

AGENDA

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

Meeting: Audit and Risk Committee Annual Private Pre-Meeting

Date: Thursday 17 November 2022 at 1.30pm

Location: Microsoft Teams

Papers highlighted in purple font have not been published with the agenda as they are either due for future publication or are not in the public domain.

No	Item	Action	Lead	Pages
1	External / Internal Audit Process	Discuss	BF	2-2

AUDIT AND RISK COMMITTEE

Meeting: Audit and Risk Committee

Date: Thursday 17 November 2022 at 2.00pm

Location: Microsoft Teams

No	Item	Action	Lead	Pages
1	Welcome, Apologies and Declarations of Interests	Note	BF	N/A
2	Minutes of the Previous Meeting: 8 September 2022	Approve	BF	
3	Matters Arising / Actions Outstanding	Note	BF	3-3
4	Any Emerging Themes	Discuss	All	N/A
5	Strategic Risk Register	Approve	SD	4-10
6	Internal Audit:			
	6.1 Update on Internal Audit Actions: Exception Report	Note	IA	
	6.2 Credits Return 2021-22	Note	IA	
	6.3 Student Support Funds 2021-22	Note	IA	
7	National Fraud Initiative Update	Note	SD	
8	Draft Audit Committee Annual Report to the Board of Governors	Approve	SD	
9	Procurement Options Paper Update for the Provision of Internal Audit Services	Note	SD	
10	Review of Meeting	Discuss	All	N/A
11	Date of Next Meeting: Tuesday 7 March 2022 at 3.30pm	Note	BF	N/A

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 and Risk 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.



Board of Governors: Audit and Risk Committee

Actions Outstanding / Progress Made

Key:	
	Outstanding and deadline passed
	Progressing and on target
	Complete

	Date of Meeting	Action	Responsibility	Deadline	Comments
1	08.09.22	To recommend the risk register for 2022-23 to the Board of Governors for approval.	Chief Financial Officer	29.09.22	Complete
2	08.09.22	To include an update in Board papers about student retention and the impact of rising costs; and on the progress with the new Dunfermline Learning Campus.	Principal / Chief Financial Officer	29.09.22	Complete. The update on student retention and impact of rising cost was issued to the Board members on Friday 7 October 2022. Update on Dunfermline Learning campus will be provided within risk update provided by J Lewthwaite.
3	08.09.22	To approve the draft response to the letter from the external Auditors.	Director: Governance and Compliance	12.09.22	Complete
4	08.09.22	To approve the annual report for submission to the Board of Governor, subject to the suggested change being made.	Director: Governance and Compliance	29.09.22	Complete

COVER SHEET FOR PAPERS TO BE CONSIDERED BY THE BOARD

Strategic Risk Register 2022-23	
Date of Meeting:	Thursday 17 November 2022
Purpose:	To present to the Audit and Risk Committee the updated Strategic Risk Register 2022-23.
Intended Outcome:	Audit and Risk Committee members are invited to review the controls in place for the top risks and give assurance to the Board that the risks are being appropriately controlled by management.
Paper Submitted by:	Susan Dunsmuir, Deputy Principal
Prior Committee Approvals:	N/A
Board Impact from Decision:	Confirmation that the College's approach to risk assessment and management remains robust and effective and that all reasonable steps appear to have been taken by management to eliminate, reduce and remove risks as appropriate, in line with our overall risk management policy.
Financial Health Implications:	N/A
Learner Implications:	N/A
Equality and Diversity Implications:	N/A
Risks Assessed:	N/A
Publicly Available:	Yes
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Date of Production:	4 November 2022

BOARD OF GOVERNORS OF FIFE COLLEGE

Audit and Risk Committee

Strategic Risk Register 2022-23

Introduction

1. The Strategic Risk Register is monitored and reviewed on a quarterly basis by the Executive Team, in order to give assurances to the Board of Governors, via the Audit and Risk Committee, that risks are being controlled appropriately. This paper provides the latest update for comment.

Changes to the Risk Environment

2. The Strategic Risk Register has been reviewed as at end October 2022. Attached is a dashboard report summarising where the risks are sitting, if there has been any movement since the previous report, and if we have any risks out with their tolerance level.
3. The summary below details where significant changes have been made however all individual risk sheets, including those where minor or no changes have been made, can be accessed via the following link: [Risk and Opportunities Register 2022-23](#).
4. Specific changes to highlight to the Audit and Risk Committee are:

4.1 Change in risks since previous version

New Risks

No new risks have been added to the register.

Risk Descriptions

There have been three changes made, as outlined below:

- **Risk Description – Risk 3**

- **September 2022:** Failure to make use of current and emerging technologies effectively and to ensure continuous enhancement of digital capability and confidence in support of hybrid learning and teaching delivery models as expected by all stakeholders and necessary to support sustained delivery
- **November 2022:** Failure to adopt current and emerging technologies, and to ensure continuous enhancement of digital capability in support of effective and efficient hybrid learning and teaching delivery models.

- **Risk Description – Risk 5**

- **September 2022:** Failure to achieve student recruitment targets across grant-in-aid (GIA) and Non-GIA income activity and to deliver relevant, inclusive and sustainable regional curriculum, including ensuring successful outcomes for all students.

- **November 2022:** Failure to achieve recruitment targets across GIA and Non-GIA income activity and to deliver relevant, inclusive and sustainable curriculum, ensuring successful outcomes for all students.

- **Risk Description – Risk 10**

- **September 2022:** Failure to achieve positive and sustained transitions for students and to create attractive and motivating learning environments and conditions for progressive learner journeys.
- **November 2022:** Failure to achieve positive and sustained transitions for students and to create attractive and motivating learning environments and conditions for learner journeys.

Risks Removed

No risks have been removed from the register.

4.2 Change in Net Risk Scores since previous version

Increased Net Risks

Two net risk scores increased during the period.

Risk (8) Risk that we fail to achieve and grow commercial income in line with the five-year financial forecast plans

- The likelihood score has increased to 4, from 3 and therefore moves the overall score to 12, from 9 which is above the tolerance level.

Risk (9) Failure to achieve cohesive culture

- The impact score has increased to 3, from 2 and therefore moves the overall score to 9, from 6 which is above the tolerance level.

Decreased Net Risks

No net risk scores decreased during the period.

Risk Scores out with Tolerance Level

Four risks remain out with tolerance.

Risk (2) Failure to achieve annual financial targets in line with the five-year financial forecast plan

- Our scenario planning outputs and financial forecast to 2026/27 were reviewed and approved by the Finance, Commercial & Estates Committee and Board of Governors in September 2022 and submitted to Scottish Funding Council. We have had some high-level queries from SFC on our return but nothing substantive.
- The prospective of flat cash and ongoing inflationary cost pressures required a full review of the college's financial forecast and actions to maintain a financial sustainability across the planning period.

- The College will take a planned approach to secure financial sustainability which will incorporate the following:
 - Non-SFC Income growth
 - Increased student retention and credit maximisation
 - Undertaking a project between now and 2023 to review our curriculum offering and delivery models
 - Explore and expand collaborations with other College and Universities
 - Review our estate, utilisation and current footprint
 - Review all non-staff and discretionary spend to seek savings
 - Review all areas of the business to consider impact/output
 - Accelerate business process improvements seeking efficiencies
 - Voluntary Severance scheme is available and will be utilised as part of the ongoing workforce planning and FTE requirements set.

- Work is underway to review the reforecast position of the current academic year 2022/23 and an update of this position will be presented to the Finance Committee and Board in November 2022.

- Workforce and resource planning for 2023/24 has now begun as outlined within our financial forecast position.

- Stretched income targets out to 2023/24 are also being discussed as part of the current in year review process.

- As there is no further information or update from SFC on future funding and our plans remain at any early stage for 2023/24 we have left this risk out with tolerance. As we progress through the budget process for 2023/24 we will review this position

Risk (8) Risk that we fail to achieve and grow commercial income in line with the five-year financial forecast plans

- The risk has moved out with tolerance due to the risk of Scottish Government withdrawing Flexible Workforce Development Fund (FWDF).

The following actions will be progressed over the coming months:

- Continue to seek clarification on the position of FWDF allocations for 2022/23 from SFC
- Finance, Faculty Directors and Business Development to understand the financial impact of this on our FFR and the resource implications across the faculties.
- Business Development Managers to engage with their current clients to establish who will proceed and pay direct for any planned training should FWDF be pulled for 2022/23.
- Engage with the Faculty Directors, Academic Heads and Business Development Managers to seek opportunities to replace this income stream

Risk (9) Failure to achieve cohesive culture

- Risk has moved beyond the tolerance level set as a result of recent discussions and the prolonged uncertainty for staff related to the national job evaluation project which affects staff in the support staff bargaining unit at the College.
- The project is reaching a key milestone of completion of the quality assurance phase with the College to receive rank order of roles in November for review.
- Future phases include pay and grading, appeals, evaluation of new and changed posts and embedding of the job evaluation scheme across the college sector.
- The Employers Association have agreed a mix of implementation of the next phases at national and local college level. This is being refined and discussed nationally and, as such, may have a greater or lesser impact on the work the College will need to undertake to deliver the project.
- It is clear the next phases of the project will impact on staff, negatively or positively depending on outcomes, and also the resources the College needs to implement what is agreed nationally.

The College will be required to ensure that:

- Prior to local implementation of any or all aspects of this project, we have clarity on the current status of any activity being moved from national to local to ensure the College and wider stakeholders have a full understanding of what is being handed over and what is required at the local level.
- The College will be proactive in addressing this including clarity of process and criteria, methodological transparency, and effective communication and engagement with all involved.
- Appropriate resourcing will be put in place to ensure the College delivers the aspects of the project requiring local implementation. Discussion is underway with other colleges to explore partnership and collaborative working.

Risk (13) Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for the College

- The College New Campus Project Board and SFC received an updated total development cost following the price submitted by BBCL in October 2022 which took the total development cost to £131m.
- GTMS are continuing to interrogate the BBCL tender submission we received in October 2022 in order to ensure that the price we agree, with our preferred contractor, to build the new campus is fair and reasonable in the current market conditions.
- It is anticipated that a final contract sum will be agreed with BBCL by 11 November 2022, at which point a revised delivery programme will be requested and obtained from BBCL.

- SFC has requested an updated DP4 report outlining the agreed construction contract price, programme and detailed movement from the FBC submitted and approved for £100m. Our project team and GTMS are working on this in parallel to finalising the construction cost.
- The college submitted the revised DP4 to SFC 30 October 2022. SFC have since issued queries which have been fully responded to by GTMS and the project team on 4 November 2022.
- The College New Campus Project Board and SFC have been updated on the current position.

Risk Events Log

5. There were no risk events logged during this period.

Recommendation

6. The Strategic Risk Register has been updated based on the above and is presented to the Audit and Risk Committee for approval. Members of the Audit and Risk Committee are invited to:
 - Comment on the strategic risks and whether any should be considered for removal/adjustment
 - Consider whether any new risks should be considered for inclusion.

Audit and Risk Committee members are invited to review the controls in place for the top risks and give assurance to the Board of Governors that the risks are being appropriately controlled by management.

STRATEGIC RISK REGISTER

October 2022

Overview

The following have been identified as the top strategic risks of Fife College for the reporting period up to January 2023. The colour status applied to each listed risk is based on the residual (Net) score applied within the top risk register maintained by the College.

RED Score

- ↔ (2) Failure to achieve annual financial targets in line with the five year financial forecast plan
- ↑ (8) Risk that we fail to achieve and grow commercial income in line with the five year financial forecast plans
- ↔ (13) Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for the College

AMBER Score

- ↔ (1) Failure to implement effective financial planning and control regarding estates and achieve the estate strategy objectives in support of the strategic plan
- ↔ (3) Failure to adopt current and emerging technologies, and to ensure continuous enhancement of digital capability in support of effective and efficient hybrid learning and teaching delivery models
- ↔ (4) Failure to focus on wider wellbeing of staff and students
- ↔ (5) Failure to achieve recruitment targets across GIA and Non-GIA income activity and to deliver relevant, inclusive and sustainable curriculum, ensuring successful outcomes for all students
- ↔ (7) Risk of external political/ funding/regulatory changes
- ↑ (9) Failure to achieve cohesive culture
- ↔ (10) Failure to achieve positive and sustained transitions for students and to create attractive and motivating learning environments and conditions for learner journeys
- ↔ (11) Failure to take steps to maintain reliable IT infrastructure and to protect systems from attacks and misuse, possibly remotely over the internet. Steps may be technical or procedural in nature. Technical steps more easily addressed than procedural steps which require buy in from staff and learners across the College
- ↔ (12) Failure to fully comply with statutory or regulatory requirements leading to a breach of legislation, resulting in legal action, a fine or another penalty against the College
- ↔ (14) Failure to mutually negotiate agreeable terms for year 7, being the final year of the optional extension period for the Scottish Prison Service (SPS) contract impacting on margins and more equitable contract terms and conditions.

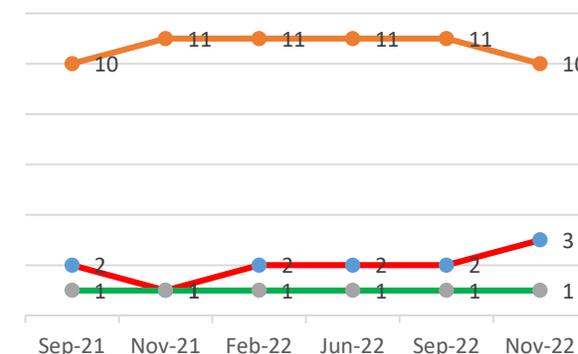
GREEN Score

- ↔ (6) Failure to develop capacity and skills mix that fits the strategy

RAG Key

- ↔ No score movement from last quarter
- ↑ Residual (Net) score increase from last quarter. Colour of arrow denotes the previous score colour
- ↓ Residual (Net) score decrease from last quarter. Colour of arrow denotes the previous score colour
- New Risk
- ↑↓ Combination of previously separate risks within the top risk register

Risk Movement



Risk Tolerance Summary

