

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 22 NOVEMBER 2022

Meeting held remotely via Microsoft Teams

Start time: 15:00

Present: Stewart Darling; Ian Doig (Independent Member); Lesley Drummond (Chair);
Ian McLaughlan

In attendance: Nick Croft; Audrey Cumberford; Michael Jeffrey; Rosemarie Khan (Audit
Scotland); Chloe Main (BDO); Stuart Nugent (Audit Scotland); 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 12 October 2022 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 TERMS OF REFERENCE (*Minute 5.3/22.11.22 refers*)

The Committee NOTED that at its last meeting members considered the Chair of the Board's attendance at Audit & Risk Assurance Committee meetings, and the need to ensure that the Committee maintained an appropriate level of independence.

The Committee NOTED that following consultation with the Chair of the Board and the Chair of the Audit & Risk Assurance Committee the following addition to the Terms of Reference was proposed:

"The Chair of the Board shall be invited to observe one meeting of the Audit & Risk Assurance Committee per academic year. Subject to the approval of the Committee Chair, the Chair of the Board may be invited to observe additional meetings of the Committee on request."

The Committee DISCUSSED its Terms of Reference and APPROVED the proposed amendment.

4.2 BUSINESS COMMITTEES OF THE BOARD UPDATES

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 FES RETURN 2021/22

5.1.1 The Committee NOTED that the internal auditors had conducted a review of the Edinburgh College Further Education Statistical (FES) data return in accordance with the audit guidance for colleges issued on 16 August 2022.

5.1.2 The Committee NOTED that current systems and procedures within the College were adequate to collect and record data in respect of the FES and fee waiver returns. The Internal Auditor advised the Committee that two recommendations had been outlined in the report to support the College in continuing to ensure it accurately reported student activity data to the SFC.

5.2 EMA AUDIT 2021/22

5.2.1 The Committee NOTED that the internal auditors had conducted an Educational Maintenance Allowance (EMA) audit for the academic year 2021/22, in September 2022, 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 adequate to promote the accurate collection and recording of data in respect of the EMA return.

5.3 STUDENT SUPPORT FUND AUDIT

5.3.1 The Committee NOTED that the internal auditors had conducted a Student Support Fund Audit for the academic year 2021/22, in September 2022, in

accordance with the requirements set out in SFC's 'Student Support Fund Audit Guidance 2021/22.

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

5.4 INTERNAL AUDIT REPORT: COMPLAINTS MANAGEMENT

- 5.4.1 The Committee NOTED that, as a part of the 2022/23 Internal Audit Plan, it was agreed that Internal Audit would carry out a review of the complaints handling and management arrangements in place within the College. The Internal Auditor advised the Committee that the audit provided a 'moderate' level of assurance over the design and effectiveness of the controls in place at the College in relation to complaints management systems and procedures.
- 5.4.2 The Committee NOTED that several instances were identified where complaints were not responded to, or handled, in line with SSO guidance and the College policy. The Chief Operating Officer advised the Committee of the management response to recommendations within the report, which included a review of the Complaints Handling Procedure and the production of both quarterly and annual complaints handling reports for the Senior Management Team.
- 5.4.3 The Committee DISCUSSED staff training and the low levels of completion of the complaints management training module. The Chief Operating Officer informed the Committee that whilst the module was not mandatory, front-line staff were encouraged to complete the course - to ensure they remained aware of best practice.

The Director of Communications, Policy & Research joined the meeting

6. RISK ASSURANCE REPORT

6.1 RISK MANAGEMENT UPDATE

- 6.1.1 The Committee NOTED a risk management update as provided by the Director of Communications, Policy & Research, which highlighted progress in relation to risk management and reporting since the last meeting of the Committee on 12 October 2022.
- 6.1.2 The Committee NOTED two Business Continuity Management Plan rehearsals had been scheduled to take place in December 2022 and February 2023. The Director of Communications, Policy & Research informed the Committee that one rehearsal would focus on *Loss of Site*, whilst the other would focus on *Terrorist Threat / Attack*.
- 6.1.3 The Committee DISCUSSED the engagement of the College with other regional partners, including Police Scotland, in the development of rehearsal plans. The Director of Communications, Policy & Research updated the Committee on lessons learnt from the Manchester Arena Inquiry, where local authorities had been criticised for their lack of effective coordination during the incident.

- 6.1.4 The Committee NOTED that, in relation to the Top-Level Risk Register, the risk (34) relating to *College IT Infrastructure* had been moved to the operational IT risk register following substantial investment in infrastructure at the College.

The Director of Communications, Policy & Research left the meeting

7. ANNUAL REPORT AND FINANCIAL STATEMENTS

7.1 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2022

- 7.1.1 The Committee NOTED a draft Annual Report and Financial Statements for the period ended 31 July 2022. The Committee DISCUSSED minor contextual amendments to the Annual Report, and updates in response to points raised by Audit Scotland.

- 7.1.2 The Committee commended the Chief Operating Officer, the Acting Head of Finance, and the Finance Team for improvements made to the Annual Report and Financial Statements based on feedback from members and the External Auditors.

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 on 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 going concern basis.

- 7.2.2 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.

- 7.2.3 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 2022 by the Board on 13 December 2022.

7.3 DRAFT 2021/22 ANNUAL AUDIT REPORT

- 7.3.1 The Committee NOTED a Draft 2021/22 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 2021/22 Annual Audit Report:

- (i) The positive report provided by the external auditors under challenging circumstances for the College.

- (ii) The positive movement in pension assets from a pension liability in the prior year, mainly based on an increase in the discount factor.
- (iii) The recent land and buildings valuation, which added 10% to value of the College's fixed assets since the last valuation two years ago.
- (iv) Committee 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.
- (v) 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 2022 and the Letter of Representation to the Board on 13 December 2022.

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) Financial sustainability and the College's ability to manage its activities and deliver its outcomes within its funding limits.
 - (ii) The significant progress made in improving cyber security at the College, and the need for continued vigilance and investment in both cyber security and data protection.
 - (iii) The need for continued strong partnership working between management, unions, and the Scottish Government through national bargaining.
- 8.3 The Committee NOTED that the Chair's Annual Report would be presented to the Board on 13 December 2022, with the Annual Accounts and Financial Statements to July 2022.

9. ANY OTHER COMPETENT BUSINESS

The Internal Auditor left the meeting

- 9.1 EVALUATION OF INTERNAL AUDIT FUNCTION 2021/22
 - 9.1.1 The Committee NOTED a consolidated response to an evaluation of the internal audit function in the 2021/22 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.

9.1.3 The Committee DISCUSSED business intelligence and the reporting of potential future risks and opportunities to the Committee. The Committee AGREED that the Principal and Chief Operating Officer should consider how best to present such information to members during its quarterly meetings.

9.2 INTERNAL AUDIT PROCUREMENT

9.2.1 The Committee NOTED the following a procurement exercise beginning on 9 September 2022, the College had reviewed several tenders from internal audit providers. The Chair of the Audit & Risk Assurance Committee advised members that following presentations and informal interviews with shortlisted providers, held on 17 November 2022, it was recommended that the Committee re-appoint BDO for an initial term of three years - commencing on 1 August 2023.

9.2.2 The Committee DISCUSSED the recommendation and the rationale behind the proposal and APPROVED the decision to re-appoint BDO as internal auditors. The Chair of the Audit & Risk Assurance Committee informed members that throughout the procurement exercise due regard had been given to ensuring best value for the College.

9.3 INDEPENDENT MEMBER RECRUITMENT

9.3.1 The Committee NOTED that, following interviews conducted by the Chair of the Board and the Chair of the Audit & Risk Assurance Committee on 17 November 2022, two candidates for co-option to the Committee as independent members would be put forward to the Board of Management on 13 December 2022.

9.3.2 The Committee DISCUSSED the induction process to orientate co-opted members, and NOTED that new co-optees would receive access to both college sector induction information as well as the Scottish Government's [On Board Manual](#).

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 2018/19, 2019/20, 2020/21 and 2021/22. 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 22 February 2023.

10.2 INTERNAL AUDIT PROGRESS REPORT

10.2.1 The Committee NOTED a summary of internal audit activity during the academic year 2022/23 (to date), which included details on the activity planned for the coming quarter.

10.3 REPORTABLE DATA BREACH INCIDENT UPDATE

- 10.3.1 The Committee NOTED that no reportable data breach incidents had taken place at the College from 1 August 2022 to 30 October 2022.

10.4 COMMITTEE PROGRAMME OF WORK 2022/23

- 10.4.1 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 22 February 2023.

Meeting closed at 16:40