

AGENDA

Meeting: Audit and Risk Committee

Date: Tuesday 7 March 2023 at 3.30pm

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	Welcome, Apologies and Declarations of Interests	Note	BF	N/A
2	Minutes of the:			
	2.1 Previous Meeting: 17 November 2022	Approve	BF	
	2.2 Joint Audit and Risk / Finance, Commercial and Estates Committee Meeting: 17 November 2022	Approve	BF	
3	Matters Arising / Actions Outstanding	Note	BF	2-3
4	Any Emerging Themes	Discuss	All	N/A
5	Strategic Risk Register	Approve	WB	4-10
6	Assurance Framework	Endorse	WB	
7	National Fraud Initiative Checklist	Note	WB	
8	Internal Audit:			
	8.1 Internal Audit Actions: Exception Report	Note	IA	
	8.2 Procurement	Note	IA	
	8.3 Staff Wellbeing	Note	IA	
9	Internal Audit Tender: Update on Progress	Note	MP	
10	Review of Meeting	Discuss	All	N/A
11	Date of Next Meeting: Thursday 1 June 2023 at 3.30pm	Note	BF	N/A



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	17.11.22	The job evaluation national project to be separated out as a new strategic risk (rather than being included in risk 9) in light of elongated timescales, lack of clarity and key milestone dates for discussion at the next meeting, and thereafter recommended to the Board of Governors for approval as part of the overall strategic risk register.	Deputy Principal	07.03.23	Complete. On agenda
2	17.11.22	To bring the NFI checklist to the next meeting for review.	Deputy Principal	07.03.23	Complete. On agenda
3	17.11.22	To update the Annual Report to the Board of Governors and present it to the next meeting with the annual accounts.	External Auditor / Deputy Principal	08.12.22	Complete
4	17.11.22	To proceed with the procurement exercise for internal auditor services based on the existing extended framework.	Deputy Principal	07.03.23	Complete. Update on agenda
5	17.11.22	Where questions are submitted in advance of the meeting by members, to circulate these and the responses to all Committee members for information.	Director: Governance and Compliance	07.03.23	Now ongoing
6	17.11.22 Joint	To recommend the approval of the draft Annual Accounts 2021-22 to the Board of Governors, subject to the changes as outlined above being made.	Deputy Principal	08.12.22	Complete
7	17.11.22 Joint	To finalise the External Audit Annual Report for presentation at the Board of Governors meeting.	External Auditor	08.12.22	Complete

	Date of Meeting	Action	Responsibility	Deadline	Comments
8	17.11.22 Joint	To articulate the discussion relating to the red rating within the External Audit Annual	S Mitchell	08.12.22	Complete
9	17.11.22 Joint	To finalise the draft letter of representations for signature at the Board of Governors meeting.	Deputy Principal	08.12.22	Complete



COVER SHEET FOR PAPERS TO BE CONSIDERED BY THE BOARD

Strategic Risk Register 2022-23	
Date of Meeting:	Tuesday 7 March 2023
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:	Wendy Brymer; Director: Planning and Performance
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
Author Contact Details:	Wendy Brymer (wendybrymer@fife.ac.uk)
Date of Production:	17 February 2023

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 January 2023. 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

There was one new risk added to the register, as outlined below:

Risk (15) Failure to implement the agreement for a national job evaluation scheme with an associated national pay spine and local pay and grading structure for colleagues in the support staff bargaining unit. The college will receive an amount of reserved funding from the Scottish Government for implementing the outcomes. The potential impacts of this failure will be affordability if the SG funding is not available; reduced morale and relationships with staff affected and the unions who represent the staff; and reputational. These impacts could be felt at a national and local level.

Risk Descriptions

There have been no changes made.

Risks Removed

No risks have been removed from the register.

4.2 **Change in Net Risk Scores since previous version**

Increased Net Risks

One net risk scores increased during the period.

Risk (7) Risk of external political/funding/ regulatory changes

- The Scottish Government published its Draft Budget 2023/24 on Thursday 15 December 2022. The budget will not be finalised until it has gone through the Scottish Parliament's legislative process, which is due to be completed by the end of February 2023 but the indications from SFC are that it will be "flat cash" for 2023/24 core funding and the additional £26m announced for the sector will not be issued to Colleges to support operational cost pressures.
- The £26m increase in the sector's funding will be ring-fenced for transformational activities which SFC will hold centrally for Colleges to bid into to access. Although still to be confirmed, SFC have indicated verbally at sector meetings the £26m funding may be used to support the following:
 - Transformation support aligned to long term curriculum planning;
 - The potential for the sector to invest in a Scotland-wide database i.e. student record systems;
 - Potentially voluntary severance cost support;
 - Potentially funding to support a refresh of the sector estates condition survey last completed in 2017.
- There has also been further indications that Foundation Apprenticeships will no longer be funded separately and that they will be absorbed into core funding which represents a cut of over £0.5m for Fife College.

Decreased Net Risks

Three net risk scores decreased during the period, as outlined below:

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

- The position on funding allocation is now confirmed and the risk score reduced as a result to reflect the following;
 - SDS have indicated a slight increase from 392 to 400 funded places.
 - SFC have confirmed FWDF (41% reduction circa £400k).
 - YPG funding is now confirmed at £339k with greater flexibility on spend.
- Our targets and resourcing will be adjusted accordingly to reflect the above.

Risk (9) Failure to achieve cohesive culture

- Following discussions at the last Audit and Risk Committee meeting on 17 November 2022, it was agreed that the national job evaluation project would be separated out as a new strategic risk (15). Therefore, the mitigations would be excluded from Risk (9) and the score reduced as a result - revert to original state.

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

- Contract now agreed and signed with main construction contractor (Balfour Beatty). Construction phase started on site January 2023 with planned completion January 2025. Risk score has reduced to reflect this contract agreement albeit holding a Commercial risk of circa 23% of the contract value which may also have associated programme risk and until this is realised we have highlighted the risk as amber, once all provisional sums are concluded project will be green.

Risk Scores out with Tolerance Level

Three risks remain out with tolerance.

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

- Based on the latest indications from SFC on the 2023/24 Scottish Government budget announcement we are assuming flat cash for core funding going forward as well as the Foundation Apprenticeships grant which is worth over £0.5m to Fife College being cut from 2023/24.
- SFC have indicated they are modelling a reduction in the sector levels of credit activity of circa 10% to support the sector in achieving the credit targets and financial sustainability.
- Flexible Workforce Development Fund grant has been cut by over £400k for 2022/23 which is a risk to the College achieving its commercial income targets.
- Ongoing inflationary cost pressures require ongoing review of the college's financial forecast and actions to maintain a financial sustainability across the planning period. This has been done initially for 2023/24 and discussed at Executive Group.
- The College will take a planned approach to secure financial sustainability which will incorporate the following:
 - Non-SFC Income growth to offset the cut in FWDF grant as much as possible.
 - Increased student retention and credit maximisation.
 - Review our curriculum offering and delivery models ahead of a potential cut in credits activity.
 - 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 compile the detailed budget for academic year 2023/24 and an update of this position will be presented to the Finance, Commercial and Estates Committee and the Board of Governors in June 2023.

Risk (7) Risk of external political/funding/ regulatory changes

- The College will continue to engage with SFC for confirmation of 2023/24 funding position and adjust our planning accordingly as information is released. Once we have clarity we will revert this risk back within tolerance.
- Based in the information we have received to date the College has carried out a high-level budget for 2023/24 using various scenarios to highlight the effect of the potential funding position and cost of living increases and the mitigating actions which will need to be considered to ensure future financial sustainability.
- The high-level budget has been presented to Executive Group and discussions are underway to put a plans in place to minimise the financial risks regarding the funding settlement.

Risk (15) Failure to implement the agreement for a national job evaluation scheme with an associated national pay spine and local pay and grading structure for colleagues in the support staff bargaining unit. The college will receive an amount of reserved funding from the Scottish Government for implementing the outcomes. The potential impacts of this failure will be affordability if the SG funding is not available; reduced morale and relationships with staff affected and the unions who represent the staff; and reputational. These impacts could be felt at a national and local level.

- Following discussions at the last Audit and Risk Committee meeting on 17 November 2022, it was agreed that the national job evaluation project would be separated out as a new strategic risk (15).
- While there are limited mitigations that can be put into action by Fife College at present due to this being a national level project. We do continue to input to sector level discussions on the proposals for appropriate next steps forward in implementing this project. As well as planning for and carrying out the following:
 - Securing additional resource and support for the HR team for implementation including specialist and system support.
 - Providing clear and regular communications to staff as the project progresses as appropriate and in line with nationally agreed communications.
 - Participate in any training opportunities provided nationally for implementation.
 - Review and challenge data supplied to the College from the national team to ensure clear accountability as responsibility shifts to individual colleges.
 - Scenario plan around the financial implications for the College and engage with national team and SFC as appropriate on outturn.

- Engagement with other colleges, particularly Edinburgh and NesCol, to provide support to each other and increase influence in raising key issues and concerns and their resolution to others in the sector and College Employers Scotland.
- A more detailed paper on the Job Evaluation Project, which was presented to the People & Culture Committee on 20 February 2023, can be accessed here: [Job Evaluation Project Update](#)

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

January 2023

Overview

The following have been identified as the top strategic risks of Fife College for the reporting period up to April 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
- ↑ (7) Risk of external political/ funding/regulatory changes
 - (15) Failure to implement the agreement for a national job evaluation scheme with an associated national pay spine and local pay and grading structure for colleagues in the support staff bargaining unit. The college will receive an amount of reserved funding from the SG for implementing the outcomes.

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
- ↓ (8) Risk that we fail to achieve and grow commercial income in line with the five year financial forecast plans
- ↓ (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
- ↓ (13) Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for 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.

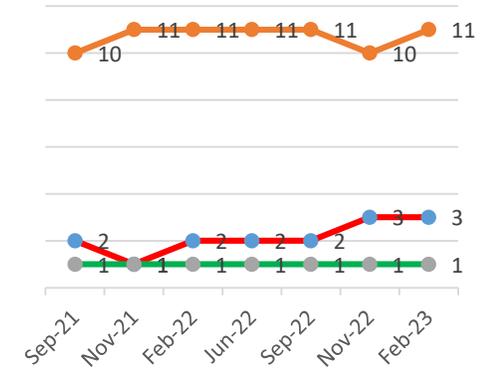
GREEN Score

- ↔ (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

