feedback on budget allocations, this will be provided by member of staff responsible for setting the relevant part of the budget.	Y	Finance Manager	August 2013	Formal sign-off by the budget holders was not obtained for the final budget allocations for 2013/14. This will be picked up as part of the new Fife College budget process. Some of these actions are in progress and some will be dealt with as the merger on to Tech One as the single finance system progresses. ***To Be Covered By Merger Integration Activities***
Further training / guidance should be given to the budget holders to ensure that they are fully aware of what the College expects of them in relation to the monitoring, tracking and controlling of their budget. This should also include guidance on the budget statements; what these mean and how these should be used by the budget holders.	Med	Accepted - as part of the merger, budget holder training and guidance will be provided once structures have been agreed in 2013/14. Where required, Finance Manager will provide assistance to budget holders prior to then.	Y	Vice Principal Finance & Resources	Academic year 2013/14	Training will be provided on roll out of the Tech One finance system. ***To Be Covered By Merger Integration Activities***

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Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
The Finance team should formalise monthly meetings with all budget holders as a matter of routine. These meetings should discuss all variances not just negative variances.	Low	Accepted - currently, monthly meetings are not held each month with every budget holder. If this was to be formalised this would require approx. 40 meetings each and every month. In order to achieve this recommendation, additional resources would be required. Will be reviewed as part of the finance structure within the new College.	Y	Finance Manager	August 2013	Budget monitoring meetings will be considered as part of the new Fife College budget process. ***To Be Covered By Merger Integration Activities***
Consideration should be given to training existing staff on the production and distribution of budget statements and management accounts. The Finance team should be more involved with the production of the management accounts and budget statements. Training should be given to enable the existing staff to discuss the budget statements with budget holders.	Low	Accepted - College finance staff are involved in the processing of the information prior to the accounts being finalised and issued. Finance Manager will review where current staff may assist in the production and distribution of management accounts with a view on merger requirements over the coming months.	Y	Finance Manager	August 2013	Awaiting confirmation of new College structure and matching of staff to senior posts. Training will be provided on roll out of the Tech One finance system. ***To Be Covered By Merger Integration Activities***

Appendix II – Updated Action Plan
Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
Internal Audit Report 2011/05 – IT Networks Arrangements / IT Strategy								
2.1	***Network Infrastructure*** **R7** In order for ICT staff to effectively pinpoint faults, monitor network performance and identify security breaches the College should consider updating the Netwatch software to ensure that a full monitoring solution is available.	2	Alternative network monitoring software will be evaluated and costed. Investment in new software would be subject to budget availability.	Yes	T MacMaster	Aug 2011 **Revised Date (reported May 2013):** December 2013	In preparation for the forthcoming merger, all aspects of information security and ICT Governance are in the process of undergoing review by members of the ICT teams from Carnegie and Adam Smith. This will include network security models and permissions, access rights, remote access permissions and all policies currently in place across both colleges. The planning of this work is still in progress. ***Partially Implemented***	A full audit of network security is being planned for Summer 2014 with the intention to implement a consistent security model and policies across all of Fife College. ***To Be Covered By Merger Integration Activities***

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HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
2.2	**R10** Regular audits should be undertaken to identify equipment with unlicensed software and this should be removed. Staff or students responsible for the equipment should be reminded of their responsibility not to upload unlicensed software in line with the Acceptable Use Policy. Where there is persistent disregard for the policy disciplinary action should be taken.	2	ICT Services have already highlighted the requirement for a SAM (Software Asset Management) tool to track the College's software entitlements and to manage licence usage. Investment in new software would be subject to budget availability although this is recognised as a high priority.	Yes	T MacMaster	Aug 2011 **Revised Date (reported May 2013):** December 2013	The College has not upgraded key network tools as envisaged and audits have only been undertaken on approximately 40 out of the College's 1,200 PCs in 2012/13. On 23 August 2012 staff were reminded of the Acceptable Use Policy via the News Feed. When students log on to computers they have to agree to the Acceptable Use Policy which is provided for them to read. ***Partially Implemented***	All staff and students agree to the Acceptable Use Policy before logging on to College devices. All student PCs were upgraded to the Windows 7 operating system in July / August 2013 and given a new image including appropriate software. Software cannot be added without the relevant administration permissions, known only to ICT staff. Staff PCs were either upgraded to Windows 7 and reimaged, or replaced during the November 2013–March 2014 period with the same administration permissions set, so that only ICT staff can add software to the base image. ***Fully Implemented***

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Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
	Logical Access							
3.1	**R12** A log file record should be established to record events such as: • Failed log-on attempts • Failed file access attempts • Account additions, changes and deletions • Changes to system security configurations • Access to critical data files ICT staff should ensure that this record is regularly reviewed and appropriate action is taken.	2	Capturing this data will require the deployment of Novells Nsure Audit product. We will contact our vendor to discuss. If there are cost implications e.g. software licences and / or dedicated server hardware, then any investment will be subject to budget availability.	Y	R.Wilson	December 2011 **Revised Date (reported May 2013):** December 2013	Due to regionalisation there has been no progress on this as it would require capital investment. ***Little or No Progress Made***	The Active Directory (AD) network operating system has been adopted and the College is migrating away from Novell. The ICT team in the West are still learning the full capabilities of AD but know it already does capture some of this information (e.g. failed logins in the AD security log). Network security is being reviewed in the Summer 2014 which has significant overlap There has been no progress on change management but this will be considered as part of an IT Service Management review once the departmental merger process is complete. ***To Be Covered By Merger Integration Activities***

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HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
3.3	**R14** In order that staff are aware of the security measures that should be taken when accessing the College network from off campus sites, the College should establish a Remote Access IT Policy and ensure all staff are aware of the policy.	3	The Colleges' current Information Security Policy will be updated to include guidance and protocols for accessing College network resources from off-campus sites.	Yes	T MacMaster	May 2011 **Revised Date (reported May 2013):** December 2013	A Remote Access Policy has been built into the College's Information Security Policy available on the intranet. However from our review this needs to be enhanced, better communicated and IT security needs to have a greater profile within the College. ***Partially implemented***	A new Acceptable Use Policy and ICT Security and Governance Policy are with the SMT for consideration. Once these have been approved, the details will be communicated to staff and students. ***Partially Implemented***

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Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
4.2	**R16** The Acceptable Use Policy should be reviewed to ensure it properly reflects the College's current ICT operation, in particular its adoption of mobile computing. This should cover: • Security of the devices; • Updating of any protection software in place; • Connection to third party networks; and • Data encryption.	3	The recent Service Review recommendations include actions on policy development. This will include publishing a policy review schedule and the AUP will be subject to periodic reviews as defined in the review schedule.	Yes	T MacMaster	Aug 2011 **Revised Date (reported May 2013):** December 2013	The Acceptable Use Policy appears appropriate. However from our review there is the need for greater information security requirements to be included within this and better communication of these requirements to staff and students. ***Partially Implemented***	A new Acceptable Use Policy and ICT Security and Governance Policy are with the SMT for consideration. These accurately reflect the current ICT operation within Fife College. Once these have been approved, the details will be communicated to staff and students, and subject to regular review ***Partially Implemented***

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Carnegie College – Follow-Up Reviews 2012/13

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Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
Internal Audit Report 2011/07 – Staff Utilisation, Timetabling and Space Management								
2.3	**Room Utilisation** **R5** Ensure that, in the longer-term, UNIT-e on-line register information is extracted and analysed to provide room occupancy information over a period of time.	3	Dependant on resourcing, this will happen.	Yes	Student Records Co-ordinator	October 2011 **Revised Date: (reported May 2013):** December 2013	Development work has been done to pull data together but due to other more important priorities for Systems Development staff the reporting functionality for this has yet to be developed. ***Partially Implemented***	This has been considered and currently there are other higher priority matters. ***Considered But Not Implemented***

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Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
Internal Audit Report 2012/03 – Recruitment and Retention / Staff Contribution								
3.2.3	**R9** Review the methods of evaluating staff training and consider how this can be improved. This may include: use of on-line evaluation systems with reports provided to managers periodically to allow follow-up where evaluation has not been received; different systems of evaluation depending on what type of training is provided; and consideration of how the benefit of training can be better disseminated to others.	3	We want to move to online evaluations using the new Chris 21 Self-Service Module. Until the module is accessible we are currently developing an online evaluation using questionnaire software. This option will allow us to tailor the questionnaires to suit the training / workshop or conference and allow the delegate to identify the best way of disseminating the information.	Y	Sarah Wheadon	April 2013 **Revised Date: (reported May 2013):** December 2013	The new Chris 21 Self Service module has yet to be progressed due to regionalisation, however once a decision has been made on what HR and training systems are to be used this can be advanced. ***Little or No Progress Made***	The College continues to use various external online evaluation packages. Once a decision has been made about the selection of a single HR system then its self-service module will be used for CPD recording and evaluation systems. ***To Be Covered By Merger Integration Activities***

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Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
Internal Audit Report 2012/04 – Student Support								
2.5	**R8** Redesign the induction sign-off checklist to be easier to complete and include information or electronic links to where the information can be found.	3	Policies can be condensed.	Yes	A Gray	August 2012 **Revised Date (reported May 2013):** August 2013	The sign-off checklist has been redesigned and is on the student intranet but does not have electronic links. For 2013/14 it is planned to have electronic links to key documents referred to in the checklist included as part of the Guidance section of the student intranet. ***Partially Implemented***	These checklists are now on iLearn. ***Fully Implemented***
3.4	**R11** Review the frequently asked student funding questions sheet and enhance this with other questions asked by students frequently.	3	This will be revisited as part of the review of application forms etc. for 2012-13.	Yes	A Gray	August 2012 **Revised Date (reported May 2013):** August 2013	A new Frequently Asked Questions sheet is being developed for the merged college. ***Partially Implemented***	The Bursary / EMA Student Guide is on iLearn and has answers to frequently asked questions. ***Fully Implemented***

Appendix II – Updated Action Plan
Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
Internal Audit Report 2012/05 – Student Fees								
2.1	***Transfer of Data*** **R2** The College should complete the development of the report that will allow the cumulative value of fees generated in UNIT-e to be checked against the total fee income per the finance system within a reasonable timeframe. Thereafter this check should be incorporated into the month-end financial close process.	3	Reconciliation report being developed by Business Systems Co-ordinator. This exercise to be performed monthly as part of the monthly sign-off. Process to be reviewed by Head of Finance and Finance Director.	Yes	Andrew Hookham	April 2012 **Revised Date (reported May 2013):** December 2013	Due to this not being a business priority the task has yet to be completed. However there is currently a manual checking process to ensure that output from UNIT-e has been accurately and completely transferred into Tech1. This mitigates the risk concerned but is less efficient. Work will not start on this until decisions about IT systems have been made for the merged college. ***Partially Implemented***	Due to business priorities this report has not been prepared and given the merger workload may not be implemented. However the current manual controls are considered by management to be adequate. ***Considered but Not Implemented***

Appendix II – Updated Action Plan
Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
2.2	**R3** Investigate ways to improve the efficiency and effectiveness of the reconciliation of SAAS receipts to SAAS debtors on Tech 1. This could include inputting all individual student SAAS debtors into Tech 1 and uploading an electronic file with SAAS receipts which automatically match off against debtors.	3	Process to be reviewed by Principal Accountant and agreed with Head of Finance.	Yes	Paula Taylor	March 2012 **Revised Date (reported May 2013):** December 2013	A reconciliation spreadsheet that looks at SAAS for each Financial Year has now been implemented however Finance are still waiting on Tech One to provide a more efficient method of receipting electronically. ***Partially Implemented***	A reconciliation process is in place and is considered by management to be adequate. Given the merger workload, it is not a priority to have a Tech 1 process implemented, and therefore management do not propose to undertake this. ***Considered But Not Implemented***

Appendix II – Updated Action Plan
Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
Internal Audit Report 2012/06 – Business Development								
3.16	***Management and Support Structure*** **R5** Review the enrolment forms for standard commercial courses to determine when these are necessary or whether more efficient means of capturing the required information could be used.	3	As part of "Customer @ The Heart" programme.	Yes	Marianne Philp	End June 2012 **Revised Date (reported May 2013):** September 2013	As part of regionalisation a workstream group is reviewing enrolment forms and means of capturing enrolment information. Once decisions have been made then changes will be implemented. ***Partially Implemented***	Due to improvements made to the booking process (online option available) customers on open courses receive pre-printed enrolment forms on day one of their course. ***Fully Implemented***

Appendix II – Updated Action Plan
Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
3.18	**R8** Ensure that all external training providers used by the College or CEL supply their public liability insurance certificates every year.	2		Yes	Alan Melia	1 July 2012 **Revised Date (reported May 2013):** 30 June 2013	The College has a register of all training providers used. A database has been set up to record whether public liability certificates, and other key information, have been received. The individual Schools are responsible for contacting training providers to ensure the required information has been received. At the time of audit fieldwork training providers had been requested to give this information but not all had replied. ***Partially Implemented***	A tracking database was in place across the former Carnegie College. As the new support structure is not yet in place this has not been extended to the former Adam Smith areas. This will be taken forward by the new team via Commercial Service. ***To Be Covered By Merger Integration Activities***

Appendix II – Updated Action Plan
Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
Internal Audit Report 2013/04 – Health and Safety								
1.2	***Policies and Procedures*** **R1** Review and update the H&S Policies and Procedures on the intranet on a periodic basis.	3	Current H&S Policy documents are being compiled into one area for comparison against Adam Smith College documents. This process is to help define the new College H&S Policy documents for August 1st 2013. Target is to get Policy Statement and draft documents together for August 2013.	Yes	H&S Advisor	August 2013	N/A	The procedures are to be worked on and will be taken forward under merger work. ***To Be Covered By Merger Integration Activities***
1.3	**R2** The H&S Policy Statement should be updated to include what the Board's own role, including that of individual Board members, is in relation to leading H&S in the College. The H&S Policy Statement should be signed by the Chair of the Board in addition to the Principal.	3	New Joint H&S Policy Statement being drafted currently. Formal agreement required but planned to include Board of Management.	Yes	H&S Advisor	August 2013	N/A	A new H&S Policy Statement has been completed which sets out the Board's role and has been signed by both the Chair of the Board and the Principal. ***Fully Implemented***

Appendix II – Updated Action Plan
Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
2.3	***Risk Identification and Assesment*** **R3** Ensure that all risk assessments are comprehensive and formally reviewed at least annually.	2	As per item 1.2, all current documents being compiled and compared against like for like work areas within Adam Smith to be uploaded to proposed new H&S software system which will generate annual review required by section / Schools. Schools / sections currently reviewing content of Risk Assessments with a target date of mid-March 2013.	Yes	H&S Advisor	August 2013 - Ongoing	N/A	New H&S software is being installed in April 2014 where risk assessment will be automatically raised for review and accessible to all staff. ***Partially Implemented***
2.6	**R5** Produce a generic procedure and risk assessment form for class field trips.	2	Again this will be produced as a generic format through new College. Legally Carnegie is meeting its requirements at the moment.	Yes	H&S Advisor	Aug 2013	N/A	A draft document has been drawn up which will be finalised along with the other procedure documents. ***To Be Covered By Merger Integration Activities***

Appendix II – Updated Action Plan
Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
2.6	**R6** The H&S advisor should undertake regular spot checks for work placements arranged to ensure that there is an up-to-date risk assessment and that the central work placement database has been correctly updated.	3	Current procedure has been reviewed by H&S Advisor and has been discussed with Adam Smith College against its procedure. It has been agreed that in the new structure the Adam Smith procedure would be adopted where the H&S Section controls the database and checks this on a regular basis meeting the action point.	Yes	H&S Advisor	Aug 2013	N/A	Standard policy agreed for Fife College across all placements and co-ordinated and monitored through the H&S team. ***Fully Implemented***

Appendix II – Updated Action Plan
Carnegie College – Follow-Up Reviews 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2013	Progress at March 2014
2.7	**R8** The H&S Advisor should, as a minimum, draw up a schedule of the most significant recommendations from the fire risk assessments and propose mitigating action where appropriate. This schedule should be reviewed by the Board H&S Committee and required actions agreed.	2	Excel spreadsheet to be produced with all high level action highlighted. Passed to senior managers with action already taken and outstanding action with proposed dates. **At May 2013:** Action complete to provide list however not all actions on schedule complete. To be presented at H&S Committee on 6 June 2013.	Yes	H&S Advisor	February 2013 **Revised Date (reported May 2013):** 30 June 2013	Action complete to provide list however not all actions on schedule complete. To be presented at H&S Committee on 6 June 2013. ***Partially Implemented.***	The majority of the recommendations have been actioned and the remainder of these will be covered as part of merger integration work. ***To Be Covered By Merger Integration Activities***
2.9	**R10** Implement a system for monitoring levels of noise and dust in the workshops and ensure that actual levels are within acceptable limits.	2	Cowdenbeath Campus and Joiners Workshop Halbeath already carried out. Would look at term contract going forward with external consultant to cover all Risk Areas within new College.	Yes	H&S Advisor	Carnegie complete Joint College to be agreed		Testing will be proposed when the Estates Strategy is complete and buildings that are staying within the College are known. ***To Be Covered By Merger Integration Activities***

Appendix III – Updated Action Plan
Carnegie College – 2013/05 – Student Experience - Curriculum

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
5.4	***Consideration of WSUMs in Curriculum Planning and Forecasting*** **R3** Undertake a formal sensitivity analysis on the WSUMs forecasts which would highlight how much variance the estimates could have in relation to ensuring that the WSUMs target is met.	3	Will be a priority for Quarter 4 2012-13. As recruitment for 2013-14 proceeds, decisions can be made in response to market demand, and to reduce risk of SUMs target not being met.	Y	J McCauslin	October 2013	It was identified in November 2013 that there was a shortfall in WSUMs and plans were produced for additional activity, with the College now projecting that it will achieve the WSUMs target. ***Fully Implemented***

Appendix IV – Updated Action Plan
Carnegie College – 2013/06 – Procurement and Creditors / Purchasing

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
	Achieving Best Value						
1.1	**R1** Review and revise the Financial Regulations, including Appendix I 'Procurement Procedures', to make these clearer for staff to follow, such as through increased use of flow diagrams, and consider where the process could be simplified whilst maintaining an appropriate level of control. Reference to PECOS should be removed and replaced with reference to Tech1. The latest version of the Financial Regulations should be made available on the intranet.	3	An action point has been taken to review the procurement procedures with a view to simplifying them. Staff will then be notified of the update and will be told where on the intranet they can access the procedures.	Yes	Ken Haig, Team Leader Purchasing and Stores Gail Dunn, Head of Finance	31 May 2013	The Procurement Procedures have been revised. ***Fully Implemented***
1.2	**R2** Review and consider revising the Procurement Strategy with a view to reducing the number of key performance indicators and focussing on the areas where most savings can be made, and also decide on reporting requirements.	3	To be considered on a regional basis post-merger.	Yes			The spend analysis that is being undertaken in conjunction with Advanced Procurement for Universities & Colleges (APUC) will be used to set the priorities. This is currently being worked on by APUC. ***Little or No Progress Made***

Appendix IV – Updated Action Plan
Carnegie College – 2013/06 – Procurement and Creditors / Purchasing

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
1.4	**R3** Periodically review College expenditure with suppliers, identifying those which are not under national or APUC contracts or which have not been awarded through a tender process. For these suppliers consider whether the College is receiving best value for money or whether national or APUC contracts should be used or tenders undertaken for these.	3	This is currently being undertaken in conjunction with APUC and Adam Smith College as part of the Fife College merger. Once identified, this will be categorised in terms of risk and strategic importance. This will be completed by 31 July 2013 using information from Spikes Cavell and APUC.	Yes	Ken Haig, Team Leader Purchasing and Stores Procurement Workstream	Reviewed by 31 July 2013. Actioned as part of Fife College merger during 13-14.	A spend analysis is being undertaken in conjunction with APUC which will allow this to be done. ***Partially Implemented***
2.1	***Policies and Procedures*** **R4** Update the intranet to include other relevant procurement guidance documents.	3	This will be done as part of action point 1.1.	Yes	Ken Haig, Team Leader Purchasing and Stores Gail Dunn, Head of Finance	31 May 2013	This will be updated as soon as the structure and posts are finalised. A single e-mail address for procurement together with a link to the flow diagrams and Procurement Procedures will be added. ***To Be Covered By Merger Integration Activities***

Appendix IV – Updated Action Plan
Carnegie College – 2013/06 – Procurement and Creditors / Purchasing

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
3.2	***Risk of unauthorised and excessive expenditure*** **R5** Formally record, for any transactions which system administrators 'force' through expenditure, which system administrator did this and the reason for doing this.	3	A spreadsheet has been created which will record all the details for POs or invoices being forced through due to lack of funds. All three systems administrators have been notified of this.	Yes	Gail Dunn, Head of Finance	20 May 2013	The spreadsheet is in place and updated when this occurs. ***Fully Implemented***
3.3	**R6** Amend the 'Approved Supplier Details Form' to include the expected amount of expenditure for the supplier over a four year period and, in line with the Financial Regulations, only approve such suppliers where there are no suitable national or APUC contracts.	3	This has now been actioned. A worked example e-mail is sent to all requestors which contains guidance and expected amounts are recorded in the approval box of the supplier form prior to set up.	Yes	Ken Haig, Team Leader Purchasing and Stores	30 April 2013	A Supplier Information Capture Form (SICF) is completed and information about the expected level of expenditure and consideration of framework suppliers must be provided. ***Fully Implemented***

Appendix IV – Updated Action Plan
Carnegie College – 2013/06 – Procurement and Creditors / Purchasing

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
	Recording of Invoices and Payments						
4.2	**R7** Upload evidence confirming that goods have been received, such as emails from staff, onto Tech1.	3	Action point has been raised to scan appropriate evidence, i.e. e-mail and this will be loaded onto Tech One. Please note that the majority of deliveries are receipted by Stores.	Yes	Ken Haig, Team Leader Purchasing and Stores	20 May 2013	Management advised that this would not be an easy task as it would involve scanning all delivery notes and attaching as PDF documents. The paper based copies for all physical goods are kept in Central Stores and can easily be retrieved for audit purposes if required. This is considered adequate by management. ***Considered But Not Implemented***
4.3	**R8** Ensure that evidence of spot checks being carried out on the BACS supplier payment runs is retained.	3	An action point has been taken to set up a process to ensure spot checks are being carried out and evidence retained.	Yes	Gail Dunn, Head of Finance Rhona Carrigan, Finance and Banking Co-ordinator	30 June 2013	Spot checks have been carried out but these have not been evidenced. This will be done in future. ***Little or No Progress Made***

Appendix V – Updated Action Plan
Carnegie College – 2013/08 – Student Activity Data 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
	Systems and Procedures for Compilation of Returns **Allocation of SUMs to Courses**						
2.2.3	**R1** Ensure that the planned hours in Unit-e for DPG 18 programmes is based on the total planned learning hours for each student, which should agree to underlying records.	3	Changes to delivery hours at the course level should have been mirrored at subject level. Further checks in relation to delivery hours at subject level will be implemented throughout the academic session. Although the change made increased WSUMs there was no impact to WSUMs claimed as 100% of SFC target had already been met.	Yes	Lead Student MIS Coordinator	Dec 2013	Information gathered at the curriculum planning stage with regard to delivery hours will be checked during the in-year SFC Target / Actual monitoring exercise to ensure that the Unit-e system is updated as required. This has yet to be undertaken for 2013/14. Further clarification from academic managers will be gathered before the final return to SFC in October 2014. ***Little or No Progress Made***

Appendix V – Updated Action Plan
Carnegie College – 2013/08 – Student Activity Data 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
2.4.3	**Additional Educational Support Needs** **R1** Ensure that all PLSPs contain the information detailed at paragraph 132 of the SUMs guidance notes and that there is evidence of regular review.	3	The relevant members of staff will be briefed / trained in relation to completion of PSLPs and the requirements overall of DPG18 courses / students.	Yes	M Laidlaw	Jan 2014	Staff have been briefed. ***Fully Implemented***

Appendix V – Updated Action Plan
Carnegie College – 2013/08 – Student Activity Data 2012/13

HENDERSON LOGGIE

Para Ref.	Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at March 2014
	2011/12 Updated Action Plan **Recording of Student Enrolment, Attendance and Withdrawal**						
App V., R1	**R1** Staff should be reminded of the importance of ensuring that a fully completed enrolment form is available for all students.	3	It is more likely that the completed enrolment forms (3) were not filed in either the correct order or in the correct folder. There is an exercise undertaken annually which should flag up any anomalies in relation to this. Of the enrolment forms not found it was clear from assessment entries / results and attendance marks recorded that the students had attended the courses. The Student Data Coordinator will implement further controls to try and improve access to forms as and when required.	Yes	Student Data Coordinator	Dec 2013	Staff will be required to undertake checking exercises in the Easter break (31/3/14–11/4/14) and at the end of session (beginning of August 14). Staff will feedback any issues to the Student Data Coordinator who will record details and use the information to resolve and locate any missing paperwork. A spreadsheet showing details and resolutions of issues will be held in our Shared Drive. ***Partially Implemented***

Fife College

Adam Smith College Recommendation Summary and Action Plan

Adam Smith College had a number of recommendations from various reviews and reports that were combined into one Recommendation Summary and Action Plan. This was regularly updated up to the point of merger where Adam Smith and Carnegie Colleges with some general education provision from Elmwood College joined to form Fife College on 1 August 2014.

At the point of merger, any outstanding matters and actions were formally passed to Fife College Board of Governors as the Adam Smith College Board was dissolved. The Recommendation Summary and Action Plan was tabled at the first Board meeting of Fife College where it was noted that '.. All issues in the report and outstanding actions in the action plan related to historical issues, which the Fife College Board required to ensure were closed off in order to ensure good governance, vigilance and own any consequences.'

This report details how the College is responding to the outstanding actions.

The format has been amended to make it clear the actions that were completed by Adam Smith College prior to the merger, now listed as a separate table at the back of this report. Also, recommendations that related to members of staff employed by Adam Smith College have been removed entirely from this report to avoid the possibility that staff could be identified. During the review of format, there was an additional check to ensure that the Recommendation Summary and Action Plan included all actions from the Public Interest Disclosures as the reports into these were finalised after the original version of this document was prepared. There was one additional action recorded under the PID Financial and Behavioural Concerns and four for the PID into Malpractices. The former requires Fife College reiterate a policy and has been incorporated into this plan. The latter were considered by the Audit Committee and followed up by the Adam Smith College internal auditors to their satisfaction. These have therefore been included in this plan as completed and appear in the separate table at the end.

There has been an additional column added which details the progress of Fife College on the actions that were to be closed off and the person responsible has been updated to reflect the new organisational structure. These were in the main recommendations that either required a longer time period to implement than was possible in the light of the merger or were appropriate for Fife College to consider to ensure that it had in place strong governance and other arrangements.

Version 7

Fife College

KPMG Report (Phase 1) - June 2012

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
Rec 3	We recommend that the college reiterates to staff its policy on using college resources for personal purposes.	Accepted	Vice Principal Finance & Planning	Jan 2013	Implemented. Reiterate for Fife College.	This will be included in the Code of Conduct for Staff to be developed.
Rec 4	We recommend that expenses processes and controls are reiterated by the college.	Accepted	Vice Principal Finance & Planning	Jan 2013	Implemented. Reiterate for Fife College.	A Travel and Subsistence Policy has been drafted to be considered by the Joint Consultative Committee on 2 May 2014 and the Finance, Commercial, Planning and Estates Ctee on 4 June 2014.

Version 7

Fife College

Board Panel Report - 10 August 2012

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
Rec 5.5	An independent review is carried out of the college's Disciplinary, Grievance and Anti-Harassment Policy/Procedure to ensure they are fit for purpose and reflect best practice. An action plan should be created to ensure the policies referred to above are implemented and managed effectively across the college. The action plan should include an awareness/development programme for managers and staff which should incorporate informal approaches to resolving conflict at an early stage.	Accepted	Vice Principal Organisational Development & Change	Dec 2012	Partially implemented. Further work required by Fife College to embed fully.	The policies have been drafted and approved by the recognised Trade Unions with emphasis on early resolution of issues where appropriate. They are to be ratified by the Health and Safety and Human Resources Committee of the Board of Governors at their meeting on 3 June 2014. A plan of development for managers on these policies will be introduced once appointments to the new structure have been made. There will also be awareness raising on the new policies and procedures early in the 2014/15 academic year.

Version 7

Fife College

Board Panel Report - 10 August 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
Rec 5.6	Create an organisational development strategy which focuses on driving forward a culture which is Values driven and clearly identifies expected behaviours promoting accountability amongst staff. As part of this strategy, a leadership and management development programme should be incorporated to ensure college Values are reflected in management behaviours and practices.	Accepted	Vice Principal Organisational Development & Change	Feb 2013	This strategy is being developed and is linked to the work that First Eclipse have been undertaking with the College senior staff. A leadership framework has been written by staff. Further work required by Fife College.	The focus is on managing the transition to the new organisational structure. Once this is completed, the emphasis will be on an organisational development strategy that fits with the developing values for Fife College. The development plan for managers on the new policies and procedures will be extended to incorporate the values.

Version 7

Fife College

PID COINS Project – September 2012

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
E 2	The college could consider an early review of that procedure* through an audit of the projects approved since the procedure was put in place. *The procedure referred to is "Procedure for Development and Implementation of Significant Project Activity".	Accepted	Vice Principal Finance & Planning	Aug 2013	Revised procedure to be implemented for Fife College	It is not anticipated that there will be significant project activity of the same nature with the emphasis on European Funding. There will be an appropriate system of control and governance for commercial projects. These will be developed by the start of the academic year 2014/15.
E 10	The college should consider the way in which staff are allocated to projects in the future to ensure that this is consistent with guidance from funding bodies and is done in such a way as to enable staff to be allocated less than 100% to be able to record their time to enable the college to make accurate claims for staff costs on COINS.	Accepted	Vice Principal Finance & Planning	Feb 2013	Projects terminated. New approach to be implemented by Fife College	It is not anticipated that there will be significant project activity of the same nature with the emphasis on European Funding. There will be an appropriate system of control and governance for commercial projects. These will be developed by the start of the academic year 2014/15.

Version 7

Fife College

PID Report Financial and Behavioural Concerns – September 2012

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
E1.1-1	Project Beneficiaries for European Projects: The college should review a wider and statistical robust sample across projects to determine if there is double counting of SUMS funded students and project beneficiaries.	Accepted	Vice Principal Curriculum	TBC	Recommendation superseded as projects ended. Fife College to consider future arrangements.	It is not anticipated that there will be significant project activity of the same nature with the emphasis on European Funding. There will be an appropriate system of control and governance for commercial projects. These will be developed by the start of the academic year 2014/15.
E1.1-2	The college should seek information from the relevant funding bodies on whether individuals who register for PROfiler are eligible to be included as project beneficiaries.	Accepted	Vice Principal Curriculum	TBC	Recommendation superseded as projects ended. Fife College to consider future arrangements.	It is not anticipated that there will be significant project activity of the same nature with the emphasis on European Funding. There will be an appropriate system of control and governance for commercial projects. These will be developed by the start of the academic year 2014/15.

Version 7

Fife College

PID Malpractices Interim Report – Project Funding Matters – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
E2.1-1	The college should review all the projects that it has been involved in since the document "Key Factors for New Funds" started to be used and determine a methodology by which it can establish the amount of overstatement in staff costs to each project.	Accepted	Vice Principal Finance & Planning	Feb 2013	Projects, led by ASC, ended and funds repaid. Work on-going re CPP projects.	Provision was made in the Adam Smith Accounts in 2012/13 of £1.2M. All overstated project funding has now been repaid or otherwise accounted for.
E2.1-2	Once that methodology* has been approved, KPMG have said they will assist in considering the robustness of such a methodology; it should be implemented across the projects to determine the actual overstatement. *This refers to the repayment methodology for overstated claims against European Funded Projects.	Accepted	Vice Principal Finance & Planning	Feb 2013	Recommendation superseded as projects ended. Fife College to consider future arrangements.	All repayments and provisions relating to monies overclaimed from projects have now been accounted for in Adam Smith College year end accounts.

Version 7

Fife College

PID Malpractices Interim Report – Project Funding Matters – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
E2.1-6	The college should consider the way in which staff are allocated to projects in the future to ensure that this is consistent with guidance from funding bodies and is done in such a way as to enable staff to be allocated less than 100% to be able to record their time to enable the college to make accurate claims for staff costs.	Accepted	Vice Principal Finance & Planning	Feb 2013	Projects terminated. New approach to be implemented by Fife College	It is not anticipated that there will be significant project activity of the same nature with the emphasis on European Funding. There will be an appropriate system of control and governance for commercial projects. These will be developed by the start of the academic year 2014/15.

Version 7

Fife College

PID Malpractices Interim Report – Project Funding Matters – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
E2.1-8	The College should undertake further work to ascertain if the cars were used for personal benefit by any of those staff who could access them and where they were used for personal use, if that was recognised and accounted for in some way.	Accepted	Principal	TBC	Current auditors informed. Fife College to reiterate policy on using college resources for personal purposes	This will be included in the Code of Conduct for staff to be developed.

Version 7

Fife College

PID Malpractices Interim Report – Project Funding Matters – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
E3.1-3	The college could consider an early review of that procedure* through an audit of the projects approved since the procedure was put in place. *The procedure referred to is "Procedure for Development and Implementation of Significant Project Activity".	Accepted	Vice Principal Finance & Planning	Aug 2013	Revised procedure to be implemented for Fife College	It is not anticipated that there will be significant project activity of the same nature with the emphasis on European Funding. There will be an appropriate system of control and governance for commercial projects. These will be developed by the start of the academic year 2014/15.

Version 7

Fife College

PID Malpractices Interim Report – Project Funding Matters – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
E3.1-4	The college should review a wider and statistical robust sample across projects to determine if there is double counting of SUMS funded students and project beneficiaries.	Accepted	Vice Principal Curriculum	TBC	Recommendation superseded as projects ended. Fife College to consider future arrangements.	It is not anticipated that there will be significant project activity of the same nature with the emphasis on European Funding. There will be an appropriate system of control and governance for commercial projects. These will be developed by the start of the academic year 2014/15.

Version 7

Fife College

PID Malpractices Interim Report – Project Funding Matters – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
E3.1-5	The college should seek information from the relevant funding bodies on whether individuals who register for PROfiler are eligible to be included as project beneficiaries.	Accepted	Vice Principal Finance & Planning	TBC	Superseded as projects ended. Fife College to consider future arrangements.	It is not anticipated that there will be significant project activity of the same nature with the emphasis on European Funding. There will be an appropriate system of control and governance for commercial projects. These will be developed by the start of the academic year 2014/15.
E3.1-6	The college should review the way that it manages the project finances both within the college's financial systems and in the Funding Office to ensure that there is regular reconciliation.	Accepted	Vice Principal Finance & Planning	Jan 2013	All projects reviewed and terminated. Fife College to consider future arrangements.	Fife College now on a single finance system as of April 2014. Any project finances will be transparently administered through the finance system.

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Fife College

PID Malpractices Interim Report – Project Funding Matters – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
E3.1-10	The college should conduct a similar exercise across all projects in the college.	Accepted	Vice Principal Finance & Planning	TBC	Projects, led by ASC, ended and funds repaid. Work on-going re CPP projects.	Fife College now on a single finance system as of April 2014. Any project finances will be transparently administered through the finance system. All senior staff have been briefed on financial regulations, including procurement.
E3.1-11	The college should review the policy on allocating staff 100% to projects to be in line with the funding rules for European projects.	Accepted	Vice Principal Finance & Planning	TBC	Projects terminated. New approach to be implemented by Fife College	It is not anticipated that there will be significant project activity of the same nature with the emphasis on European Funding. There will be an appropriate system of control and governance for commercial projects. These will be developed by the start of the academic year 2014/15.

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Fife College

PID Malpractices Interim Report – Project Funding Matters – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress	Fife College Progress
E3.1-13	The college should ensure that employment contracts for staff reflect their actual duties and are not written to satisfy funding rules for staff within ASBS.	Accepted	Vice Principal Organisational Development & Change	Feb 2013	Projects terminated. New approach to be implemented by Fife College	A Recruitment and Selection policy has been drafted for consultation with the recognised Trade Unions. This will be ratified by the Health and Safety and Human Resources Committee of the Board of Governors at their meeting on 3 June 2014.
E3.1-17 E3.1-18	The college should ensure there is a process of approval where large purchases approved for one project are reallocated to another. This should include consideration of any consequences to that which may advantage or disadvantage the college. The process should also include consideration on whether it is necessary to notify the funding body of any such change.	Accepted	Vice Principal Finance & Planning	Feb 2013	Robust application of financial regulations at ASC following report findings. To be implemented by Fife College.	Fife College now on a single finance system as of April 2014. Any project finances will be transparently administered through the finance system. All senior staff have been briefed on financial regulations, including procurement.

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Fife College

ADAM SMITH COLLEGE COMPETED ACTIONS PRIOR TO MERGER

KPMG Report (Phase 1) - June 2012

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress
Rec 1	In relation to severance payments we recommend that the college ensures compliance with its severance policy and with the guidance issued by the SFC. To achieve this, all individual cases of severance which are outside the terms of volume severance arrangements (already approved by a Remuneration Committee or similar) should be considered and approved by that committee.	Accepted	Principal	n/a	Implemented
Rec 2	In relation to procurement practices, we recommend that the college encourages future application of its Financial Regulations regarding obtaining quotes and requiring formal tenders by reiterating to staff the procedures to be followed depending on the level of spend. Record keeping as regards procurement decisions and contracts with suppliers require to be improved.	Accepted	Vice Principal Finance & Planning	Jan 2013	Implemented. Financial regulations for Fife College now being applied.

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Board Panel Report - 10 August 2012

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress
Rec 5.1	The college appoint the services of an external investigator to undertake impartial and fair disciplinary investigations relating to allegations of bullying and/or intimidating behaviour against three named members of staff.	Accepted	Board Secretary	Dec 2012	This work has been reported to the Board Panel and is complete.
Rec 5.4	Summary information relating to disciplinary and grievance processes over the last 2 year period be provided to the Board Panel for review in relation to patterns and to identify areas of concern. The Chair and Board Secretary should also consider requesting regular reports to be provided to the Board until such time the Board are confident these issues are being dealt with by senior management.	Accepted	Director – Organisational Development	Jan 2013	Recommendation no longer applicable.

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Fife College

Board Panel Report - 10 August 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress
Rec 5.7	The Board Panel would like assurances that where there are allegations of students displaying bullying or intimidating behaviour, the appropriate student disciplinary procedures are followed.	Accepted	Principal	Dec 2012	Implemented. These assurances have been given and all students are subject to a code of conduct. Students whose behaviour is of a nature that is not in keeping with that code of conduct are dealt with through the appropriate process.

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Fife College

PID UNITE Concerns – September 2012

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress
Rec E1.1-1	The college ensures that resources are assigned to the Taxi SVQ project to ensure that as many learners as possible complete the SVQ by the deadline of November 2012. The college should ensure that Scottish Union Learning Fund is satisfied with the learner outcomes and this should be provided in writing.	Accepted	Vice Principal Curriculum	Jan 2013	Implemented
Rec E1.1-5	The Funding Office ensure that any tenders for Scottish Union Learning Fund (SULF) or other funds from UNITE are written and submitted only by college staff. The college should ensure that there is support and development offered to achieve this.	Accepted	Vice Principal Finance & Planning	Jan 2013	The Funding Office confirmed they complete all bids submitted to SULF. SULF and Unite work now discontinued.

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Fife College

PID COINS Project – September 2012

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress
E 1	The college needs to ensure that it adheres to its own procedure "Procedure for Development and Implementation of Significant Project Activity" QP2.69 for all project applications.	Accepted	Vice Principal Finance & Planning	Jan 2013	College procedure adhered to.
E 3	The college should revisit whether it can meet the COINS project objectives and if it can not, it should notify ERDF of any changes to the application made.	Accepted	Vice Principal Finance & Planning	Feb 2013	Project reviewed and terminated.
E 4	The college should provide clarity on the funding for the project and the budget that it intends to work to, which should be the total budget of £2,115,000.	Accepted	Vice Principal Finance & Planning	Feb 2013	Project reviewed and terminated.
E 5	The college should review the way that it manages the project finances both within the college's financial systems and in the Funding Office to ensure that there is regular reconciliation.	Accepted	Vice Principal Finance & Planning	Feb 2013	All projects reviewed and terminated.
E 6	The college should devise a methodology to determine any overstatement of staff costs from ERDF and then apply that methodology to COINS project. KPMG have offered assistance in considering such a methodology.	Accepted	Vice Principal Finance & Planning	Feb 2013	All projects reviewed and terminated.

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Fife College

PID COINS Project – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress
E 7	The college should then contact ERDF to discuss with them the process for returning any funds received as a result of the overstated claims and explain the methodology used to derive this sum.	Accepted	Vice Principal Finance & Planning	Feb 2013	Project terminated and return of funds agreed.
E 8	The college should inform the External Auditors of potential for claw back and the methodology for this.	Accepted	Vice Principal Finance & Planning	May 2013	Implemented within 2011/2 final accounts.
E 9	The college should consider if it wants to inform partners it has in the COINS project or any other ERDF projects.	Accepted	Vice Principal Finance & Planning	May 2013	Partners informed and liabilities settled.
E 11	The college should notify the funding bodies in relation to the staff whose input has been claimed against "Learning to Work 2" and COINS to identify if any rules have been broken. Where such rules have been broken, there should be discussion with the funding bodies on how to resolve this as early as possible.	Accepted	Vice Principal Finance & Planning	Feb 2013	Projects terminated and return of funds agreed.
E 12	The college should consider if there are staff in the college who have behaved in ways to bring the college into disrepute, operated against Financial Regulations of the college or have knowingly contravened funding rules. This may require that there are disciplinary investigations conducted.	Accepted	Interim Principal	Jun 2013	Disciplinary investigations complete.

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Fife College

PID Report Financial and Behavioural Concerns – September 2012

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress
E2.1-3	The college should then contact the appropriate funding bodies to discuss with them the process for returning any funds received as a result of the overstated claims and over which period.	Accepted	Vice Principal Finance & Planning	Feb 2013	Projects, led by ASC, ended and funds repaid.
E2.1-4	The college should inform the external auditors past and present from 2006 to date of the potential for claw back and the methodology for this.	Accepted	Vice Principal Finance & Planning	Dec 2012	Current auditors informed.
E2.1-5	The college should consider if it wants to inform partners it had in any of the projects.	Accepted	Vice Principal Finance & Planning	Dec 2012	Complete. FE & HE partners in Create Projects informed.
E3.1-1	The college should ensure that the Funding Office makes certain that any tenders for Scottish Union Learning Fund or other funds from UNITE are written and submitted only by college staff. The college should ensure that there is support and development offered to achieve this.	Accepted	Vice Principal Finance & Planning	Dec 2012	The Funding Office confirmed they complete all bids submitted to SULF. These projects now discontinued.
E3.1-2	The college needs to ensure that it adheres to its own procedure “Procedure for Development and Implementation of Significant Project Activity” QP2.69 for all project applications.	Accepted	Vice Principal Finance & Planning	Jan 2013	College procedure adhered to.

Fife College

PID Malpractices Report – Project Funding Matters – September 2012

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress
E3.1-7	The college should review the accounting for Catalyst to ensure that there has been no overstatement of claims.	Accepted	Vice Principal Finance & Planning	TBC	Superseded as project ended and agreement to repay funds.
E3.1-8	The college should review the way in which project funding is viewed to ensure that it is not seen solely as a source of income.	Accepted	Vice Principal Finance & Planning	Nov 2012	Implemented.
E3.1-9	The college should review the salary costs allocated to Catalyst to ensure that only staff working on the project were included and that the actual time spent on this project is claimed for.	Accepted	Vice Principal Finance & Planning	TBC	Superseded as project ended and agreement to repay funds.
E3.1-12	The college should review the travel costs claimed for and ensure that only those relevant to Catalyst have been claimed for.	Accepted	Vice Principal Finance & Planning	TBC	Superseded as project terminated and agreement reached to repay funds.

Fife College

PID Malpractices Report – Project Funding Matters – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress
E3.1-14	The college should contact ESF to discuss the process for returning any funds received as a result of overstated claims in respect of salary and travel costs.	Accepted	Vice Principal Finance & Planning	Feb 2013	Project terminated and return of funds agreed.
E3.1-15	The college should consider if it wants to inform partners for Catalyst.	Accepted	Vice Principal Finance & Planning	On-going	Project terminated by College, as lead partner.
E3.1-19	The college should engage the internal auditors to agree the interpretation of the SFC guidance and in that way agree what the college can claim as a successful outcomes and what it cannot. Where possible, this work should be accommodated within the planned days of auditor work.	Accepted	Head of Quality	July 2013	Completed as followed up by the College internal auditors
E3.1-20	The college should review the locally devised programmes where there is an SQA or other awarding body group award equivalent.	Accepted	Head of Quality	July 2013	Completed as followed up by the College internal auditors

Fife College

PID Malpractices Report – Project Funding Matters – September 2012 (continued)

Report Ref	Recommendation	Agreed Action	Person Responsible	Date	Progress
E3.1-21	The college should review its use of college codes to see if it is more appropriate to use an equivalent SQA code where that exists.	Accepted	Vice Principal Curriculum	July 2013	Completed as followed up by the College internal auditors
E3.1-22	The college should ensure the recommendations from the internal auditor's report are considered and agreed with appropriate timelines and responsibilities for achievement assigned as necessary. This will occur through the Audit Committee.	Accepted	Vice Principal Curriculum	July 2013	Completed as followed up by the College internal auditors

Version 7

Fife College

ANNUAL INTERNAL AUDIT PLAN 2014-15

April 2014

BDO

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Restrictions of use

Restrictions on use: This document has been prepared solely for the management of Fife College and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this document.

1. INTERNAL AUDIT APPROACH

Introduction

Our role as internal auditors is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Our approach, as set out in the Firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular the Public Sector Internal Audit Standards (PSIAS).

Internal Audit at Fife College

We have been appointed as internal auditors to Fife College to provide the Board (via the Audit Committee), the Vice Principal (Finance and Planning) and other managers with assurance on the adequacy of internal control arrangements, including risk management and governance.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at Fife College will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the internal audit plan for 2014-15 we have sought to gain an understanding of the business of Fife College together with its risk profile in the context of:

- The overall business strategy of Fife College
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non financial measurements and indicators of such performance
- The information required to 'run the business'
- The key challenges facing Fife College

2. AUDIT RISK ASSESSMENT

Background

Our risk based approach to internal audit uses Fife College's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of Fife College's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the College's current risk profile.

Planned approach to internal audit 2014-15

The Internal Audit proposed audit programme for 2014-15 is shown at Appendix I. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified during that period.

We have set out further in Appendix II the rationale for the inclusion of particular reviews in the audit plan, based on our initial review of the College's risk register, discussions with a number of key stakeholders and consideration of various documents, publications and information sources.

Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within Fife College. Where revisions are required we will obtain approval from the Vice Principal (Finance and Planning) prior to commencing fieldwork.

In determining the timing of our individual audits we will seek to agree a date which is convenient to Fife College and which ensures availability of key officers.

A proposed phasing of our audit plan, based on our current understanding of Fife College's workloads is set out in Appendix III.

Variations to the Plan

Significant variations to the plan arising from our reviews, changes to Fife College's risk profile or due to management requests will be discussed in the first instance with the Vice Principal (Finance and Planning) and approved by the Audit Committee before any variation is confirmed.

3. PROPOSED RESOURCES AND OUTPUTS

Staffing

The core team that will be delivering this programme to you is shown below:

Name	Grade	Telephone	Email
Craig Wright	Partner	07800 682 016	craig.wright@bdo.co.uk
Claire Robertson	Senior Manager	07583 237579	claire.robertson@bdo.co.uk
Stephen Pringle	Assistant Manager	07581 072252	stephen.pringle@bdo.co.uk

The core team will be supported by specialists from our national Risk and Advisory Team and wider firm as and when required.

Our indicative staff mix to deliver the programme is shown below:

Grade	2014-15 (days)	Grade Mix (%)
Partner	3.0	6
Director (IT)	0.5	1
Senior Manager	10.0	20
IT Consultants	4.0	8
Auditors (Qualified)	32.5	65
Total	50.0	100

Reporting to the Audit Committee

We submit the Internal Audit Plan for discussion and approval by the Audit Committee at its meeting on 4 June 2014. We will liaise with the Vice Principal (Finance and Planning) and other senior officers as appropriate to ensure that internal audit reports summarising the results of our visits are presented to the appropriate Audit Committee meeting.

Following completion of the internal audit programme for 2014-15 we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements.

APPENDIX I
Internal Audit Plan 2014-15

Assurance Theme	Subject	Days	Assurance / Advisory
Governance and Risk	Risk management framework	4	Advisory
	Strategic planning	5	Assurance
	Health and safety governance	5	Assurance
Internal Control Systems	Core financials	5	Assurance
	IT strategy	5	Assurance
	IT security	5	Assurance
	The student experience	5	Assurance
	Harmonisation of terms and conditions	5	Assurance
	Follow up	4	Assurance
Indirect Audit Activity	Audit plan development & Client liaison	3	
	Audit Committee & Annual Reporting	4	
TOTAL		50	

APPENDIX II
Internal Audit Plan Overview

Overview

The plan overview sets out the proposed audits in more detail and highlights further comment and rationale for inclusion in the Annual Internal Audit Plan 2014-15, together with the risk assessment source.

We will scope individual audits in advance of commencing any reviews and agree terms of reference with key officers involved.

Audit Area	Comment	Source
Risk management	BDO's risk based approach to internal audit will seek to place reliance on the risk management arrangements in place at Fife College to inform the annual planning process. In order for BDO to place assurance on the Fife College risk register, a review will be performed to assess the maturity and ongoing effectiveness of the arrangements currently in place and will consider the following key areas: • **strategic direction** (including policy, role and responsibilities, objectives and communication) • **process** for identifying, evaluating and measuring key risks (strategic and operational) • **operational management** (training, induction, reporting, etc.)	a) BDO assessment
Strategic planning	We will assess the methodology used to compile the college strategy and supporting business plans, and evaluate whether these documents clearly articulate the vision, mission, values and strategies of the College. We will also assess whether the strategic planning process has resulted in clear objectives with measurable success indicators. We will examine whether the college plans align with the contribution to the nationally agreed outcomes described in the college outcome agreement. We will also assess whether the college has developed a framework to measure and report upon the achievement of the objectives.	a) BDO assessment b) Executive Management

APPENDIX II
Internal Audit Plan Overview

Audit Area	Comment	Source
Health and safety governance	Health and safety governance is an important element of the overall corporate governance framework. We will assess whether there is an appropriately approved health and safety policy in place and whether sound health and safety practices have been implemented throughout Fife College. We will also assess whether there is adequate reporting in place in relation to health and safety performance, and whether lessons are learned appropriately from incidents and near misses.	a) BDO assessment b) Executive Management
Core financials – accounts payable	Our plan will include cyclical coverage of key financial controls. Our first year coverage will focus on the design, effectiveness and efficiency of controls in place in relation to Accounts Payable. This will cover the whole process from purchase order through to processing of payment, and the management of the purchase ledger.	a) BDO assessment b) Executive Management
IT strategy	We will review the IT strategy in place to assess whether it aligns to the business strategy and adequately underpins the IT infrastructure, technical support, systems developments, security, projects and operations.	a) BDO assessment b) Executive management
IT security	Protecting IT systems from unauthorised access and attack is important to preserve the integrity of systems and data. Effective network and systems security controls help prevent and detect both external and internal security breaches. We will evaluate the design and operational effectiveness of certain key network and system security controls on the college network with reference to good practice, and recommend areas for improvement.	a) BDO assessment b) Executive Management

APPENDIX II
Internal Audit Plan Overview

Audit Area	Comment	Source
The student experience	We will consider the processes in place to monitor the student experience within the College, specifically the processes in place to monitor and follow up on student feedback; the processes to monitor student achievement, withdrawal and retention; and the management information which is being produced for the Board and sub committees.	a) BDO assessment b) Executive Management
Harmonisation of terms and conditions	We will assess whether the process in place to harmonise the terms and conditions of staff has been fairly and effectively operated, with appropriate levels of consultation and communication with staff groups. We will consider whether any severance scheme operated has operated fairly and effectively and the severance payments have been made in accordance with the agreed framework and guidance set by the SFC.	a) BDO assessment b) Executive Management
Follow Up	The effectiveness of the internal control system may be compromised if management fails to implement agreed audit recommendations. Our follow up work will provide the Audit Committee with assurance that prior year, and in some cases in-year, recommendations are implemented within the expected timescales.	a) BDO assessment

APPENDIX III
Phasing of the Plan

Respecting existing work pressures, and subject to the availability of key officers, we would look to agree with Fife College the phasing of our audit work as shown in the following tables. We would normally seek to phase our work around Audit Committee dates.

Block 1: July - September 2014

Review	Proposed Audit Sponsor
Risk management	David Neilson
Core financial controls	David Neilson
Health and safety governance	Carol Scott

Block 2: October - December 2014

Review	Proposed Audit Sponsor
Strategic planning	Hugh Logan
IT strategy	David Neilson / Tom McMaster
The student experience	David Hosey

Block 3: January - March 2015

Review	Proposed Audit Sponsor
IT security	David Neilson / Tom McMaster
Harmonisation of terms and conditions	Carol Scott
Follow up	David Neilson

APPENDIX IV
Internal Audit Strategy 2014 - 2017

Assurance Theme	Subject	2014 - 2015	2015 - 2016	2016 - 2017
Governance and Risk	Risk management framework	✓		✓
	Health and safety governance	✓		
	Corporate governance		✓	
	Strategic planning	✓		
	Business performance management			✓
Internal Control	Core Financial Controls	✓	✓	✓
	IT strategy	✓		
	Estates management		✓	
	Commercial income		✓	
	The student experience	✓		
	Harmonisation of terms and conditions	✓		
	Payroll and expenses		✓	
	IT security	✓		
	Student recruitment and attainment		✓	
	Procurement and contract management		✓	
	Quality assurance			✓
	Business continuity planning			✓
	Staff development and succession planning			✓
	Timetabling			✓
	Student support		✓	
	Use of technology			✓
	Follow up	✓	✓	✓

APPENDIX V
Internal Audit Charter

Purpose of this Charter

This Charter formally defines Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within Fife College ("the College") and defines the scope of Internal Audit activities.

Internal Audit's Purpose

Internal Audit provides an independent, objective assurance and consulting activity designed to add value and improve the College's operations. It helps the College accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in Internal Audit's role is that it supports the College's management to fulfil its own risk, control and compliance responsibilities.

Internal Audit's Authority

The Head of Internal Audit and internal audit staff are authorised to:

- Have unrestricted access to all the College's records, property, and personnel relevant to the performance of engagements
- Obtain the necessary assistance of the College's personnel in relevant engagements, as well as other specialised services from within or outside the College.

Internal Audit has no authority or management responsibility for any of its engagement subjects.

Internal Audit will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence.

Internal Audit's Responsibility

The Head of Internal Audit is responsible for all aspects of Internal Audit activity, including strategy, planning, performance, and reporting.

The Head of Internal Audit will:

Strategy

- Develop and maintain an Internal Audit Strategy
- Review the Internal Audit Strategy at least annually with management and Audit Committee

APPENDIX V
Internal Audit Charter

Planning

- Develop and maintain an Internal Audit Plan to fulfil the requirements of this Charter and the Internal Audit Strategy
- Engage with Management and consider the College's strategic and operational objectives and related risks in the development of the Internal Audit Plan
- Review the Internal Audit Plan periodically with management
- Present the Internal Audit Plan, including updates, to the Audit Committee for periodic review and approval
- Prepare an Internal Audit Budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan
- Submit the Internal Audit Budget to the Audit Committee for review and approval annually
- Coordinate with and provide oversight of other control and monitoring functions, including Risk Management, Compliance & Ethics, and external audit
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage to the College.

Performance

- Implement the Internal Audit Plan
- Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan
- Allocate and manage resources to accomplish Internal Audit engagement objectives
- Establish and maintain appropriate internal auditing procedures incorporating best practice approaches and techniques
- Monitor delivery of the Internal Audit Plan against the Internal Audit Budget
- Ensure the ongoing effectiveness of Internal Audit activities.

Reporting

- Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of management actions to be taken
- Provide periodic reports to management and the Audit Committee summarising Internal Audit activities and the results of Internal Audit Engagements
- Provide periodic reports to management and the Audit Committee on the status of management actions taken in response to Internal Audit Engagements
- Report annually to the Audit Committee and management on Internal Audit performance against goals and objectives
- Report as needed to the Audit Committee on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan
- Inform the Audit Committee of emerging trends and practices in internal auditing.

APPENDIX V
Internal Audit Charter

Independence and Internal Audit's Position within the College

To provide for Internal Audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee.

The Head of Internal Audit reports administratively to the Vice Principal (Finance and Planning) who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The Internal Audit service will have an impartial, unbiased attitude and will avoid conflicts of interest.

If the independence or objectivity of the Internal Audit Service is impaired, details of the impairment should be disclosed to either the Vice Principal (Finance and Planning), or the Chair of the Audit Committee, dependent upon the nature of the impairment.

The Internal Audit Service is not authorised to perform any operational duties for the College; initiate or approve accounting transactions external to the Internal Audit Service; or direct the activities of any college employee not employed by the Internal Auditing Service, except to the extent such employees have been appropriately assigned to Service or to otherwise assist the Internal Auditor.

Internal Audit's Scope

The scope of Internal Audit activities includes all activities conducted by the College. The Internal Audit Plan identifies those activities that have been identified as the subject of specific Internal Audit engagements.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by Internal Audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, Internal Audit should maintain objectivity and not assume management responsibility.

Standards of Internal Audit Practice

Internal Audit will perform its work in accordance with the International Professional Practices Framework of the Chartered Institute of Internal Auditors. This Charter is a fundamental requirement of the Framework.

Approval and Validity of this Charter

This charter shall be reviewed and approved annually by Management and by the Audit Committee on behalf of the Board of the College.

APPENDIX VI
Internal Audit Working Protocols & Performance

Working Protocols

The table below illustrates the key communication and reporting points between the College and Internal Audit, which we will be subject to regular review. Any future changes to the communication and reporting points will be reported to the Audit Committee for approval.

Table One: Liaison Meetings between Internal Audit and the College

Meeting	Frequency	Audit Committee	Vice Principal (Finance and Planning)	Managers	Relevant Staff	External Audit
Internal Audit Update Meeting	As required		✓	✓		
Quality Assurance Meeting	Annually		✓			
Internal Audit Liaison meeting with Chair of Audit Committee	As required	✓				
Access to Audit Committee to discuss internal audit progress	As necessary	✓				
Meetings to raise immediate concerns	As necessary	✓	✓	✓	✓	
Meetings with External Audit	As necessary					✓

APPENDIX VI
Internal Audit Working Protocols & Performance

Table Two: Key reporting points between Internal Audit and the College

Meeting	Audit Committee	Vice Principal (Finance and Planning)	Managers	Relevant Staff
Annual Internal Audit Plan	✓	✓	✓	✓
Individual Internal Audit Planning Documents			✓	✓
Draft Internal Audit Reports			✓	✓
Final Internal Audit Reports	✓	✓	✓	✓
Quality Progress Reports	✓			
Annual Internal Audit Report	✓	✓		✓

APPENDIX VI
Internal Audit Working Protocols & Performance

Performance Measurement

Performance measurement is the use of measures and associated targets to assess objectively the performance of a body. It is now well established as an important means of improving performance and reinforcing accountability. BDO LLP has been appointed as internal auditors to Fife College, subject to satisfactory performance. Consequently there is value in reviewing the quality of our service on a regular basis.

Internal Audit Performance measures and indicators

Internal audit performance can be assessed in two ways. Firstly, there is the ability for us to self assess our performance on a regular basis and report back to the Audit Committee on certain measures around inputs and satisfaction from those officers who have been subject to a review. Secondly, the view of the Audit Committee as to the value being received from its internal audit provider has to be taken into account. For our part we will look to report to the Audit Committee regularly on the internal audit inputs as detailed below.

The tables below contain performance measures and indicators that we consider to have the most value in assessing the efficiency and effectiveness of internal audit. We recommend that the Audit Committee approves the following measures which we will report to each meeting and / or annually as appropriate.

Table Three: Performance Reporting to each Audit Committee

Measure / Indicator
Audit Coverage
Audits completed against the Annual Audit Plan
Actual days input compared with Annual Audit Plan
Audit Planning and Reporting
Days to issue draft report after end of fieldwork

APPENDIX VI
Internal Audit Working Protocols & Performance

Table Four: Annual performance reporting to Audit Committee

Measure / Indicator
Relationships and Customer Satisfaction
Customer Satisfaction Reports
Staffing and Training
Staff mix compared with budget
Percentage of Partner and Manager time
Continuity of staffing
Use of specialist staff (e.g. IT Risk and Advisory)
Provision of appropriate training for staff

Management Performance Measures and Indicators

Management's ability to respond efficiently to internal audit findings and recommendations helps the Audit Committee to form its own view of the internal control framework. Importantly, Management's consideration of internal audit findings plays a contributory factor in our ability to deliver timely reports to the Audit Committee. We recommend, therefore, that the following measures are also reported to the Audit Committee.

Measure / Indicator	Timing
Audit Reporting	
Days for receipt of management responses	As data becomes available

Other Performance Measures

In addition to the above mentioned measures we will also provide the Finance Committee with the results of other reviews of our internal audit service as and when they become available, including:

- Independent quality assurance reviews as required by the Chartered Institute of Internal Auditors (IIA); and
- BDO internal quality assurance reviews

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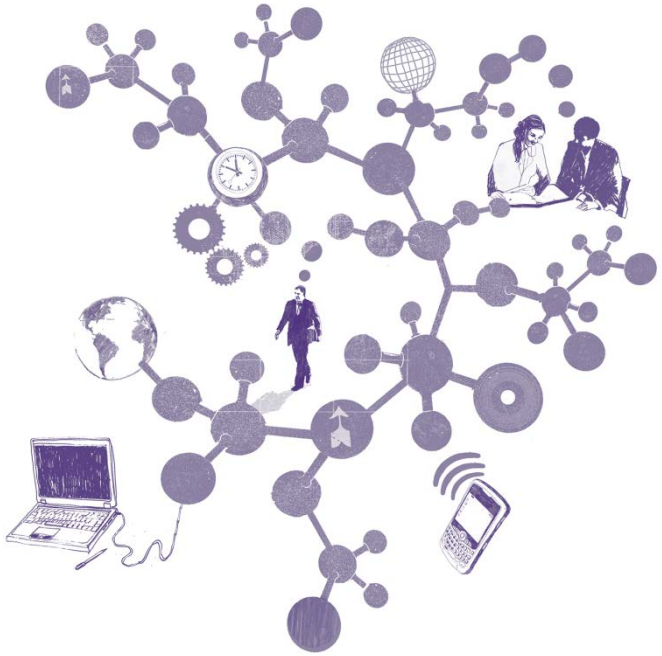
The Audit Plan for Fife College

Year ending 31 March 2014



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the College or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Introduction

Our annual audit plan is prepared for the benefit of discussion between Grant Thornton UK LLP and Fife College (the College).

We are required to conduct our audit in accordance with the Code of Audit Practice (the Code) issued by Audit Scotland. The Code requires our audit to cover aspects of the College's arrangements for the preparation of financial statements, governance and performance management. Our audit approach is based on an annual integrated assessment of risk across the Code responsibilities.

The Code requires that we undertake our audit in accordance with:

- relevant legislation (the Public Finance and Accountability (Scotland) Act 2000)
- Statements of Auditing Standards and applicable Practice Notes issued by the Auditing Practices Board
- the Statement of Recommended Practice: accounting for further and higher education (the SORP)
- the Accounts Direction issued by the Scottish Funding Council
- other guidance issued by Audit Scotland.

This Plan summarises our approach to the audit of the College to ensure compliance with the Code, and other legislative and audit practice requirements.

Our Audit Strategy

Our key audit objectives are as follows:

- to audit the financial statements of the College within agreed timescales
- to ensure that the College complies with applicable enactments and guidance issued by Scottish Funding Council
- to consider aspects of performance and governance arrangements
- to consider legality and losses
- to deal with formal complaints
- to produce a concise and constructive report of key issues to the Audit Committee of the College and the Auditor General for Scotland.

The College responsibilities

The Accountable Officer is responsible for the preparation of the financial statements which show a true and fair view of the College's affairs, and for making available to us all the information and explanations we consider necessary for the purposes of our audit. The College's management team are responsible for putting proper arrangements in place to ensure that:

- public business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for
- economy, efficiency, effectiveness and Best Value is achieved in the use of resources

The Audit Committee provides assurance to the Accountable Officer that these requirements have been met.

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Fraud and Irregularity

It is the College's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity

We work with the College's internal audit team to review specific areas of fraud risk, including the operation of key financial controls. We also examine the College's policies, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control.

Our work with Internal Audit

Each year, we work with the College's internal auditors to ensure that our audit approach takes account of the risks identified and the work they have conducted, subject to our review of the internal audit function. We will review the key issues arising from the work they have carried out and will incorporate the results of their work into our risk analysis.

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Understanding your risks

In planning our audit we seek to understand the key governance challenges and opportunities that the College is facing.

Business challenges/opportunities			
1. Regionalisation of Colleges • Adam Smith and Carnegie Colleges merged to form Fife College from 1 August 2013. • Fife College has established a new scheme of governance arrangements including the formation of a Board and Audit Committee. • There is still a degree of unification required over systems of internal control. This is an on-going process currently being considered by the College. • Fife College are currently operating legacy systems from Adam Smith and Carnegie colleges for key areas of our audit including financial systems, student records and payroll.	**2. Continuing financial pressures** • The College's costs are funded through grant-in-aid from the Scottish Funding Council. The main teaching grant for 2013/14 is £30.7m with an indicative reduction to £30.5m in 2014/15. • This results in increased pressure over the operating costs of the College with a requirement to generate savings. • A key challenge will be to create efficiency savings while maintaining the quality of service.	**3. Arms Length Foundational Trust** • The College are in the final stages of setting up an arms length foundational trust. • A key challenge for the College is to ensure they cannot exert dominant influence over the trust, and its purpose is not solely for the benefit of the College.	**4. ONS Reclassification** • In October 2010 the Office of National Statistics announced a recommendation to reclassify Colleges of Further Education to the central government sector. The Government accepted this recommendation and it is effective from 1 April 2014. • This decision will have significant implications for the College as it will require changes to budgeting, reporting, accounting and governance practices to align them to frameworks applicable to central government bodies.
Our response			
• We will review the governance arrangements in place to ensure they will contribute to effective leadership and scrutiny arrangements. • We will monitor progress over changes to internal control systems and ensure that in year the internal control environment provides adequate assurance over key risks identified. • We will undertake a review and walkthrough of all systems where we have identified a medium or high inherent risk.	• We will monitor progress over 2013-14 to generate efficiencies in order to meet the budget requirements. • We will review the College's medium to long term plans for continuing to manage further decreases grant-in-aid, including any impact on performance targets and outcomes.	• We will undertake a final detailed review of the articles for the formation of the Trust to ensure there is no dominant influence by the College, and therefore no need to consolidate the results into the College financial statements. • We will review the proposed purpose of the Trust to further ensure it is not for sole use as a cash management tool to benefit the College. • We will review the arrangements put in place by the Accountable Officer to provide assurance that transfers into the Trust are 'regular'.	• We will review arrangements put in place to support the transition. • We will review the budgeting and reporting arrangements, including the impact on working capital, to ensure they meet the requirements of a central government body. • We will review the governance arrangements to ensure they meet the requirements of a central government body.

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Developments relevant to the College and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Legislation/ Regulator Guidance

- The Office of National Statistics (ONS) reclassification of Further Education Colleges to central government bodies comes into force from 1 April 2014.
- We anticipate the Post 16 Education (Scotland) Bill which comes into force in May 2014 will contain a legal obligation for regional colleges to have a 31 March year end. This is in line with ONS requirements and will apply from 1 April 2014.
- Outcome agreements continue to be used by the Scottish Funding Council to provide the basis for funding decisions are performance targets.
- Scottish Funding Council revised Accounts Direction for Colleges will be issued in due course.

2. Financial reporting guidance

- The budgeting requirements aligned to the ONS decision have lead to the operation of an arms length trust. This has lead to large donations being made in 2013/14 into the newly formed trust.
- From 2014/15 there will be a requirement for the financial statements to comply with the Government Financial Reporting Manual (FReM). This has resulted in a significant number of accounting implications which have an impact on the 2013/14 and 2014/15 financial statements.
- Full IFRS conversion is applicable from 2015/ 16 with the issue of the new HE/ FE SORP. This will also require comparative figures to be prepared for the opening balance at 1 April 2014 and 1 April 2014 to March 2015

3. Corporate governance

- The reclassification of the Colleges also impacts on its governance framework.
- All central government bodies are required to meet the governance requirements set out in the Scottish Public Finance Manual (SPFM).
- At this stage there is no clear guidance from Scottish Ministers or the Scottish Funding Council over the extent the SPFM will apply to Colleges.

Our response

- We will monitor the decisions made by the Scottish Funding Council with regard to the on-going changes required for the reclassification to central government and discuss these with the College as appropriate.
- We have planned our audit procedures for the 2013/14 financial year based on a year end of 31 March 2014. We acknowledge this will have significant implications for the recognition of income and expenditure.
- We will review the Outcome Agreements and the College's performance against the key targets.

- We will review the accounting entries surrounding the donation to the arms length trust to ensure compliance with issued guidance and accounting standards.
- We will monitor the accounting implications associated with the movement to the FReM and discuss any significant changes to the financial statements with the College.
- We will review the financial statements at the year end to ensure compliance with the SORP and SFC guidance
- We will work with the College as it takes action to prepare for full IFRS implementation.

- We will monitor the guidance on the governance arrangements required as a result of the ONS decision and discuss any actions arising from this guidance with the College

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Our audit approach

We will use Voyager, our audit software package to document, evaluate and test, where appropriate, internal controls over the financial reporting process in order to reduce our detailed testing. We also tailor the software to incorporate the governance, regularity and performance risks identified at the planning stages.

Our approach will be to report all findings to management so that the College can choose to secure improvement opportunities. We report only those findings that represent a control weakness to the Audit Committee and make formal recommendations.

In all cases, we invest time with management in understanding the basis of the weakness identified and what the options are, for example mitigating controls and system modifications, for improving the system.

Planning

- Updating our understanding of the College through discussions with management and review of reports presented to the College and Audit Committee
- Reviewing the design, implementation and effectiveness of internal financial controls including IT, where they impact the financial statements
- Assessing audit risk and developing and implementing an appropriate audit strategy
- Work with the College's internal auditors to ensure that key risks are addressed by audit, but that we do not duplicate areas of work.

Substantive Procedures

- Reviewing and advising on material disclosure issues in the financial statements
- Performing analytical review
- Performing sample testing of income and expenditure balances, taking in to account potential risks to regularity.
- Verifying all material income, expenditure and balances, taking into consideration whether audit evidence is sufficient and appropriate.

Completion

- Performing overall evaluation of our work on the financial statements to determine whether they give a true and fair view
- Determining an audit opinion
- Reporting to those charged with governance through our Audit Findings Report and Annual Report to Members and attendance at the Audit Committee.

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An audit focused on risks

We undertake a risk based audit, focussing audit effort on those areas where we have identified a risk of material misstatement in the financial statements. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant	Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. The International Standards on Auditing identify two overall significant risks inherent in any financial statements. These are separately disclosed in the significant risks table on page 10.
Reasonably possible	Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. For reasonably possible risks, we undertake controls testing to reduce the level of substantive testing we require to gain assurance over the balance. We describe the reasonably possible risks further on page 11.
None	Our risk assessment has not identified a risk of material misstatement. We will undertake substantive testing of any material balances. Where an item in the financial statements is not material we do not carry out detailed substantive testing.

Section of the financial statements	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk identified?	Description of Risk	Will substantive testing be carried out?
Other Operating Expenses	Yes	Operating Expenses	High	Significant	Creditors understated or not recorded in the correct period	✓
Staff Costs	Yes	Employee remuneration	Medium	Reasonably Possible	Employee Remuneration accruals are misstated	✓
Tuition Fees	Yes	Tuition and Fee Revenues	Medium	Reasonably Possible	Tuition Revenues are incorrectly stated	✓
Funding Council Grant Income	Yes	Grant Revenues	Low	None	We have not identified a risk of material misstatement	✓
Other Income	Yes	Other Revenues	Low	None	We have not identified a risk of material misstatement	✓

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An audit focused on risks (continued)

Section of the financial statements	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk identified?	Description of Risk	Will substantive testing be carried out?
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Low	None	We have not identified a risk of material misstatement	✓
Trade and Other Receivables	Yes	Other revenues	Low	None	We have not identified a risk of material misstatement	✓
Cash & cash Equivalents	Yes	Cash	Low	None	We have not identified a risk of material misstatement	✓
Trade and Other Payables	Yes	Operating Expenses	High	Significant	Creditors understated or not recorded in the correct period	✓
Provisions	Yes	Operating Expenses	Low	None	We have not identified a risk of material misstatement	✓
Retirement Benefit Obligations	Yes	Employee Remuneration	Low	None	We have not identified a risk of material misstatement	✓

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Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description of risk	Work planned
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue	• Review and testing of revenue recognition policies • Performance of sample testing on material revenue streams
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities	• Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions
Creditors understated or not recorded in the correct period	From 1 April 2014 the College will become a body under the central government budgeting boundary. As a central government body there is increased pressure to report a balanced budget for the financial year. For 2013/14 the College is under pressure to reduce cash reserves and surplus balances at the year end. This is the first year the budgeting guidance is applicable and therefore there is an increased risk that year end transactions are not accounted for in line with the revised budgeting structures.	• Review and walkthrough of the processes and controls in operation over the operating expenses system • Sample testing of post year end transactions for unrecorded liabilities • Sample testing of expenditure to invoice • Sample testing of creditors to ensure they are accounted for correctly

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Reasonably possible risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA 315).

Reasonably possible risks are, in the auditor's judgement, other risk areas which they have identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement is lower than that for a Significant Risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Work planned
Tuition Fee Revenues	**Tuition Fees are incorrectly stated** The main business of the College is to provide education to registered students. In order to achieve this the College charges fees to students. The income generated from this source accounts for 20% of total income. The population is made up of a high volume of transactions which are subject to numerous controls to ensure the revenues are charged and recorded correctly.	• Review and walkthrough of the processes and controls in operation over the tuition fees systems • Sample testing of tuition fees transactions to valid student applications and receipts • Analytical review of expected tuition fee revenue to actual and investigate any significant variances • Sample testing of debtors to ensure they are accounted for correctly.
Employee remuneration	**Employee remuneration accruals understated:** Employee costs accounted for 63% of expenditure in 2012- 13. There are a large number of transactions processed throughout the year and the College relies on numerous controls to ensure that the employee costs are recorded correctly in the financial statements.	• Review and walkthrough of the processes and controls in operation for payment of staff • Sample testing of staff members to contract and recalculation of PAYE, NI and pension contributions • Analytically review payroll expenses in comparison to expectations and investigate any significant variances • Review the relevant disclosures relating to staff costs within the financial statements • Review the treatment and associated disclosures in relation to the pension schemes

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Governance

Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. the College is responsible to ensure proper arrangements are in place for:

- compliance with applicable guidance
- ensuring the legality of activities and transactions
- monitoring the adequacy and effectiveness of these arrangements in practice

The Code of Practice gives the auditor a responsibility to review and, where appropriate, report finding's on the College's corporate governance arrangements. We will review and, where applicable, report findings relating to financial governance, strategic financial planning and financial control. Specifically we will review:

- the systems of internal control, including its reporting arrangements
- the prevention and detection of fraud and irregularity
- the standards of conduct, and arrangements in relation to the prevention and detection of corruption
- risk management procedures
- the financial position of the College

External Reporting

The Statement of Corporate Governance and Internal Controls is the key document that records the governance ethos of the College, and assurances around the achievement of the vision and strategic objectives of the College. The Statement of Corporate Governance and Internal Controls summarises the internal control framework, arrangements for risk management, financial governance and accountability.

During 2012- 13, we concluded that the disclosures within the College's Statement of Corporate Governance and Internal Controls were clear and comprehensive. Under the Code of Audit Practice, we are required to review and report on the Statement of Corporate Governance and Internal Controls annually. We will assess the College's external reporting of governance, through the 2013-14 Statement of Corporate Governance and Internal Controls and management commentary in the accounts against best practice.

Regularity Opinion

The College is responsible for ensuring that public money is used only for its approved purpose. The College should therefore have systems of internal control in place to ensure the regularity of transactions.

The Code of Audit Practice requires that the auditor provides an opinion on the regularity of the income and expenditure of the College. We will therefore consider whether there are adequate controls in place over expenditure and substantively test transactions to ensure they are in line with the approved purpose of the College. In particular, we note that the College intends to make a donation to a newly created Foundation Trust and we will review the arrangements put in place by the Accountable Officer to support his 'regularity' assurance.

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Logistics and our team

The audit cycle

Date	Activity
Mar 2014	Planning meeting
Mar 2014	Audit Plan circulated to Audit Committee
Apr 2014	Planning visit
Jun 2014	Year end site work
Aug 2014	Audit Findings presented to Audit Committee

Our team

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Fees and independence

Fees

	£
Fife College Audit	42,000
Total audit fees	42,000

2013/14 Audit Fee

The audit fee is calculated in accordance with guidance issued by Audit Scotland for determining the fee level for further education bodies. Audit Scotland requires that the agreed fee is within the limits of the indicative fee range.

Your external audit fee for 2013-14 is £42,000, which is in line with the combined fees of Adam Smith and Carnegie Colleges in the prior year. The fee level reflects the significant issues with the ONS reclassification exercise and that the College is still in transition following the merger, with financial systems not being unified. This results in additional audit work in the current financial year. However, we anticipate that this will reduce going forward as the College progress in unifying their financial systems and the ONS implementation progresses.

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the College and its activities have not changed significantly
- the College will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team. Whilst we are independent of the College, we draw attention to our external audit appointments to higher education institutions and further education colleges in Appendix A of this report. At all times during the audit, we will maintain a robustly independent position in respect of key judgement areas.

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the College.

Respective responsibilities

This plan has been prepared in the context of the Code of Audit Practice ('the Code') issued by Audit Scotland, which outlines the responsibilities of appointed auditors.

We have been appointed as the College's independent external auditors by Audit Scotland, the body responsible for appointing external auditors to local public bodies in Scotland. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code and Audit Scotland planning guidance, and includes nationally prescribed and locally determined work. Our work considers the College's key risks when reaching our conclusions under the Code.

It is the responsibility of the College to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the College is fulfilling these responsibilities.

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THE BOARD OF GOVERNORS OF FIFE COLLEGE

The Audit and Risk Committee

External Audit Fee

1 Introduction

At the Audit and Risk Committee meeting in March 2014 it was agreed to contact Audit Committee Members to notify them of the proposed external audit fee when it became known.

2 Proposed External Audit Fee 2013-14

We were notified by Grant Thornton that the proposed fee would be £42,000. An email indicating this fee was sent to Audit and Risk Committee Members on 28 March 2014. This is the same as 2012-13 being the two pre-merger audit fees added together. Grant Thornton's justification for this is that for 2013-14, the year-end accounts will need to be compiled from two different accounting systems.

3 Recommendation

The approval of the external audit fee is an issue to be decided by the Audit and Risk Committee. Audit Committee Members are invited to approve the fee proposed by Grant Thornton.

T:/EG/Mtgs/13-14/BoG/04.06.14/External Audit Fee

THE BOARD OF GOVERNORS OF FIFE COLLEGE

The Audit and Risk Committee

Annual Review of Internal Control and Risk Management 2013-14

1 Introduction

Prior to the Board of Governors meeting in June 2014, the Audit and Risk Committee is required to recommend to the Board the Corporate Governance statement which becomes part of the Annual Accounts. The statement has to be approved at the next Board meeting.

2 Report for 2013-14

For the annual accounts of 2013-14, we are required to confirm that the College has complied with the UK Corporate Governance Code. The latest version of the code was issued in 2010 and applies to financial years beginning on or after 29 June 2010. It will therefore apply to Fife College's 2013-14 accounts.

As per last year, most of the changes are not relevant to the College (for example any reference to shareholders). With regard to some other changes, the College can be seen to comply as follows:

- (Ensuring an adequate skills mix of Board Members) although the composition of the Board is to some extent predetermined, we have always tried to ensure a practical mix of experience.
- (Awareness of Equality & Diversity) an Equality & Diversity sub-committee of the Board has been set up to help embed the issue. In addition, any recruitment to the Board is carried out in the light of draft ministerial guidance on Board appointments.
- (Re-election/period of office) Board members are subject to re-election every 4 years.

Following discussion at previous Audit and Risk Committee meetings, we believe we comply with the latest version of the Code apart from one point. The latest 2010 version (as before) recommends that the Chair of the Board of Governors does not also chair the Remuneration Committee, so as not to influence his or her own salary discussion. At Fife College, the Depute Chair chairs the remuneration discussions. The Code requires us to "comply or explain", so the approach for the Corporate Governance Statement will continue to be that we do comply and explain why the chairing of the Remuneration Committee in our case is not relevant.

In addition, the Post 16 Education (Scotland) Act 2013 includes provisions in relation to the identification of good governance practice for the college sector. The Clerk to the Board of Governors is embedding as much as possible of this practice and this issue will be further reviewed when the consultation period finishes in early June 2014.

Part of the compliance includes:

1 confirmation of evidence of internal control and risk management; and
2 an annual assessment of effectiveness of internal control

Both these documents are attached.

3 Recommendation

Members are invited to review the attached documents and to confirm they are in agreement with the Corporate Governance statement and the other papers evidencing compliance.

THE BOARD OF GOVERNORS OF FIFE COLLEGE

The Audit and Risk Committee

Annual Assessment of Effectiveness of Internal Control

1 Introduction

The Board of Governors is required to make a statement on corporate governance in the annual accounts, in accordance with the Combined Code. To support its statement on corporate governance, the Board should undertake an annual assessment of the effectiveness of internal control systems and risk management. Guidance issued by the Scottish Funding Council under cover of Circular FE/32/2002 suggests what the annual assessment should consider and the content of this report accords with the recommended content.

2 Review of Reports Received During the Year

Board Responsibility

The Board should consider issues dealt with in reports reviewed by it during the year.

Response

The Board of Governors have set up an Audit and Risk Committee (a sub-committee of the Board of Governors). The Strategic Risk Register is reviewed quarterly by the Audit and Risk Committee and in between times by the Senior Management Team. There have been no significant weaknesses or failings reported in 2013-14.

It was originally the intention to tender the internal audit function with effect from 1 January 2014 however due to the practicalities around the merger and the fact that 2013-14 was only an 8 month accounting period, this proved not to be possible.

Henderson Loggie (Carnegie College's internal auditors) agreed to continue in post until May 2014 and undertook the following internal audit topics;

- Voluntary Severance Scheme
- Key Financial Controls
- Corporate Governance
- Interim SUMs Review
- Follow Up Reviews (from Adam Smith College and Carnegie College)

Following a tender exercise, BDO have been appointed as internal auditors for Fife College. Their internal audit plan for the next 3 years will be agreed at the Audit and Risk Committee in early June 2014. BDO have already met with the Senior Management Team members as well as all academic and support managers to inform their compilation of the internal audit programme.

During 2013-14, the Finance, Commercial, Planning and Estates Committee and the Board of Governors received quarterly reports on income and expenditure against budget for both the College and Carnegie Enterprise and projections were given regarding the year-end position. Reports were also provided on assets and liabilities and in particular the cashflow situation. Variance reporting was used to highlight

areas of risk. The Board of Governors also approved the transfer of £1.2 million to the Fife College Arm's Length Foundation.

In his quarterly reports to the Board, the Principal provided information on key non-financial Performance Indicators such as student activity levels and retention and achievement ratios. His reports also covered any setbacks and difficulties that might have negative risk implications.

The Board is invited to confirm that it is satisfied with the scope, frequency and quality of the reports received during the year, as set out above.

3 Changes During the Year

Board Responsibility

The annual assessment should consider changes during the preceding year in the nature and extent of significant risks and the College's ability to respond to changes in its business and the external environment.

Response

During the Board of Governors Strategic Planning Day in January 2014, the Board of Governors discussed the following issues:

- The Shape of the College
  - Curriculum Provision
  - Facilities and Staffing
  - Outcome Agreements
  - Commercial Activity
- Audit and Good Governance
- The Role of Chancellor

In addition, the Principal's quarterly update to the Board of Management covered significant changes to the business and external environment.

The Board is invited to confirm that it is satisfied with the College's ability to respond to changes in the operating environment.

4 Scope and Quality of Risk Monitoring

Board Responsibility

The Board should consider the scope and quality of management's ongoing monitoring of risks and of the system of internal control and, where applicable, the work of the internal audit function.

Response

The system for reporting upon the scope and quality of internal control and risk management has been fully covered in paragraph 2 above.

The Board should also consider the quality of management's response to the specific risks that may have materialised during 2013-14. These are noted below.

- Fife College Merger/Restructure

  Following an external recruitment exercise, the Principal and 4 Vice Principal posts were filled by 21 October 2013. A number of open consultation meetings were held with staff regarding structure. An overall structure was agreed and a Change Management Policy agreed with the Trade Unions as a mechanism for the restructure process. The College is now working through creating this structure in an open and transparent manner.

- Condition of Fife College Estate

  The condition and geographical situation of the estate inherited by Fife College was in many cases becoming increasingly fit for purpose. Estates plans at the component Colleges had been put on hold pending merger. Following a tender exercise, Gardiner & Theobald were engaged to conduct an appraisal and create an Estates Strategy. As part of this exercise a short life working group of Board and relevant staff was set up.

- ICT

  Prior to merger an ICT Workstream had been set up to begin work on integration of systems. Following merger, the 2 ICT Departments have been working closely to create a Fife-wide network. External expertise has been engaged when required. An ICT Manager has been appointed for the College and the integration is continuing to an agreed timetable.

- Systems

  The systems used in the former Adam Smith and Carnegie Colleges have little commonality in the sense that the network operating system , Finance, HR, Student Records, Estates etc. are all different. Departments are working through selecting a single system for Fife College as the relevant staff are appointed. Choices on systems are made in the future interests of Fife College as well as taking account of any procurement requirements.

- Financial Control

  Although the period from August 2013 to March 2014 was for Fife College, there were still 2 separate finance systems in operation. Supplier and payroll payment runs were checked centrally and large payments were made from the host college bank account. Management accounts were compiled on a Fife-wide basis against a single budget by aggregating output from the 2 systems. Priority was given to selecting and installing a finance system for use on a Fife-wide basis from 1 April 2014.

The Board is invited to confirm that it is satisfied with the scope and quality of management's monitoring of risks.

5 Communication to the Board and its Committees

Board Responsibility

The Board should consider the extent and frequency of the communication of the results of monitoring to the Board and its Committees, which enables it to build up a

cumulative assessment of the state of control in the College and the effectiveness with which risk is being managed.

Response

The system of reporting to the Board is described in paragraph 2 above and in the draft Statement of Corporate Governance.

The Board is invited to confirm that it is satisfied with the extent and frequency of reports to the Board.

6 Control Failings or Weaknesses

Board Responsibility

The Board should consider the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in any unforeseen outcomes or contingencies that have had, could have had, or may in the future have a material impact on the institution's financial performance or condition.

Response

There have been no significant control failings or weaknesses identified during 2013-14.

Effectiveness of Public Reporting Procedures

Board Responsibility

The Board should review the effectiveness of the College's public reporting procedures.

Response

- Fife College has put in place a range of measures to ensure compliance with the Freedom of Information (Scotland) Act 2002. A publication scheme is available on the Fife College website and procedures are in place to respond appropriately to requests for information received.

- Board and Committee agendas and minutes are published on the College website after they have been approved by the relevant Committee.

- Declarations of Interests of Board Members are published on the website and updated at least annually

- Board Members expenses are made available on the College website quarterly.

- Information about the Board and its members is available on the website.

- The Fife College Annual Accounts are made available to anyone who requests a copy. The Annual Accounts for Carnegie Enterprise are lodged with Companies House.

- The Annual Report and Accounts is published on the website. A hard copy is available to anyone who makes a request.

- The Senior Management Team actively manages designated strategic alliances and report to the Board of Governors upon the quality of these alliances and on action being taken to enhance them.

- The College invites partners, stakeholders, clients and representative bodies to attend functions including the Awards Ceremony, Graduation Ceremonies and Industry Dinners to inform them of the work of the College.

The Board is invited to confirm that it is satisfied with its public reporting processes.

THE BOARD OF GOVERNORS OF FIFE COLLEGE

The Audit and Risk Committee

Evidence of Operation of Internal Control and Risk Management

Maintaining a System of Internal Control - Requirement	Original Evidence 2002	Update for 2014
The Board should set appropriate policies on internal control and seek regular assurance that will enable it to satisfy itself that the system is functioning effectively.	Financial policies, procedures and regulations are in place and are regularly reviewed. A policy and procedures for managing and minimising risk is in place. Corporate governance policies and procedures are in place and are regularly reviewed by the Board. The Audit and Risk Committee reviews risk management at each meeting, feeding into annual reviews by the Board, through the strategic planning process. External assurance is provided by external and internal audit.	Pending the appointment of BDO as Fife College's internal auditors as of April 2014, the Audit and Risk Committee (approved by the Board) engaged Henderson Loggie to carry out a programme of internal audit for the period August 2013 to March 2014. Fife College Risk Register was created for the February 2014 meeting of the Audit and Risk Committee.
The Board must ensure that the system of internal control is effective in managing risks. This will include consideration of the following: • Nature and extent of risks facing the College • Extent and categories of risk which the College regards as acceptable to bear • The likelihood of the risks materialising • The ability to reduce the incidence and impact of business risks Management should identify and assess the key risks and design, operate and monitor a suitable system of internal control to implement the policies approved by the Board.	A strategic risk register is in place, identifying risks facing the College with action plans to manage and minimise risk. Regular reviews of risk management are undertaken by the Senior Management Team, Audit and Risk Committee and Board. Risk management is actively overseen by the SMT and embedded into all strategic and operational plans. The Senior Management Team receives regular reports that ensure that action is taken timeously in the event that risks materialise. This is evidenced in the Annual Review of Effectiveness.	The Strategic Risk Register for Fife College was available in February 2014. The Strategic Risk Register is discussed both at SMT and Audit and Risk Committee.
All employees should have the necessary skills, knowledge, information and authority to establish, operate and monitor the system of internal control.	All Managers have received specific training in financial management and risk assessment. Awareness training in risk assessment is provided to all staff through the development planning process.	As staff have been appointed, relevant training in budgetary reporting, financial regulations, costing and pricing and procurement has been provided.
The system of internal control should be: • Embedded in the operations of the College • Capable of responding quickly to evolving risks to the business and sector • Inclusive of procedures for reporting immediately to appropriate levels of management and control weaknesses or failures.	The system is embedded through financial regulations and strategic and operational planning. Management reports are considered monthly by the Senior Management Team. Financial control procedures are embedded within financial regulations.	Financial Regulations for Fife College approved by the Finance, Commercial, Planning & Estates Committee. Management reports are now considered monthly by the Senior Management Team. The format of management reporting to the Senior Management Team continues to be reviewed on an ongoing basis.

Reviewing the effectiveness of internal control – Requirements	Evidence	Internal Audit Requirement
The Board will need to form a view on the effectiveness of the internal control framework after due consideration of the information and assurance provided to it.	The Board receives assurance from internal and external audit reports, from reports from external quality agencies and through strategic risk planning as part of the strategic planning process. The Audit and Risk Committee receives regular reports on the management of risk. An annual review of the effectiveness of internal control is prepared for the Board by the Vice Principal Finance and Planning.	All reviews and audits have taken place for 2013-14 as detailed above.
The role of the Board and its sub committees in the review process will depend on the nature and significance of the risks identified.	The Board has decided on the level of delegation of responsibility to Committees	Board sub-committees and sub-committee membership have been agreed as quickly as was practically possible.
The Board should not rely solely on the embedded monitoring processes within the College to discharge its governance responsibilities. It should receive regular reports on internal control. When reviewing reports, the Board (or appointed sub committee) should • Consider the significant risks and how they are identified, evaluated and managed • Assess the effectiveness of the system of internal control, in particular any failings or system weaknesses • Consider whether more extensive reviews of the systems if required.	The Audit and Risk Committee receives regular reports from internal and external auditors. The Audit and Risk Committee receives a quarterly review of action against the strategic risk analysis. The Audit and Risk Committee provides an annual report to the Board on its activities. The Principal provides a quarterly report to the Board, which highlights progress and setbacks in respect of implementation of strategic and operational planning. The Vice Principal Finance and Planning provides an annual review of the effectiveness of internal control and risk management.	All reviews and reports have been completed. Reports have been provided in 2013-14 on the same basis as for previous years. Both internal and external auditors attend all Audit and Risk Committee meetings, as well as a private meeting with the Audit & Risk Committee without executive members present.
The Board should undertake an annual assessment of the internal control framework for the purpose of making its public statement on internal control. The annual assessment should consider: • Changes since the last annual assessment in the nature and extent of risks • The scope and quality of management's ongoing monitoring of risks • The extent and frequency of the communication of the monitoring to the Governing Body or its sub committees. • The incidence of significant control failings or system weaknesses.	The first formal annual assessment took place in October 2002. These four elements were covered by the annual assessment in October 2002.	These elements are covered by the annual assessment to March 2014.

The Board should define the process to be adopted for its review of the effectiveness of internal control.	The Board has formally approved the processes for strategic risk management, which were initiated in December 2000, and for monitoring of financial performance. The Board has formally delegated aspects of responsibility to the Audit and Risk Committee and Resources and General Purposes Committee. The Board retains responsibility for reviewing all aspects of corporate governance, but receives recommendations from the Chairman's Committee.	Resources and General Purposes Committee now replaced by the Finance, Commercial, Planning and Estates Committee in Fife College. No change
Statement on Internal Control – Requirement		
In the narrative statement to be included within the annual report and financial statements the Governing Body must include a statement on internal control. In accordance with the requirements of the Combined Code, the statement must disclose that: • There is an ongoing process for identifying, evaluating and managing the significant risks facing the College • It has been in place for the year under review • The effectiveness of the internal control framework is regularly reviewed by the Governing Body The statement should also include • An acknowledgement by the Governing Body that it is responsible for the College's system of internal control and reviewing its effectiveness. • Summaries the process it has applied in reviewing the effectiveness of the system of internal control.	A Corporate Governance statement is included in the Annual Accounts for 2000-2001 and 2001-2002. The Corporate Governance statement for the year ended July 2002 includes these elements. The Corporate Governance statement for the year ended July 2002 includes these elements.	A statement is included in the Annual Accounts for 2013-14. The updated Corporate Governance statement for the year ended March 2014 includes these elements. The Corporate Governance statement for the year ended March 2014 includes these elements.

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ANTI BRIBERY POLICY AND PROCEDURE

Policy Number	To be Confirmed
Version Number	One
Status	Draft Unapproved
Approval Date: first version	22 April 2014
Approval date: current version	TBC
Responsible for policy:	Vice Principal Organisational Development and Change
Responsible for implementation:	Vice Principal Organisational Development and Change
Date of last review:	TBC
Date of next review:	TBC
Equality Impact Assessed	In discussion

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1.0 Policy Statement

1.1 Fife College is committed to the highest standards of ethical conduct and integrity in its activities in the UK and overseas. This policy outlines the College's position on preventing and prohibiting bribery, in accordance with the Bribery Act 2010. The College will not tolerate any form of bribery by, or of, its members of staff, agents or consultants or any person or body acting on its behalf. The Board of Governors is committed to implementing effective measures to prevent, monitor and eliminate bribery.

2.0 Aims

The aims of this policy are to:

- ensure that members of staff are aware of the requirements of the Bribery Act 2010
- ensure that the College complies with the Act in all aspects of its business activities
- advise members of staff of steps they can take if they are aware of, or suspect, any non compliance within the organisation
- make staff aware of the potential consequences of not complying with this policy and procedure and/or the law.

3.0 Scope

3.1 This policy applies to all members of staff of the College, and to temporary workers, consultants, contractors, agents and subsidiaries acting for, or on behalf of, the College within the UK and overseas. The latter are listed as 'associated persons' within the rest of this Policy and Procedure. Every member of staff and associated person acting for, or on behalf of, the College is responsible for maintaining the highest standards of professional conduct. Any breach of this Policy and Procedure is likely to constitute a serious disciplinary, contractual and criminal matter for the individual concerned and may cause serious damage to the reputation and standing of the College.

3.2 The College may also face criminal liability for unlawful actions taken by its members of staff or associated persons under the Bribery Act 2010. All members of staff and associated persons are required to familiarise themselves and comply with this Policy and Procedure, including any future updates that may be issued from time to time by the College.

4.0 Bribery Act 2010

4.1 The Bribery Act 2010 came into force on 1 July 2011. The College is committed to complying with the Bribery Act 2010 in its business activities in the UK and overseas.

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4.2 Under the Bribery Act 2010, a bribe is a financial or other type of advantage that is offered or requested with the:

- intention of inducing or rewarding improper performance of a function or activity; or
- knowledge or belief that accepting such a reward would constitute the improper performance of such a function or activity.

4.3 A criminal offence will be committed under the Bribery Act 2010 if:

- a member of staff or associated person acting for, or on behalf of, the College offers, promises, gives, requests, receives or agrees to receive bribes; or
- a member of staff or associated person acting for, or on behalf of, the College offers, promises or gives a bribe to a foreign public official with the intention of influencing that official in the performance of his/her duties (where local law does not permit or require such influence); and
- the College does not have the defence that it has adequate procedures in place to prevent bribery by its members of staff or associated persons.

All members of staff and associated persons are required to comply with this policy, in accordance with the Bribery Act 2010.

5.0 What is prohibited?

5.1 The College prohibits members of staff or associated persons from offering, promising, giving, soliciting or accepting any bribe. The bribe might be cash, a gift or other inducement to, or from, any person or company, whether a public or government official, official of a state-controlled industry, political party or a private person or company, regardless of whether the member of staff or associated person is situated in the UK or overseas. The bribe might be made to ensure that a person or company improperly performs duties or functions (for example, by not acting impartially or in good faith or in accordance with their position of trust) to gain any commercial, contractual or regulatory advantage for the College in either obtaining or maintaining Company business, or to gain any personal advantage, financial or otherwise, for the individual or anyone connected with the individual.

5.2 This prohibition also applies to indirect contributions, payments or gifts made in any manner as an inducement or reward for improper performance, for example through consultants, contractors or sub-contractors, agents or sub-agents, sponsors or sub-sponsors, joint-venture partners, advisors, customers, suppliers or other third parties.

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5.3 Some simple rules and examples are included as Appendix 1 to this policy.

6.0 Records

6.1 Members of staff and, where applicable, associated persons, are required to take particular care to ensure that all records are accurately maintained in relation to any contracts or business activities, including financial invoices and all payment transactions with clients, suppliers and public officials.

6.2 Due diligence should be undertaken by members of staff and associated persons prior to entering into any contract, arrangement or relationship with a potential supplier of services, agent, consultant or representative in accordance with the College's procurement and risk management procedures.

6.3 Members of staff and associated persons are required to keep accurate, detailed and up-to-date records of all corporate hospitality, entertainment or gifts accepted or offered which are to the value of more than £75 for each instance.

7.0 Working overseas

7.1 Principle

7.1.1 Members of staff and associated persons conducting business on behalf of the College outside the UK may be at greater risk of being exposed to bribery or unethical business conduct than UK-based members of staff. Members of staff and associated persons owe a duty to the College to be extra vigilant when conducting international business.

7.2 Procedure

7.2.1 Members of staff and associated persons are required to cooperate with the College's risk management procedures and to report suspicions of bribery to the Vice Principal with responsibility for Human Resources. While any suspicious circumstances should be reported, members of staff and associated persons are required particularly to report:

- close family, personal or business ties that a prospective agent, representative or joint-venture partner may have with government or corporate officials, directors or members of staff;
- a history of corruption in the country in which the business is being undertaken;

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- requests for cash payments;
- requests for unusual payment arrangements, for example via a third party;
- requests for reimbursements of unsubstantiated or unusual expenses; or
- a lack of standard invoices and proper financial practices.

7.2.2 If a member of staff or associated person is in any doubt as to whether or not a potential act constitutes bribery, the matter should be referred to the Vice Principal with responsibility for Human Resources.

8.0 Facilitation payments

8.1 Principle

8.1.1 The College prohibits its members of staff or associated persons from making or accepting any facilitation payments. These are payments made to government officials for carrying out or speeding up routine procedures. They are more common overseas. Facilitation payments are distinct from an official, publicly available fast-track process. Facilitation payments, or offers of such payments, will constitute a criminal offence by both the individual concerned and the College under the Bribery Act 2010, even where such payments are made or requested overseas. Members of staff and associated persons are required to act with greater vigilance when dealing with government procedures overseas.

8.2 Procedure

8.2.1 Where a public official has requested a payment, members of staff or associated persons should ask for further details of the purpose and nature of the payment in writing. If the public official refuses to give these, this should be reported immediately to the Vice Principal with responsibility for Human Resources.

8.2.2 If the public official provides written details, the Vice Principal with responsibility for Human Resources will consider the nature of the payment.

8.2.3 If it is concluded that the payment is a legitimate fee, for example part of a genuine fast-track process, or is permitted locally, the College will authorise the member of staff to make the payment.

8.2.4 Where the Vice Principal with responsibility for Human Resources considers that the request is for a facilitation payment, the member of staff or associated person will be instructed to refuse to make the

payment and notify the public official that the member of staff or associated person is required to report the matter to the College and the UK embassy.

8.2.5 The College will seek the assistance of the relevant member of staff in its investigation and may determine that the matter should be referred to the prosecution authorities.

8.2.6 If a member of staff or associated person has any other concerns about the nature of a request for payment, they should report it the Clerk to the Board using the reporting procedure set out in this policy and in accordance with the College's Whistleblowing Policy and Procedure.

9.0 Corporate entertainment, gifts, hospitality and promotional expenditure

9.1 Principle

9.1.1 The College permits corporate entertainment, gifts, hospitality as outlined in the staff Code of Conduct and promotional expenditure that is undertaken:

- for the purpose of establishing or maintaining good business relationships;
- to improve the image and reputation of the College; or
- to present the College's activities effectively;

provided that it is:

- arranged in good faith, and
- not offered, promised or accepted to secure an advantage for the College or any of its members of staff or associated persons or to influence the impartiality of the recipient.

9.1.2 The College will authorise only reasonable, appropriate and proportionate entertainment and promotional expenditure.

9.1.3 This principle applies to members of staff and associated persons, whether based in the UK or overseas. However, those with remits overseas will be given further training on the specific procedures that they are required to follow.

10.2 Procedure

10.2.1 Members of staff and, where relevant, associated persons should submit requests for proposed hospitality and promotional

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expenditure well in advance of proposed dates to their line manager.

10.2.2 For international/overseas work, this should be included retrospectively in the international visit feedback report.

10.2.3 Members of staff are required to set out in writing:

- the objective of the proposed client entertainment or expenditure;
- the identity of those who will be attending;
- the College that they represent; and
- details and rationale of the proposed activity.

10.2.4 The line manager will approve business entertainment proposals only if they demonstrate a clear business objective and are appropriate for the nature of the business relationship. The line manager will not approve business entertainment where it considers that a conflict of interest may arise or where it could be perceived that undue influence or a particular business benefit was being sought (for example, prior to a tendering exercise).

10.2.5 As a general rule, small tokens of appreciation, such as flowers or a bottle of wine, may be retained by members of staff. However any gifts, rewards or entertainment of significance, i.e. valued in excess of £75, received or offered from clients, public officials, suppliers or other business contacts should be reported immediately to the Clerk to the Board who will provide advice as to whether or not the gift, reward or entertainment may be accepted. Where authorisation is given, this will be logged by the Clerk to the Board in the Gift and Hospitality Register, which will be reviewed annually by the Audit and Risk Committee of the Board of Governors. In certain circumstances, it may not be appropriate to retain such gifts or be provided with the entertainment and members of staff and associated persons may be asked to return the gifts to the sender or refuse the entertainment, for example, where there could be a real or perceived conflict of interest.

10.2.6 If a member of staff or associated person wishes to provide gifts to suppliers, clients or other business contacts, prior written approval from the Vice Principal with responsibility for Human Resources is required, together with details of the intended recipients, reasons for the gift and business objective. These will be authorised only in limited circumstances. Where authorisation is given, this will be logged by the Clerk to the Board in the Gift and Hospitality Register, which will be reviewed annually by the Audit and Risk Committee of the Board of Governors.

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10.2.7 Members of staff and, where applicable, associated persons must supply records and receipts, in accordance with the College's Travel and Expenses Policy and Procedure.

11.0 Charitable and political donations

11.1 The College considers that charitable giving can form part of its wider commitment and responsibility to the community. The College may from time to time support charities that are selected in accordance with objective criteria, following a risk assessment. The College may also support fundraising events involving members of staff and/or students.

12.0 What practices are permitted?

12.1 This policy does not prohibit:

- normal and appropriate hospitality and entertainment with clients (please see the College's Travel and Expenses Policy and Procedure); and
- the use of any recognised fast-track process that is publicly available on payment of a fee.

12.2 Any such practices must be proportionate, reasonable and made in good faith. Clear records must be kept.

13.0 Risk management

13.1 Principle

13.1.1 The College has established detailed risk management procedures to prevent, detect and prohibit bribery. The College will conduct risk assessments for each of its key business activities on a regular basis and, where relevant, will identify members of staff or officers of the College who are in positions where they may be exposed to bribery. In addition, all new suppliers will be asked to confirm their compliance with the Bribery Act 2010 prior to being set up on the College's Finance System.

13.2 Procedure

13.2.1 The College will identify high-risk areas, for example projects undertaken in high-risk countries, tenders for work and those working on high-value projects. Members of staff and associated persons are required to complete a bribery risk assessment and submit this to the Vice Principal with responsibility for Human Resources when commencing a new project in these high-risk areas.

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13.2.2 The College will:

- regularly monitor "at risk" members of staff and associated persons;
- regularly communicate with "at risk" members of staff and associated persons;
- undertake extensive due diligence of third parties and associated persons; and
- communicate its zero-tolerance approach to bribery to third parties, including actual and prospective customers, suppliers and joint-venture partners.

14.0 Reporting suspected bribery

14.1 Principle

14.1.1 The College depends on its members of staff and associated persons to ensure that the highest standards of ethical conduct are maintained in all its business dealings. Members of staff and associated persons are requested to assist the College and to remain vigilant in preventing, detecting and reporting bribery.

14.1.2 Members of staff and associated persons are encouraged to report any concerns that they may have to the Vice Principal with responsibility for Human Resources as soon as possible. Issues that should be reported include:

- any suspected or actual attempts at bribery;
- concerns that other members of staff or associated persons may be being bribed; or
- concerns that other members of staff or associated persons may be bribing third parties, such as clients or government officials.

14.2 Procedure

14.2.1 Members of staff should record any incidents of suspected bribery and send to the Vice Principal with responsibility for Human Resources. Any such reports will be thoroughly and promptly investigated by an individual appointed by the Vice Principal with responsibility for Human Resources in the strictest confidence. Members of staff and associated persons will be required to assist in any investigation into possible or suspected bribery.

14.2.2 Members of staff or associated persons who report instances of suspected bribery in good faith will be supported by the College. The College will ensure that the individual is not subjected to

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detrimental treatment as a consequence of their actions. Any instances of detrimental treatment by a fellow member of staff because a member of staff has made a report will be treated as a disciplinary offence. An instruction to cover up wrongdoing is itself a disciplinary offence. If told not to raise or pursue any concern, even by a person in authority such as a manager, members of staff and associated persons should not agree to remain silent. They should report the matter to the Vice Principal with responsibility for Human Resources.

15.0 Action by The College

15.1 The College will fully investigate any instances of alleged or suspected bribery. Members of staff suspected of bribery may be suspended from their duties while the investigation is being carried out. The College will invoke its disciplinary procedures where any member of staff is suspected of bribery, and proven allegations may result in a finding of gross misconduct and immediate dismissal. The College may terminate the contracts of any associated persons, including consultants or other workers who act for, or on behalf of, the College who are found to have breached this policy.

15.2 The College may also report any matter to the relevant authorities, including the Serious and Organised Crime Division of the Crown Office, Revenue and Customs or Police Scotland. The College will provide all necessary assistance to the relevant authorities in any subsequent prosecution.

16.0 Review of procedures and training

16.1 The College will regularly communicate its anti-bribery measures to members of staff and associated persons. The College will set up training sessions where applicable. The Vice Principal with responsibility for Human Resources is responsible for the implementation of this policy.

16.2 The Vice Principal with responsibility for Human Resources will monitor and review the implementation of this policy and related procedures on a regular basis, including reviews of internal financial systems, expenses, corporate hospitality, gifts and entertainment policies.

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Appendix 1

Bribery Act 2010 Compliance – Some Simple Rules and Examples

DO	DON'T
DO make sure you are familiar with this Anti-Bribery Policy and Procedure **DO** make sure you understand what is meant by the following terms:- "**bribe**"; "**associated persons**"; "**adequate procedures**"; and "**improper performance**" **DO** have an understanding of the kind of behaviours that breach (or risk breaching) the Bribery Act **DO** make sure you are familiar with the potential consequences of a breach of the Bribery Act, both for the College and for yourself personally **DO** carry out all business on behalf of the College fairly, honestly and openly **DO** be on the look-out for indicators of bribery both within the College and in the activities of **associated persons**, and seek advice if you have concerns **DO** report any suspicious behaviour or other concerns at the earliest opportunity – raise concerns in person or by telephone first, before providing any information in writing **DO** record all gifts, hospitality and promotional expenditure and seek approval where this is over £75 **DO** report any request for an unexpected additional fee or commission **DO** report any offer of a bribe or request for a bribe	**DON'T** assume that compliance with the Bribery Act is someone else's responsibility **DON'T** delay in reporting any bribery concerns – raise concerns in person or by telephone before providing any information in writing **DON'T** conceal, or attempt to conceal, bribery within the College or its **associated persons** **DON'T** continue to do business with customers, suppliers or other **associated persons** where you suspect them of bribery **DON'T** enter any agreement with any supplier or customer which has not been arranged other than in accordance with the College's normal procedures **DON'T** hold informal, unrecorded meetings with suppliers or customers **DON'T** accept any unusually generous gift or lavish hospitality **DON'T** make payments to suppliers in cash or in circumstances where the supplier refuses to provide an invoice/receipt **DON'T** make payments to a location or address not usually associated with a supplier

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DO request that **associated persons** provide you with copies of their bribery policies/procedures **DO** carry out due diligence of existing and prospective **associated persons** - or ensure that this is done **DO** cooperate with training on bribery compliance which the College may offer	

Some Examples

- In order to market a new portfolio of commercial products, the College arranges a two day Conference with all expenses paid, including overnight accommodation in a five star hotel for all delegates. This may be seen as a bribe and an offence as we are trying to encourage people to buy our products by offering and excessive amount of hospitality.

  If delegates pay for their own expenses and attend a presentation at our venue, and we provide light refreshments (maybe including lunch if an all day event) this is unlikely to be seen as a bribe or an offence.

- We have recently issued a tender for the provision of estates refurbishment work and one of the companies who have been invited to tender for the work invites us to a three course dinner with wine and a ticket to a football match, this may be seen as a bribe and an offence as the company may be trying to influence our decision to place business with them by offering an excessive amount of hospitality or a gift.

  If, once the tender has been secured and regardless of the outcome, the company invites us to a light lunch, provided that this is approved as per the correct procedures, then this is unlikely to be seen as a bribe or an offence.

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Fraud Prevention Policy and Response Plan

Policy Number	
Version Number	1
Status	Draft
Approval Date: first version	
Approval date: current version	
Responsible for policy:	VP with responsibility for Finance
Responsible for implementation:	
Date of last review:	
Date of next review:	
Equality Impact Assessed	

1.0 Policy Statement

Fife College ("the College") is committed to conducting its business with honesty and integrity. The purpose of this policy is to demonstrate the commitment of the organisation to the prevention, deterrence, detection and investigation of all forms of fraud and irregularity.

2.0 Aims

The aims of this policy are to:

- minimise the risk and impact of fraud to the College by creating a culture which deters fraudulent activity
- ensure that members of staff are aware of the steps they should take to prevent or detect fraudulent activity
- make staff aware of the potential consequences of not complying with this policy and procedure and/or the law.

3.0 Scope

This policy applies to all members of staff of the College, and to temporary workers, consultants, contractors, agents and subsidiaries acting for, or on behalf of, the College within the UK and overseas. The latter are listed as 'associated persons' within the rest of this Policy and Procedure. Every member of staff and associated person acting for, or on behalf of, the College is responsible for maintaining the highest standards of professional conduct. Any breach of this Policy and Procedure is likely to constitute a serious disciplinary, contractual and criminal matter for the individual concerned and may cause serious damage to the reputation and standing of the College.

4.0 Definition and Examples of Fraud

Fraud initially developed as a crime under common law. However, given the wider interpretation of the term "fraud", it is now covered by legislation too (eg corruption, bankruptcy and company fraud).

Fraud is defined as the use of false representations to gain an unjust advantage. It is a deliberate act, therefore is always intentional and dishonest. It can be carried out by individuals or by groups. Fraud could have a potentially damaging effect on the organisation, not only in financial terms, but also in terms of bad publicity and loss of public confidence.

Fraud can be carried out internally or externally to the College.

Examples of internal fraud may include:

- Falsification of travel and subsistence claims
- Theft of cash or property
- Failure to account for cash collected
- Excessive hospitality claims
- Dealing inappropriately with invoices for relatives / friends
- Inappropriate use of College vehicles, such as using the vehicle for an unauthorised or non work-related purpose
- The use of College intellectual property for unauthorised commercial or personal gain.

Examples of external fraud may include:

- False claims by students with regard to bursary claims and benefits they receive
- False claims by job applicants with regard to qualifications held and experience
- Collusion of suppliers and contractors to obtain unfair advantage

These lists of examples are not exhaustive and serve only to illustrate types of fraud that might be found.

5.0 Roles and Responsibilities

5.1 Board of Governors

The Board of Governors is responsible for ensuring that effective procedures are in place throughout the College.

In particular, the Audit and Risk Committee is responsible for reviewing and advising the Board of Governors on the effectiveness of the College's financial and other internal control systems. The Audit and Risk Committee fulfils this responsibility by receiving reports on internal audits at each Committee meeting, ensuring actions are followed-up by management and are closed off, and reporting any matters of concern to the Board of Governors. The Audit and Risk Committee also holds an annual private meeting with the organisation's auditors, in order for Committee Members and auditors to discuss any concerns they might have about the affairs of the College, without management being present.

The Audit and Risk Committee considers matters that have been reported under the Whistleblowing Policy and Procedure having regard to the provisions of the Public Interest Disclosure Act 1998 at least annually. It may decide, after receipt of such reports, that further audit work is required in addition to any investigation.

5.2 Senior Management Team

The Principal is the Chief Executive of the College and as such it is the Principal's responsibility to ensure that the College operates legally and in accordance with the policies and guidelines that are in place, and that best use is made of public monies.

Where fraud is suspected, the Principal has a duty to ensure that matter is fully investigated, to recover any monies due to the organisation wherever possible, and to take steps to minimise any future risk to the College.

Each member of the Senior Management Team has expertise in a variety of specific areas within the organisation. The Senior Management Team are responsible for reviewing procedures for which they have responsibility, and for making recommendations for improvements where gaps are identified in procedures which could leave the organisation open for adverse criticism or where risks can be identified.

The Principal may request the Senior Management Team to undertake investigations into reported allegations of suspected fraud.

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5.3 Heads of Department / Managers

All Heads of Department / Managers have a duty to ensure that all members of staff within their area are aware of the policies and procedures in place within the College, and to ensure that members of staff understand their responsibilities in order to comply with all procedures.

5.4 Staff

All members of staff have a duty to report any fraudulent activity they are aware of to an appropriate person within the College. This will normally be their line manager. However where staff feel they cannot follow this route, for whatever reason, the options outlined in the Whistleblowing Policy and Procedure should be followed.

5.5 Members of the Public

Members of the public have the right to expect that public monies are being put to best use. Should any member of the public have reason to suspect fraud, they should report this matter to the Principal or to any other member of the Senior Management Team.

5.6 Internal Auditors

The College's internal auditors are BDO LLP. Internal auditors play a key role in ensuring the prevention and detection of fraud within the organisation. They work with the Senior Management Team and the Board to identify key areas of risk, and then independently review the systems, procedures and controls that are in place, suggesting where improvements could be made. All reports made by the internal auditors are reported to the Audit and Risk Committee.

In more complex cases or where the allegations raised involve members of Finance Services staff, the Principal may ask the internal auditors to investigate suspected cases of fraud on behalf of the College. Conclusions would thereafter be reported to the Principal and to the Chair of the Audit and Risk Committee and appropriate action taken.

5.7 External Auditors

External auditors are appointed by Audit Scotland, and the College's external auditors are Grant Thornton. The external auditors are responsible for certifying that the College's accounts represent a true and fair view of the financial position. In order to do so, they must also be satisfied that adequate control systems are in place in order to minimise any opportunities for fraud.

If the external auditors have reason to suspect fraud within the College, they have powers to investigate. They would immediately advise the Chair of the Audit and Risk Committee of any suspected fraud.

5.8 Scottish Funding Council (SFC)

The Scottish Funding Council (SFC) provides funding to Colleges, therefore has a right to expect that money and resources are being put to good use. The Scottish Funding

Council produces guidance, such as the Financial Memorandum and the Code of Audit Practice, which is circulated to all Colleges and which all Colleges must comply with.

The Financial Memorandum issued by the Scottish Funding Council asks Principals to report to them any large expenditures or losses to ensure that Colleges are complying with guidelines and best practice and that adequate controls are procedures are in place.

6 Indicators of Fraud

Indicators of Fraud can be wide ranging, and generally give an impression that something requires further investigation. Examples of indicators of fraud include:

- Accounting anomalies, eg journal entries that do not balance, unusual items on reports, false invoices, duplicate payments, dummy suppliers, etc
- Bus tickets that have gone missing or have been amended
- Lack of proper documents or records (may be identified through audits)
- Transactions or events that happen at odd times, or have been authorised by someone who would not normally be involved
- Changes in a person's behaviour, eg increased spending, insomnia, increase in smoking / drinking alcohol, unusual irritability or defensiveness

Of course, fraud can also be directly witnessed, eg someone putting petty cash in their pocket, falsification of documents, etc.

7 Other Relevant Policies and Procedures

The College has a number of policies and procedures in place which aim to reduce the possibility of fraud. These are regularly reviewed in light of changes of legislation and current good practice. The Board (through the Audit and Risk Committee) monitors the effectiveness of these procedures, as does the College's internal and external auditors and the Scottish Funding Council.

7.1 Disciplinary Policy and Procedure

Where allegations of fraud are made against a member of staff, any investigation will be carried out in accordance with the process outlined in the Disciplinary Policy and Procedure. Any subsequent action to be taken will also be undertaken in accordance with this Policy and Procedure.

7.2 Whistleblowing Policy

The Public Interest Disclosure Act 1998 gives protection to members of staff against being dismissed or penalised by their employer as a result of publicly disclosing certain serious concerns. Although members of staff are encouraged to discuss matters of concern initially with their line manager, where members of staff feel they cannot follow this route, for whatever reason, the options outlined in the Whistleblowing Policy should be followed.

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7.3 Travel and Subsistence Policy and Procedure

Further guidance on rates that may be claimed in relation to travel and subsistence are contained within this Procedure. Where members of staff deliberately submit false claims or inflated claims, this might be regarded as fraud.

7.4 Code of Conduct and Anti Bribery Policy and Procedure

These Policies gives guidance on levels of hospitality that are considered to be acceptable. The Clerk to the Board maintains a Register of Gifts and Hospitality and members of staff are required to log gifts and attendance at external events on an ongoing basis with the Clerk. In the event that excessive hospitality claims are made or inappropriate levels of hospitality accepted by a third party, this might be regarded as fraud.

7.5 Recruitment and Selection Policy

This policy requires the College to verify the qualifications of all new members of staff. Falsification of qualifications may be regarded as fraud.

7.6 Disclosure Scotland – PVG Scheme Policy and Procedure

This policy requires the organisation to carry out appropriate Disclosure Scotland checks for all members of staff at the point of appointment.

7.7 Absence and Capability Policy and Procedure

The organisation has an effective Absence and Capability Policy in place, which monitors the level and reason for sick absence. Any issues arising from this monitoring will normally be dealt with under the Absence and Capability Policy.

8 Procedure

- All members of staff have a duty to report any fraudulent activity they are aware of to an appropriate person within the College. This will normally be their line manager. However where staff feel they cannot follow this route, for whatever reason, the options outlined in the Whistleblowing Policy should be followed.

- Where a Manager or Senior Manager receives an allegation of fraud or suspects fraud, they must report this to their own line manager or to the Principal.

- Once the Principal is aware of the allegation, they will ensure that an appropriate person, for example a member of the Senior Management Team or Internal Auditor is asked to conduct a full and thorough investigation.

- Any investigation will be conducted in accordance with the process outlined in the Staff Disciplinary Policy and Procedure. Where the allegations are founded, disciplinary action will be taken, again in accordance with the Staff Disciplinary Policy and Procedure.

- Where the matter is deemed to be a criminal offence, the College will report the matter to Police Scotland. This would normally be by the Principal.

- Where the suspected irregularity or fraud is thought to involve a series of breaches of procedure, a sustained level of irregularities or a financial value in excess of £1,000 but below £5,000, the Principal will advise the Chair of the Audit and Risk Committee and the College's internal auditors.

- Where the suspected irregularities or fraud are deemed by the Principal to be serious in terms of reputation, significance of the offence or in financial terms in excess of £5,000, the Principal will advise the Chair of the Audit and Risk Committee, the College's internal auditors and as appropriate, the Scottish Funding Council.

- The Principal shall communicate regularly with either the Chair of the Audit and Risk Committee and the College's internal auditors until the matter has been satisfactorily resolved. A final report will be presented to the Audit and Risk Committee and the Scottish Funding Council, if appropriate.

- The Principal shall ensure that any monetary loss as a result of the fraudulent activity is logged in the Register of Losses, which is maintained by the Clerk to the Board and reviewed by the Audit and Risk Committee at least annually. The Register of Losses will also be made available upon request to the internal / external auditors or the Chair of the Audit and Risk Committee.

6 Exceptions / Adaptations to the Procedure

- Where the suspected irregularity of fraud involves the Principal, the Clerk to the Board should be contacted who shall immediately advise the Chair of the Board of Governors of the situation. Normally, the internal auditors shall be asked to undertake the investigation and the Chair of the Board of Governors regularly advised of progress.

- Where the suspected irregularity involves any member of the Finance Services team (excluding the Vice Principal with responsibility for finance), the internal auditors shall be asked to undertake the investigation and the Vice Principal with responsibility for finance regularly advised of progress.

- If the suspected irregularity involves any member of the Senior Management Team excluding the Principal, the internal auditors shall be asked to undertake the investigation and the Principal regularly advised of progress.

- Where the suspected irregularity involves the Clerk to the Board, the Principal should be contacted who shall immediately advise the Chair of the Board of Governors of the situation. The internal auditors would normally be asked to undertake the investigation and the Principal regularly advised of progress, updating the Chair of the Board as required.

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Whistleblowing Policy and Procedure

Policy Number	To be confirmed
Version Number	One
Status	Draft
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Approval date: current version	3 June 2014
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Responsible for implementation:	Vice Principal – Organisational Development and Change
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Equality Impact Assessed	Yes

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1.0 Policy Statement

Fife College ("the College") is committed to conducting its business with honesty and integrity, and expects staff, students and external visitors for example, contractors or suppliers, to maintain high standards in accordance with the College's policies and procedures. All organisations however face the risk of things going wrong from time to time, or of unknowingly harbouring illegal or unethical conduct. A culture of openness and accountability is essential in order to prevent such situations occurring or to address them when they do occur.

This policy does not form part of a member of staff's terms and conditions of employment and may be subject to change at the discretion of College Senior Management.

2.0 Aims

The aims of this policy are:

- to encourage stakeholders, including staff, students and external contacts, to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate, and that where possible their confidentiality will be protected
- to provide those stakeholders with guidance as to how to raise their concerns
- to reassure stakeholders that they can raise genuine concerns in good faith without fear of reprisals, even if those concerns turn out to be mistaken.

3.0 Scope

The scope of this procedure applies to all members of the Board of Governors, staff, students, contractors, suppliers or others external to the College.

4.0 Equality and Diversity

This policy applies to equally to anyone raising a concern regardless of any protected characteristic they may have. A protected characteristic is defined as age, disability, ethnicity (including race, colour and nationality), gender, gender reassignment, religions or belief, sexual orientation, marriage and civil partnership and pregnancy and maternity.

Where anyone raising a concern requires an adjustment to the process, for example the venue, timing of the meeting, the way in which the information is provided, these will be considered and the process adjusted. This will also apply to any adjustments required by others involved in the process and procedure.

5.0 Responsibility for the Success of this Policy

5.1 The Audit and Risk Committee of the Board of Governors has overall responsibility for this policy and for reviewing the effectiveness of actions taken in response to concerns raised under this policy.

5.2 The Clerk to the Board of Governors ("the Clerk") has day-to-day operational responsibility for this policy and must ensure that managers who may deal with concerns or investigations under this policy receive appropriate training.

5.3 The Clerk, in conjunction with the Audit and Risk Committee, should review this policy from a legal and operational perspective at least once a year. This is in addition to the annual reporting

of whistleblowing cases together with the outcomes and any actions presented each year to the Audit and Risk Committee.

5.4 Everyone in the College is responsible for the success of this policy and should ensure that they use it to disclose any suspected danger or wrongdoing. Everyone is invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to the Clerk.

6.0 Definitions

6.1 A Protected Disclosure

The aim of the Public Interest Disclosure Act 1998 ("the Act") is to protect individuals who make a Protected Disclosure to their employer or to an external body such as a regulator, in relation to what they believe has been an illegal activity or significant wrongdoing on the part of their employer or its employees.

The Act provides that a Protected Disclosure would be one of the following:

- a criminal offence has been committed, is being committed or is likely to be committed
- that a person has failed, is failing or is likely to fail to comply with any legal obligation to which he or she is subject, e.g. mismanagement, negligence, breach of confidentiality obligations or a material breach of College policies and procedures
- a miscarriage of justice has occurred, is occurring or is likely to occur (this is defined as conviction and punishment of a person for a crime they did not commit)
- that the health and safety of any individual has been, is being or is likely to be endangered
- that the environment has been, is being or is likely to be damaged
- that information tending to show any matter falling within any of the preceding paragraphs is being or is likely to be deliberately concealed

These bullet points provide illustrations of the types of issues that would be regarded as a Protected Disclosure. The over-arching consideration is that the Protected Disclosure should relate to "significant wrongdoing" and be in the public interest.

6.2 Whistleblower

A person who raises a genuine concern which is made in the public interest relating to any of the above matters is commonly referred to as a "whistleblower". Within the spirit of legislation by having a Whistleblowing Policy in place, the College seeks to ensure that a member of staff suspecting malpractice as defined by the Act is aware of:

- how to raise their concerns; and
- the procedures that are in place to deal with their concerns.

Someone who wishes to raise a concern which falls within the definition of a Protected Disclosure should follow the Whistleblowing Procedure.

A member of staff **should not** use the whistleblowing procedure to raise complaints about their own personal circumstances, such as the way they have been treated at work, or as an alternative for other mechanisms which exist within the College. The College's Grievance Policy and Procedure is the main focus for raising any concerns regarding employment that falls outwith the classification of a public interest disclosure as defined in law. Consideration should also be

given to using, where appropriate, the College's Bullying and Personal Harassment Policy and Procedure.

If someone is uncertain whether something is in the scope of this policy they should first seek advice from the Clerk, see Contact Details provided in Section 14 of this Policy and Procedure.

7.0 Raising a Concern

7.1 Someone who wishes to raise a concern should submit this in writing to the Clerk.

7.2 The concern will be considered in confidence by a panel comprising the Clerk, the Vice Principal with responsibility for Human Resources and the Principal, to determine whether it satisfies the definition of a "Protected Disclosure" as provided in the 1998 Act. The Clerk has the ultimate decision on whether a matter is a "Protected Disclosure" or not.

7.3 If it is deemed that another procedure is more appropriate to deal with the concern raised, the individual will be advised and they shall have the right to appeal that decision to the Chair of the Board of Governors. If the concern raised is in relation to the Clerk or the Vice Principal with responsibility for Human Resources the matter should be referred directly to the Principal for consideration together with the other panel member. A concern that relates to the Principal or a Board member should be addressed to the Clerk, who will convene a suitable panel and will take advice from the Vice Principal with responsibility for Human Resources.

8.0 External Disclosures

8.1 The aim of this policy is to provide an internal mechanism for reporting at a high level, investigating and remedying any wrongdoing in the College. In most cases, those raising a concern should not find it necessary to alert anyone externally.

8.2 The law recognises that in some circumstances it may be appropriate for those raising a concern to make these known to an external body such as a regulator. The independent whistleblowing charity, Public Concern at Work, operates a confidential helpline. They also have a list of prescribed regulators for reporting certain types of concern. Their contact details are at the end of this document.

8.3 It will rarely if ever be appropriate to alert the media. Raising concerns through the use of social media is never protected.

8.4 The College strongly encourages those who have a concern to seek advice from the Clerk before reporting a concern to anyone external.

9.0 Protection and Support for Those Who Raise Concerns

9.1 It is understandable that individuals who raise concerns are sometimes worried about possible repercussions. The College aims to encourage openness and will support those individuals who raise genuine concerns in good faith under this policy, even if those concerns turn out to be mistaken.

9.2 Individuals raising matters must not suffer any detrimental treatment as a result of raising a concern in good faith. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If the person raising a matter

believes that they have suffered any such treatment, they should inform the Clerk immediately. If the matter is not remedied to their satisfaction, the Clerk will provide advice on how to take this further. For staff, this would normally be using the College's Grievance Policy and Procedure.

9.3 Individuals in the College must not threaten or retaliate against anyone who raises a concern under this policy in any way. Anyone involved in such conduct will be subject to disciplinary action.

9.4 It should be noted, however, that if it is concluded that the person raising the matter has made false allegations maliciously, in bad faith or with a view to personal gain, they will be subject to appropriate action, for example, if it is a member of staff, it would be disciplinary action and may constitute gross misconduct.

10.0 Confidentiality

10.1 The College wishes to ensure that anyone will be able to voice whistleblowing concerns openly under this Policy and Procedure. However, if the person wishes to raise their concern confidentially, the Clerk will make every effort not to disclose their identity. If it is necessary for anyone investigating their concern to know their identity, this will be discussed with the individual in advance.

10.2 In the event that an anonymous disclosure is received, the Clerk to the Board will discuss this with the Principal and Vice Principal with responsibility for Human Resources to determine how to manage the information provided.

10.3 Individuals with genuine concerns, who are worried about possible reprisals if their identity is revealed, should approach the Clerk and appropriate measures can then be taken in an endeavour to preserve confidentiality. If anyone is in any doubt, they can seek advice from Public Concern at Work, the independent whistleblowing charity, who offers a confidential helpline. Contact details are provided at the end of this Policy and Procedure.

11.0 If You Are Not Satisfied

11.1 Whilst the College cannot always guarantee the outcome that someone may be seeking, it will try to deal with any concern fairly and in an appropriate way.

11.2 If the person raising the matter is not happy with the outcome as communicated by the Clerk, they have the right of appeal to the Chair of the Board of Governors. This appeal should be submitted within 10 days of receipt of the College decision. The Chair of the Board of Governors would normally convene a panel of Board members to consider the appeal.

11.3 If a member of staff is unhappy with the way in which their concern has been handled, they can raise it with the Chair of the Audit and Risk Committee or the College's internal auditors. Contact details are set out at the end of this Policy and Procedure.

12.0 Procedure

12.1 In accordance with the College's Whistleblowing Policy those wishing to raise a concern should follow the procedure below:

12.1.1 Full details of the concern/allegations should be submitted in writing ("the Disclosure") to the Clerk to the Board of Governors ("the Clerk"). The Disclosure will be considered by the Clerk, in consultation with the Vice Principal with responsibility for Human Resources and the Principal, in confidence, to determine whether it raises appropriate issues to be considered under the Whistleblowing Policy and Procedure. In exceptional circumstances, the Clerk may seek advice from an external organisation. In these circumstances, the Clerk will liaise with the Chair of the Audit and Risk Committee of the Board of Governors before doing so.

12.1.2 The Clerk will inform the Principal that a whistleblowing concern has been raised at the outset but will keep the identity of the whistleblower confidential, where confidentiality is sought. If the concern raised is in relation to the Principal, the Chair of the Board of Governors will be informed instead. Again the Clerk will keep the identity of the Whistleblower confidential where that is sought.

12.1.3 The Clerk will acknowledge receipt of the Disclosure within five working days of receipt and will arrange to interview the Whistleblower, with the Vice Principal with responsibility for Human Resources, in confidence, within 10 working days of receiving the Disclosure. The purpose of this meeting is to obtain as much information as possible regarding the grounds of concern, to establish that it is indeed a whistleblowing concern and to advise on further steps that will be taken. The whistleblower can be accompanied by a colleague of their choice or a representative of a Trade Union ("the Companion") at this meeting. The Companion must respect the confidentiality of the disclosure and any subsequent investigation. Any failure to do so may result in disciplinary action which may be deemed to be gross misconduct.

12.1.4 If the decision of the Clerk, in consultation with the Vice Principal for Human Resources and the Principal, is that the Disclosure raised does not meet the definition of a public interest disclosure and falls outwith the scope of the Whistleblowing Policy and Procedure, this will be confirmed in writing, by the Clerk, to the Whistleblower and any Companion together with details of the appropriate College procedure through which the issue should be pursued.

12.1.5 If the Whistleblower does not accept that decision they may appeal to the Chair of the Board of Governors within five working days of receipt of the letter from the Clerk.

12.1.6 The decision of the Chair of the Board of Governors on the matter will be final. If the Chair should decide that the matter should be investigated under the Whistleblowing Policy, the matter will be remitted to the Clerk to lead the investigation in terms of this procedure.

12.1.7 In either case, where it is accepted that the concern raised meets the definition of a public interest disclosure in accordance with the Act, steps 7 to 12 of this procedure will apply.

12.1.8 Two Investigating Officers will be allocated to investigate the allegation. The lead Investigating Officer will always be the Clerk, the other will be either the Vice Principal with responsibility for Human Resources or another member of the Senior Management Team with no known prior involvement in the concern which has been raised and will be appointed by the Principal or the Chair of the Board of Governors depending on the circumstances.

12.1.9 If the Clerk or the Vice Principal with responsibility for Human Resources is the subject of the disclosure, the Investigating Officers will be the Principal (lead investigating officer) and a member of the Senior Management Team with no known prior involvement in the case, appointed by the Chair of the Audit and Risk Committee of the Board of Governors.

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12.1.10 If the Principal is the subject of the Disclosure the investigating officers will be the Clerk plus a member of the Board of Governors appointed by the Chair of the Board of Governors.

12.1.11 Investigations may, where considered appropriate, involve the College's internal auditors or other specialist advisers. The decision to involve internal auditors or other specialist advisers will be made by the Investigating Officers.

12.1.12 Attempts will be made to investigate and resolve the issues in relation to the concern raised as quickly as possible. The Clerk will aim to keep the Whistleblower and any Companion informed of the progress of the investigation and likely timescale. However, sometimes the need for confidentiality may prevent the Clerk giving the whistleblower and any companion specific details of the investigation or any disciplinary action taken as a result. The Whistleblower and any Companion must keep any information which they are given about the investigation confidential.

12.1.13 The outcome and actions/recommendations, as a result of the investigation will be communicated in writing to the Whistleblower and copied to any Companion. If the Whistleblower is not satisfied with the outcome they have the right of appeal to the Chair of the Board of Governors which must be submitted within 10 days of receipt of the outcome. The Chair will normally convene a panel of Board members to hear the appeal.

12.1.14 If the member of staff is unhappy with the manner in which the Disclosure has been handled, they can raise it with the Chair of the Audit and Risk Committee of the Board of Governors or the College's internal auditors. Contact details are provided at the end of this Policy and Procedure.

12.1.15 On conclusion of the case and the outcome confirmed, the Clerk will prepare a report for the Audit and Risk Committee summarising the outcome and recommendations as a result of the case. The Audit and Risk Committee of the Board of Governors will then have oversight of the implementation of those recommendations.

13.0 Confidentiality

13.1 Confidentiality can never be completely guaranteed but should be maintained as far as practicable. Under no circumstances should the Whistleblower who has made the Disclosure, anyone acting as a Companion to them at any investigation meeting, or any member of staff involved in any investigation as an Investigating Officer or as a witness discuss any aspects of the Disclosure with the media, i.e. press, radio, television, or with any other third party not involved in the process, while this process is underway or thereafter. This would be a matter of disciplinary action.

14.0 Contact Details

Clerk to the Board of Governors – {Insert Name}	Tel:	01383 845009
	Ext:	5338
	Email:	{insert name}@fife.ac.uk
College's Internal Auditors - BDO Limited	Tel:	07800 682016
	Email:	craig.wright@bdo.co.uk
	Website:	www.bdo.co.uk
Public Concern at Work - Independent Whistleblowing Charity	Helpline:	(020) 7404 6609
	Email:	whistle@pcaw.co.uk
	Website:	www.pcaw.co.uk

THE BOARD OF GOVERNORS OF FIFE COLLEGE

Audit and Risk Committee

Sign off of Expenses and Claims

1 Introduction

As of 3 March 2014, the Chair of the Board is entitled to claim a fee of £265 for every 7.5 hours (excluding meal breaks) devoted to performing functions on a pro rata basis, up to a maximum total fee of £27,650 in year one and £20,670 per financial year thereafter. Fees are to be paid through payroll and are taxable. PAYE deduction in respect of income tax and National Insurance are to be made.

2 Proposal for Authorisation

Advice was sought by the college from the newly appointed internal auditors, BDO Ltd. The following proposals are made with regards to expenses and the Chair's fee claims:

2.1 Expenses for all Board Members including Chair but excluding Principal

- Clerk to sign off as correct/accurate/in accordance with procedures
- Vice Principal Finance to sign off authorising for payment
- Expenses are quarterly published on College website (happens currently anyway, and this is in accordance with Ethical Standards Act requirements).

2.2 Principal's Expenses

- Chair should sign off as correct/accurate
- Vice Principal Finance to sign off authorising for payment and being in accordance with procedures

2.3 Chair's Claims for Fee

- Clerk to sign off as correct/accurate/in accordance with procedures
- Vice Principal Finance to sign off authorising payment
- Annual report to go to Audit and Risk Committee detailing fees claimed and paid, and recorded publicly in minutes.
- Clerk to record fees claimed and paid in a spreadsheet to monitor the level of fees and to ensure the maximum limit is not exceeded.

3 Recommendation

Members of the Audit and Risk Committee are invited to discuss the proposal above and agree whether it or not it is appropriate.

THE BOARD OF GOVERNORS OF FIFE COLLEGE

The Audit and Risk Committee

Update on Arm's Length Foundation (ALF)

1 Introduction

As a result of the reclassification of Scotland's Colleges from 1 April 2014 an arm's length foundation (ALF) requires to be set up in order that any reserves are not returned to the Scottish Government.

2 Process So Far

The Board of Governors of Fife College agreed that a separate ALF be set up for Fife College rather than use the sector wide umbrella foundation.

Turcan Connell were engaged to set up the trust. This has been done and OSCR and HMRC approval has now been achieved.

Initially there were 3 trustees. The foundation documentation requires a minimum of 5 trustees. We now have 5 trustees, one College employee (Vice Principal Finance and Planning) and 4 external trustees.

The four external trustees are:

John Macleod: a qualified surveyor who has worked with the College in the past on Estates issues.

Chris Phillips: a solicitor who is a partner at Simpson and Marwick

Julie Tindal: a formed College employee who worked in Access and Inclusion

Ian Winn: a retired finance officer from Elmwood College

Fife College transferred £1.2 million to the ALF on 31 March 2014.

The trustees will meet in early June 2014 when Turcan Connell will provide clarification on the foundation and the trustees' responsibilities.

Our external auditors, Grant Thornton, are fully aware of all documentation.

3 Recommendation

Audit Committee Members are invited to note progress made in setting up the ALF, the money transfer and the trustee appointments.

T:/EG/Mtgs/2013-14/BoG/04.06.14/Arms Length Foundation

THE BOARD OF GOVERNORS OF FIFE COLLEGE

Audit and Risk Committee

Evaluating the External Audit Service

1 Introduction

It was agreed at previous Audit Committee meetings that a formal evaluation of the external audit service be carried out on an annual basis.

2 Evaluation

The Audit Service Quality Survey 2007-08 is attached for this purpose as Appendix 1.

3 Recommendation

Members of the Committee are invited to complete the checklist, and results thereafter will be circulated to Members at the next meeting.

Key:
SA: Strongly Agree
A: Agree
D : Disagree
SD: Strongly disagree
NA: Not Applicable

THE BOARD OF GOVERNORS OF FIFE COLLEGE

The Audit and Risk Committee

Evaluation of the External Auditor

No	Statement	SA	A	D	SD	NA
1	**Staffing and Working Relationships**					
1.1	Senior audit staff (managers and above) were competent, professional and made a meaningful contribution to the audit					
1.2	Other audit staff appeared competent, professional and helpful during the audit.					
1.3	Senior audit staff understood the body's business and the issues it faced in 2013-14					
1.4	Other audit staff understood the body's business and the issues it faced in 2013-14.					
1.5	Overall we had a good working relationship with our external auditors.					
2	**Consultation and Communication**					
2.1	The auditors discussed the content of the audit plan with relevant senior staff before it was finalised.					
2.2	The audit focused on areas of greatest risk.					
2.3	The auditors kept staff informed of significant issues arising during the course of the audit.					
2.4	The auditors explained the factors that influenced the level of the proposed/agreed audit fee (ie as opposed to the Audit Scotland 'fixed charge' element).					
3	**Corporate Governance (including appraisal of systems of internal control)**					
3.1	The range of external audit work carried out on governance, including systems of internal control, seemed appropriate.					
3.2	The external auditors liaised with internal audit to avoid duplication of effort.					
3.3	The external auditors placed, or sought to place, reliance on the work of internal audit, where appropriate.					
3.4	The auditors conducted an appropriate review of the arrangements for preventing and detecting fraud and irregularity.					
3.5	The auditors conducted an appropriate review of the arrangements for ensuring proper standards of conduct, integrity and openness (for example, arrangements for monitoring compliance with codes of conduct).					

Key:
SA: Strongly Agree
A: Agree
D : Disagree
SD: Strongly disagree
NA: Not Applicable

No	Statement	SA	A	D	SD	NA
4	**Audit of the Financial Statements**					
4	The auditors appeared to carry out an appropriate range of work to audit the financial statements.					
	The auditors had a sound knowledge and understanding of the relevant financial reporting framework (ie the Accounts Direction and SORP).					
	The audit had a positive impact on the completeness and accuracy of the audited financial statements.					
5	**Reporting the Audit**					
	In relation to the **annual audit report for members:**					
5.1	• The report was an appropriate length (if you disagree, please say whether it was too long or too short).					
5.2	• The report provided an appropriate summary of the significant matters arising from the audit.					
5.3	• The content was relevant to board members, and not just officers.					
5.4	• Issues were reported clearly.					
5.5	• The report contained a clear action plan with recommendations for improvement.					
5.6	• The report was issued timeously.					
5.7	• The annual audit report had, or will have, a positive impact on the body's finances, standards of governance, internal control, or the delivery of services.					
6	**The Auditors' Interaction with the Audit Committee (or equivalent)**					
6.1	Senior external staff made their accessibility and availability known to the audit committee.					
6.2	Senior external audit staff attended the committee regularly, or attended when requested to do so.					
6.3	The auditors presented their audit plan to the committee and responded appropriately to any questions that were raised.					
6.4	The auditors presented external audit reports to the committee and responded appropriately to any questions that were raised.					
6.5	External audit reports were of a high standard (eg clear, well written and aimed at achieving action).					
6.6	The external auditors' oral presentations were of a high standard.					
6.7	The external auditors' reports made, or will make, a positive impact on the finances, standards of governance, internal control or service delivery in the body.					

Key:
SA: Strongly Agree
A: Agree
D : Disagree
SD: Strongly disagree
NA: Not Applicable

No	Statement	SA	A	D	SD	NA
7	**Overall Views of the Audit**					
7.1	Overall, the external auditors provided a high quality service.					
7.2	Overall, the external audit made, or will make, a positive impact on the finances, standard of governance, internal control or service delivery in the body.					
7.3	Please identify the three most positive aspects, generally, of the auditors' conduct of the 2013-14 audit: •					
7.4	Please identify three examples of where the audit has had most impact in the College: •					
7.5	Please identify three things that would have improved the quality of the service provided by the auditors: •					

(Taken from Audit Service Quality Survey 2007-08)

THE BOARD OF GOVERNORS OF FIFE COLLEGE

The Audit and Risk Committee

Evaluating the Internal Audit Service

1 Introduction

An evaluation of the Internal Audit Service should be undertaken annually.

2 Evaluation

A questionnaire is attached, which Committee Members are requested to complete, and results thereafter will be circulated to Members.

3 Recommendation

It is recommended that members of the Audit and Risk Committee agree to proceed as outlined in paragraph 2 above.

INTERNAL AUDIT

QUALITY OF SERVICE

QUESTIONNAIRES

Did not meet expectations | Met expectations | Exceeded expectations

OUR DEALINGS WITH YOU

		1	2	3	4	5	6	7	8	9	10
1	understanding your industry sector										
2	understanding your business										
3	proactively anticipating your needs										
4	keeping you up to date on technical issues										
5	providing high quality service										
6	demonstrating that you are an important client										
7	responding effectively										
8	dealing with any problems in the relationship										
9	contacting you regularly										
10	executing the work										
11	adding value over and above the assignment										
12	charging fees that are competitive										
	SUBTOTAL	0	0	0	0	0	0	0	0	0	0

OUR MANAGEMENT OF YOUR ASSIGNMENT

		1	2	3	4	5	6	7	8	9	10
1	agreeing with you in advance what we are going to do										
2	notifying you promptly of changes in scope and seeking your approval										
3	agreeing costs in advance and avoiding surprises										
4	listening to what you have to say										
5	keeping you sufficiently informed of progress										
6	keeping to our promises regarding deadlines										
7	demonstrating creativity in our proposed solutions										
8	offering a fast turnaround when requested										
9	organising our resources effectively										
10	the thoroughness of our approach to your work										
	SUBTOTAL	0	0	0	0	0	0	0	0	0	0

COMMUNICATIONS

		1	2	3	4	5	6	7	8	9	10
1	being easily contactable										
2	responding quickly to communications from you										
3	explaining clearly what we are doing and why										
4	communicating clearly, concisely and without using jargon										
5	providing interesting and relevant publications and seminars										
6	using your preferred communication channels										
7	the way in which our people relate to your people										
	SUBTOTAL	0	0	0	0	0	0	0	0	0	0
	TOTAL	0	0	0	0	0	0	0	0	0	0
	TOTAL AS PERCENTAGE	####	####	####	####	####	####	####	####	####	####

HENDERSON LOGGIE PERSONNEL

		1	2	3	4	5	6	7	8	9	10
	S INGLIS										

OVERALL

		1	2	3	4	5	6	7	8	9	10
1	How has Henderson Loggie performed overall?										

		Y	N
2	Would you recommend Henderson Loggie to your friends/clients?		
3	Would you use Henderson Loggie to conduct other work for you?		

THE BOARD OF GOVERNORS OF FIFE COLLEGE

Audit and Risk Committee

Effectiveness of the Audit and Risk Committee

1 Introduction

The Audit and Risk Committee is required to provide evidence of its effectiveness in the Annual Report to the Board of Governors.

2 Effectiveness of Audit and Risk Committee Update

The template attached is the version taken from the Association of Scotland's College's Guide for Board Members 2006.

3 Recommendation

It is recommended that members of the Audit and Risk Committee review the template to ensure it provides adequate assurance of the Committee's effectiveness. It should thereafter be completed by all Members and returned to the Clerk to the Board, who will collate responses for discussion and circulation.

THE BOARD OF GOVERNORS OF FIFE COLLEGE

The Audit and Risk Committee

Effectiveness of the Audit Committee:
Self Assessment Review – 2014-15

	Yes	No	Comments / Actions
Does the Audit Committee have written terms of reference that are approved by the Board?			
Does the written terms of reference allow the Audit Committee to maintain independence from the management of the College?			
Are the members of the Audit Committee separate from the management of the College, to ensure independence?			
Is there at least one member of the Audit Committee who has significant recent and relevant experience? (Finance and Risk).			
Does membership exclude: the Chairman of the Board, SMT and members of the Finance Committee?			
Has a quorum been set and is it being observed?			
Does the Audit Committee meet regularly (at least quarterly)?			
Have members of the Committee received appropriate training on the regulations governing the College and the College's operations?			
Is the timing of the Audit Committee meeting arranged so that key decisions and areas of advice can be reported to full Board meetings?			
Does the Audit Committee carry out a self-assessment exercise on its own performance on an annual basis?			
Does the Audit Committee produce an annual report for the Board advising on the adequacy of the internal control systems operating at the College?			
Does the Audit Committee monitor the effectiveness of the service provided by both internal and external audit?			
Does the Audit Committee review and recommend to the Board for approval the internal audit needs assessment and the internal audit annual plan?			
Do the internal auditors produce an annual report for the Audit Committee			

	Yes	No	Comments / Actions
that includes an overall assessment of the adequacy and effectiveness of operation of the College's internal control systems?			
Is the management letter from the external auditors clearly laid out, identifying significant issues arising out of their audit work, with practical recommendations for improvements?			
Does the College have written procedures on the action to take if a case of suspected or known fraud or irregularity is reported?			
Is the Audit Committee satisfied that the external auditors have planned and conducted their audit work so that they have a reasonable expectation of detecting material misstatements in the accounts resulting from irregularities, including fraud or corruption, or breach of regulations?			
Is there a mechanism for internal and external auditors to report directly to the Chair of the Audit Committee, should the need arise?			
Does the Audit Committee meet both the internal and external auditor at least annually without the presence of the SMT?			
Does the remit of the Audit Committee include any subsidiary companies or trading arms?			

(Taken from the ASC Guide for College Board Members 2006)

THE BOARD OF GOVERNORS OF FIFE COLLEGE

Audit and Risk Committee

Review of Committee Structure

1 Introduction

It was agreed by the Board of Governors that the new Committee Structure would be reviewed after its first year of implementation. Today's meeting is the last that this Committee will meet during academic year 2013-14.

2 Feedback

Feedback is requested on all aspects of the Committee structure. You may wish to consider some of the following points:

- Timing of meetings
- Frequency of meetings
- The remit of this Committee – eg is it correct and it is too narrow / too wide, have all aspects been covered during this academic year?
- Are there any gaps (in terms of this Committee or in reporting on key areas to the Board)
- Information contained within papers – is it easy to understand or is more/less information needed?
- Are papers issued sufficiently in advance of meetings to allow adequate preparation?
- Do Board Members have sufficient skills / knowledge to contribute to meetings or are there any gaps?

These points are indicative and you should feel free to add any other points that you think are relevant.

3 Next Steps

Results will be collated from all Committees, and presented at the June Board of Governors meeting where themes can be identified / any changes required agreed.

Fife College

BOARD OF GOVERNORS

AUDIT AND RISK COMMITTEE

1.0 Composition

The Audit and Risk Committee will have a minimum of four members of the Board.

For a meeting to be quorate, three members must be present.

The Committee should have a range of skills and experience and at least one member should have a background in finance, accounting or audit.

The Vice Principal Finance and Planning, or their nominee, should be in attendance at each meeting. The Chair of the Board, the Chair of the Finance, Commercial, Planning and Estates Committee and the Principal is invited to attend meetings. The College's appointed internal and external auditors will be invited to send representatives to each meeting.

Members of the Finance Committee, the staff nominees or anyone with executive authority in the college may not be members of the Audit and Risk Committee.

The Committee should normally meet four times per year and at least three times per year, one of which must be to consider the annual financial statements and accompanying external audit report. The Committee will annually hold a private meeting (without College executives present) with internal and external auditors to discuss audit issues. Audit and Risk Committee Members or the internal or external auditors may request an additional private meeting at any time should there be issues that require to be discussed.

2.0 Overall Purpose

The purpose of the Audit and Risk Committee is to assure the Board of Governors that Fife College has in place a system of governance, internal control and risk management which is being maintained and developed to meet legislation and regulations applying to the sector.

3.0 Remit and Duties

3.1 Probity

- Advise on the selection, appointment and remuneration of the internal audit service
- Agree an internal audit work programme annually based on an audit needs assessment
- Receive the internal audit reports as per the agreed work programme and ensure that recommendations are adequately responded to by the college
- Receive an annual report from the internal auditor which should include an opinion on the degree of assurance that can be placed on the systems of internal

Fife College

control and any follow-up actions still outstanding which should be closed off by the College

- Review the annual financial statements with a view to recommending them to the Board for approval
- Receive the external auditor annual report and management letters and to ensure that any recommendations are adequately responded to by the college
- Monitor the effectiveness of internal and external audit service and promote co-ordination between the two
- Review the effectiveness of financial and other control systems ensuring value for money
- Oversee the policies on fraud and irregularity and receive reports on any fraud or irregularity, potential or real, ensuring that action is taken by the college to address these
- Receive an annual report on any matters of whistleblowing or disclosure and ensure that any recommendations from these are adequately responded to by the college

3.2 Risk Management

- Monitor and ensure the effectiveness of the college's approach to risk assessment and management through regular review of the Risk Register and other reports
- Review the prioritisation of risk management taking into account financial, reputational, commercial and other risks
- Request reviews by the college of areas of high or escalating risk ensuring that recommendations from these are adequately responded to
- Review key risks associated from subsidiary companies of the college, at least annually, ensuring that action is taken in mitigation of any risks identified
- Receive ad-hoc reports on matters of potential reputational, commercial and/or financial risk and ensure that the college's approach to managing the risks is appropriate and adequate

3.3 Performance

- Undertake a self-evaluation exercise annually to ensure that the Audit and Risk Committee complies with best practice in relation to governance and that the internal and external audit service is satisfactory
- In accordance with the Scottish Funding Council Code of Audit Practice, provide an annual report to the Board of Governors on the adequacy and effectiveness of the College's internal control systems and on the effectiveness of the work of the internal and external auditors.

3.4 Other Matters

- Receive and review reports related to the work of the Committee prepared by external bodies

Fife College

3.4 Reports from the Committee

- Report to each Board of Governors meeting relevant matters discussed within the Committee
- Prepare an annual report to the Board of Governors that gives an opinion on the system of governance, internal control and risk management within the college
- Report to the relevant Committee of the Board of Governors matters that impact on their remit