

## AGENDA

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A meeting of the Audit and Risk Committee will be held on Thursday 3 March 2022 from 3.30pm. Please join via 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	SM	N/A
2	Minutes of the:			
	2.1 Previous Meeting: 18 November 2021	Approve	SM	
	2.2 Joint Audit and Risk / Finance, Commercial and Estates Committee: 18 November 2021	Approve	SM	
3	Matters Arising / Actions Outstanding	Note	SM	2-2
4	Any Emerging Themes	Discuss	All	N/A
5	Risk Register Update	Note	SD	3-8
6	Internal Audit:			
	6.1 Update on Internal Audit Actions: Exception Report	Note	IA	
	6.2 Quality Management	Note	IA	
	6.3 Health and Safety Report	Note	IA	
7	Assurance Framework	Endorse	SD	
8	Appointment of Auditors	Approve	SD	
9	Review of Meeting	Discuss	All	N/A
10	Date of Next Meeting Thursday 2 June 2022 at 3.30pm	Note	SM	N/A

## Actions Outstanding / Progress Made

Key:	
	Outstanding and deadline passed
	Progressing and on target
	Complete

	Date of Meeting	Action	Responsibility	Deadline	Comments
1	09.09.21	To give further thought to whether risk event logs would be beneficial.	S Dunsmuir	08.03.22	Complete. Update on agenda
2	18.11.21	To adjust the recommendation about reporting to the Board to include Complaints only, and for FOI activity to be reported to Executive Team and on an exceptional basis to the Board.	Internal Auditors	03.03.22	Complete
3	18.11.21	To approve the draft Annual Committee Annual Report to the Board of Governors.	S Dunsmuir	03.03.22	Complete
4	18.11.21 Joint	To recommend the approval of the draft Annual Accounts 2020-21 to the Board of Governors, subject to the changes as outlined above being made.	S Dunsmuir	08.12.21	Complete
5	18.11.21 Joint	To finalise the External Audit Annual Report for presentation at the Board of Governors meeting.	External Auditor	08.12.21	Complete
6	18.11.21 Joint	To finalise the draft letter of representations for signature at the Board of Governors meeting.	S Dunsmuir	08.12.21	Complete



### COVER SHEET FOR PAPERS TO BE CONSIDERED BY THE BOARD

<b>Strategic Risk Register 2021-22</b>	
<b>Date of Meeting:</b>	Thursday 3 March 2022
<b>Purpose:</b>	To present to the Audit and Risk Committee the updated Strategic Risk Register 2021-22.
<b>Intended Outcome:</b>	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.
<b>Paper Submitted by:</b>	Susan Dunsmuir, Chief Financial Officer
<b>Prior Committee Approvals:</b>	N/A
<b>Board Impact from Decision:</b>	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.
<b>Financial Health Implications:</b>	N/A
<b>Learner Implications:</b>	N/A
<b>Equality and Diversity Implications:</b>	N/A
<b>Risks Assessed:</b>	N/A
<b>Publicly Available:</b>	Yes
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<b>Date of Production:</b>	17 February 2022

## BOARD OF GOVERNORS OF FIFE COLLEGE

### Audit and Risk Committee

### Strategic Risk Register 2021-22

#### 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 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 2021-22](#).
4. Specific changes to highlight to the Audit and Risk Committee are:

#### **4.1 Change in risks since previous version**

##### **New Risks**

One new risk has been added to the register.

Risk (14) Failure to mutually negotiate agreeable terms for 2 year optional uptake for the Scottish Prison Service (SPS) contract impacting on margins and more equitable contract terms and conditions.

##### **Risk Descriptions**

There have been no changes made.

##### **Risks Removed**

There are no risks which have been removed from the risk register.

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

##### **Increased Net Risks**

One net risk score has increased during the period.

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

- Gross and net impact scores have increased in recognition of the negative impact of the Scottish Government draft budget on the previously issued funding assumptions

from SFC for 2022/23 to 2023/24. The previous assumptions informed the current Financial Forecast Review (FFR) set in September 2021. SFC has informed us to expect baseline 2021/22 funding from 2022/23 onwards with the removal of one-off funding and no funding increases to offset the increased costs of staffing (pay rises, employer NI increases, pension contributions increases) or non-staff costs, i.e. materials, energy cost rises. This equates to a 10% funding cut for the college sector.

### **Decreased Net Risks**

One net risk score has decreased during the period.

Risk (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

- The gross impact score remains unchanged in recognition of the ongoing need to undertake significant threat management activities to mitigate the ongoing threats facing the College. The net impact score has been revised downward in recognition of the completion of key projects designed to mitigate risk and manage threats.

These activities include:

- Technical changes introduced to reduce the impact of a successful cyber attack breaching the College's digital operating environment including air-gapping of systems and tightened controls preventing lateral movement within the environment.
- Deployment of multi-factor authentication to significantly curtail the ability for attackers to gain unauthorised access to the College's digital operating environment using compromised user account credentials and the deployment of enhanced location based controls limiting access to the College's digital operating environment from geographic regions where significant volumes of hostile cyber activity is detected

Further activity scheduled to deliver improvements by March 2022 include:

- Additional non-technical activity to strengthen our training programmes targeted at staff and students to improve cyber hygiene amongst end users, with key training being marked as mandatory in recognition of the increased role that user behaviours play in maintaining a safe and secure environment is ongoing.
- Initial work has been undertaken to determine the feasibility of providing provide end users with an enterprise password management solution. Initial findings show significant benefits from undertaking a project to deliver this functionality within the College and early stage supplier engagement is underway to determine our requirements for this type of system.

### **Risk Scores out with Tolerance Level**

Two risks remain out with tolerance.

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

- Our work is underway to revise our FFR in line with what we currently know and further funding announcements expected over the next few months.
- Indicative allocations won't be made available until March 2022 with final allocations confirmed by the end of May 2022 making our 2022/23 budget planning difficult.
- Our early analysis of the 2022/23 budget planning for 2022/23 shows an adjusted operating deficit of over £1 million.
- Mitigating actions are underway to improve the 2022/23 budget position include:
  - Workforce planning is currently underway with each faculty and professional services department being asked to submit their plans by the end of February 2022 to review resource requirements and cross departmental synergies to ensure delivery of our services in line with our strategic objectives and support sustainability.
  - Non-staff expenditure will be scrutinised with savings being made where appropriate to offset rising inflation.
  - The £1.6 million adjusted operating surplus made for 2020/21 will be used to support any change management processes emerging from workforce planning.
- While our immediate focus is on 2022/23 the current messaging is that the proposed funding settlement for 2022/23 could be mirrored in year 2 and 3 and therefore we are stretching our workforce planning into the medium term.
- We are also working on reviewing our medium term Financial Forecast Returns as information and funding assumptions are confirmed by SFC.

Risk (14) Failure to mutually negotiate agreeable terms for 2 year optional uptake for the Scottish Prison Service (SPS) contract impacting on margins and more equitable contract terms and conditions.

- Negotiations are now underway with the Scottish Prison Service (SPS) in relation to the contract terms and conditions and financials. The Director of the SPS contract has carried out scenario planning around the options for delivery and viability of the contract, which would return a viable position for the College. An initial proposal has been submitted to SPS for consideration.

5. Risk Events Log

Following discussions at a previous Audit and Risk Committee regarding Risk Event Management, the College has created a 'Risk Events Log'. The focus around this is that internal and external events (crystallisation of a risk or not meeting or goals) are reported, reviewed, the root cause found and mitigating actions put in place to prevent the risk materialising. It will also allow us to learn from the mistakes of others as well as our own.

During the quarterly reviews of the Risk Register, Executive Team members will be asked whether any internal or external events have happened that has impacted on any of our risks which has then resulted in additional mitigating actions being taken. Any such events will be recorded in the Risk Events Log which will then be reported to the Audit and Risk Committee as part of the quarterly Risk Register update.

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

## February 2022

### Overview

The following have been identified as the top strategic risks of Fife College for the reporting period up to April 2022. 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
- ↑ (14) Failure to mutually negotiate agreeable terms for 2 year optional uptake for the Scottish Prison Service (SPS) contract impacting on margins and more equitable contract terms and conditions.

#### 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 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
- ↔ (4) Failure to focus on wider wellbeing of staff and students
- ↔ (5) Failure to achieve student recruitment targets across GIA and Non-GIA income activity and to deliver relevant, inclusive and sustainable regional curriculum, including ensuring successful outcomes for all students
- ↔ (7) Risk of external political/ funding/regulatory changes
- ↔ (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 environment and conditions for progressive 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

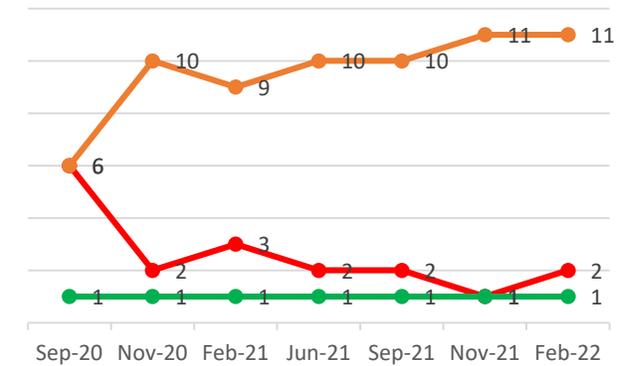
#### GREEN Score

- ↔ (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

