

AUDIT & RISK ASSURANCE COMMITTEE

APPROVED MINUTES OF MEETING OF 25 NOVEMBER 2020

15:00, Remotely via Microsoft Teams

Present: Ian Doig; Lesley Drummond; Ross Laird; Nigel Paul (Chair); Judith Sischy

In attendance: Nick Croft; Audrey Cumberland; Ursula Lodge (Audit Scotland); Chloe Ridley (BDO); Gordon Smail (Audit Scotland); Lindsay Towns; Marcus Walker (Clerk); Alan Williamson

1 WELCOME AND APOLOGIES

1.1 No apologies were received

1.2 The Committee NOTED that members had held their annual private meetings with the internal and external auditors in advance of the meeting.

2 DECLARATIONS OF INTEREST

2.1 No declarations of interests were received.

3 MINUTES OF PREVIOUS MEETING

3.1 The Committee APPROVED the minutes from 07 October 2020 as an accurate record of the meeting.

4 MATTERS ARISING

4.1 MATTERS ARISING REPORT

4.1.1 The Committee NOTED that actions from the previous meeting were complete, overtaken or on the agenda, with the exception of the following:

4.1.2 *THREE LINES OF DEFENCE (Minutes 7.1.2/ 07.10.20 refers)*

The Committee NOTED that, further to a discussion at its last meeting around the Three Lines of Defence Framework, the Executive would consider whether additional forms of independent assurance should be

sought to strengthen key areas of assurance within the 'third line of defence'. The Principal advised the Committee that an update on this matter would be provided to the next meeting of the Committee in February 2021.

4.1.3 The Committee DISCUSSED the internal audit programme for the academic year 2020/21 in the light of Covid-19, and AGREED that the Executive Team (as part of their considerations under *Minute 4.1.2*) should review the potential inclusion of future audits or 'deep dives' around student assessment and/or Health & Safety in relation to Covid-19.

4.2 BUSINESS COMMITTEE OF THE BOARD UPDATE

4.2.1 The Committee NOTED verbal updates from members of each of the business committees of the Board on key matters considered during the most recent Board cycle.

5 INTERNAL AUDIT REPORTS

5.1 INTERNAL AUDIT REPORT: STUDENT SUPPORT FUND AUDIT 2019/20

5.1.1 The Committee NOTED that the internal auditors had conducted a Student Support Fund Audit for the academic year 2019/20, in September 2020, in accordance with the requirements set out in SFC's 'Student Support Fund Audit Guidance 2019/20'.

5.1.2 The Committee NOTED that systems and procedures within the College were sufficiently adequate to promote the accurate collection and recording of data in respect of the aggregated student support funds return.

5.2 INTERNAL AUDIT REPORT: EMA AUDIT 2019/20

5.2.1 The Committee NOTED that the internal auditors had conducted an Educational Maintenance Allowance (EMA) audit for the academic year 2019/20, in September 2020, in accordance with the requirements outlined in both the Scottish Government and SFC's EMA guidance.

5.2.2 The Committee NOTED that systems and procedures within the College were sufficiently adequate to promote the accurate collection and recording of data in respect of the EMA return.

5.3 INTERNAL AUDIT REPORT: CORONAVIRUS JOB RETENTION SCHEME

5.3.1 The Committee NOTED that internal audit had conducted a review of the controls in place at Edinburgh College surrounding the Coronavirus Job Retention Scheme (JRS). The Internal Auditor advised the Committee that it could provide substantial assurance that JRS Claims made by the College were compliant with HMRC requirements.

6. RISK ASSURANCE REPORT

6.1 RISK MANAGEMENT UPDATE

- 6.1.1 The Committee NOTED a risk management update as provided by the Head of Communications, Policy & Research, which highlighted progress in relation to risk management and reporting since the last meeting of the Committee.
- 6.1.2 The Committee DISCUSSED the status of risks in the Top-Level Risk Register and NOTED that the top five risks were: *(Risk 3) Shortfall in Commercial Income; (Risk 26) Impacts of EU Withdrawal on College Business; (Risk 35) Covid-19 Public Health Risk; (Risk 33) Financial Sustainability; and, (Risk 2) Poor Retention, Attainment and Progress.*
- 6.1.3 The Committee DISCUSSED the potential impacts of EU Withdrawal based on potential 'Deal' or 'No Deal' scenarios. The Head of Communications, Policy & Research advised the Committee that, regardless of the outcome, the *Impacts of EU Withdrawal on the College (Risk 26)* would remain on the Top-Level Risk Register and be monitored accordingly.
- 6.1.4 The Committee DISCUSSED (Risk 24) Cyber Security Breaches within the College, and NOTED that appropriate Business Continuity Plans remained in place. The Committee Chair highlighted to the Committee that the shift towards blended learning, in response to the Covid-19 Pandemic, might require increased investment in cyber security.

7. ANNUAL REPORT AND FINANCIAL STATEMENTS

7.1 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2020

- 7.1.1 The Committee NOTED a draft Annual Report and Financial Statements for the period ended 31 July 2020. The Committee DISCUSSED minor contextual amendments to the Annual Report, and two minor adjustments which did not impact on operating position of the College.
- 7.1.3 The Committee DISCUSSED the presentation of the 'Financial Review' section of the Annual Report, and AGREED that prior to the drafting of the 2020/21 Financial Statements the Head of Finance should consider how to simplify the information provided further, if time allowed - to enhance the narrative of the document for 'lay' readers.

7.2 DRAFT INDEPENDENT AUDITOR'S REPORT AND LETTER OF REPRESENTATION

- 7.2.1 The Committee NOTED the proposed Independent Auditor's Report and unqualified audit opinion to the accounts, which included a report on the audit of the financial statements, the regularity of expenditure and income, and all other reporting requirements. The External Auditor informed the Committee that Audit Scotland were content with the College preparing the financial statements on a technical going concern basis.

7.2.2 The Committee NOTED that the professional valuers of the fixed assets recorded a material uncertainty in their valuation caused by Covid-19, and Audit Scotland had reported this as an 'Emphasis of Matter'. The External Auditor advised the Committee that this did not affect the Audit Scotland's unqualified opinion.

7.2.3 The Committee NOTED that its members had not been made aware of any serious weaknesses in the internal control environment, significant fraud, or major accounting or other control breakdowns.

7.2.4 The Committee NOTED the proposed Letter of Representation as proposed by Audit Scotland for sign-off by the Principal, subject to the approval of the Annual Accounts and Financial Statements to 31 July 2020 by the Board on 08 December 2020.

7.3 DRAFT 2019/20 ANNUAL AUDIT REPORT

7.3.1 The Committee NOTED a Draft 2019/20 Annual Audit Report submitted by the external auditors.

7.3.2 The Committee DISCUSSED the following in relation to the Annual Accounts and Financial Statements (Minute 7.1 refers), the Independent Auditor's Report and the Letter of Representation (Minute 7.2 refers); and the 2019/20 Annual Audit Report:

- (i) The positive report provided by the external auditors under challenging circumstances for the College;
- (ii) the Senior Management Teams response to recommendations with the Annual Audit Report;
- (iii) members' concerns relating to the financial sustainability of the College, and the wider college sector, and the assurances provided by the SFC and the Scottish Government;
- (iv) the External Auditor's satisfaction with the financial planning undertaken by the College in response to immediate and long-term challenges and its financial sustainability.

7.3.3 The Committee AGREED to recommend the approval of the Annual Report and Financial Statements to 31 July 2020 and the Letter of Representation to the Board on 08 December 2020.

8. CHAIR'S ANNUAL REPORT TO THE BOARD

8.1 The Committee NOTED a draft Audit & Risk Assurance Committee Annual Report prepared by the Committee Chair.

8.2 The Committee DISCUSSED and AGREED that the annual report should highlight the following matters to the Board:

- (i) The significant disruptions caused by the Covid-19 Pandemic, and the substantial efforts of the College to support students learning remotely;
- (ii) the significant financial uncertainty over the next year as the College navigates its way through Covid-19 restrictions, and the impact of EU withdrawal;

- (iii) financial sustainability and the ability of the College to manage its activities and deliver its outcome within its funding levels;
- (iv) ongoing vigilance and investment in cyber security and data protection, given the reliance of the College on the effective operation of its digital systems.

8.3 The Committee NOTED that the Chair's Annual Report would be presented to the Board on 08 December, with the Annual Accounts and Financial Statements to July 2020.

9. ANY OTHER COMPETENT BUSINESS

The Internal Auditor left the meeting

9.2 EVALUATION OF INTERNAL AUDIT FUNCTION 2019/20

9.1.1 The Committee NOTED a consolidated response to an evaluation of the internal audit function in the 2019/20 academic year. The Chair advised the Committee that the consolidated response included feedback from members of the Committee and senior management.

9.1.2 The Committee NOTED the key messages arising from the evaluation and AGREED that the Chair should discuss the recommendations with the internal auditors, including their feedback from the wider college sector in future horizon scanning updates.

10. FOR INFORMATION

10.1 SUMMARY OF AUDIT RECOMMENDATIONS UPDATE

10.1.1 The Committee NOTED a report on progress against internal auditors' recommendations previously reported to the Audit & Risk Assurance Committee in 2014/15, 2018/19 and 2019/20. The Chief Operating Officer advised the Committee that a detailed overview of progress against outstanding recommendations would be provided at the next meeting of the Committee on 24 February 2021.

10.2 INTERNAL AUDIT PROGRESS REPORT

10.2.1 The Committee NOTED a summary of internal audit activity during the academic year 2020/21 (to date), which included details on the activity planned for the coming quarter.

10.3 ANNUAL REPORT ON DATA BREACH INCIDENTS AND CYBER ATTACKS

10.3.1 The Committee NOTED an Annual Report on Data Breach Incidents and Cyber Attacks for 2019/20. The Chief Operating Officer advised the Committee that the annual report allowed the Senior Management Team and the Audit & Risk Assurance Committee to identify areas of risk and respond accordingly.

10.4 HORIZON SCANNING REPORT

10.4.1 The Committee NOTED a Horizon Scanning Report which outlined major political, economic, social, technological, legal and/or environmental developments that could impact on the five strategic plan aims of the College.

10.4.2 The Committee NOTED that the Scottish Budget 2021 is planned to be announced on 28 January 2021, prior to its next meeting.

10.5 COMMITTEE PROGRAMME OF WORK 2020/21

10.5.1 The Committee NOTED its proposed programme of work for the upcoming academic year.

11. DATE OF NEXT MEETING

11.1 The next meeting of the Audit & Risk Assurance Committee will take place on 24 February 2021.

Meeting closed at 16:45

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