

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 11 OCTOBER 2023

Meeting held via Microsoft Teams, 15:00hrs

Present: Kenneth Brooker (Independent Member); Peter Burns (Independent Member); Sue Cook (Chair); Kerry McCormack; Bill Troup

In attendance: Audrey Cumberford; Ian Deed; Gordon Hope; Alex Killick; Chloe Main (BDO); Bridget Mauro (Mazars); Michael Speight (Mazars); Marcus Walker (Clerk); Alan Williamson

1. WELCOME AND APOLOGIES

- 1.1 No apologies were received.
- 1.2 The Chair welcomed Alex Killick, a Non-Executive Member and Vice Chair of the Board, to the meeting. The Committee NOTED that chairs of all the Board's committees had been invited to attend meetings of the Audit & Risk Assurance Committee to ensure appropriate interlinks between committees.
- 1.3 The Chair welcomed Michael Speight (Audit Director) and Bridget Mauro (Audit Manager) the external auditor, Mazars.
- 1.4 The Chair welcomed Chloe Main (Audit Manager, BDO) to the Audit & Risk Assurance Committee as a representative of the internal auditors.
- 1.5 The Committee NOTED that both the Vice Principal Corporate Development and the Director of Communications, Policy & Research were unable to attend the meeting. The Chair advised the Committee that all reports relating to Risk Assurance (Minute 7 refers) would be presented by the Chief Operating Officer.

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 24 May 2023 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.

4.1.2 RISK APPETITE STATEMENTS [Ref: 7.2.4/13.10.21]

The Committee NOTED that Risk Appetite Statements Development Report, produced by Zurich Resilience Solutions following a risk appetite session on 23 August 2023, had been reviewed by the Board of Management on 26 September 2023. The Chair advised the Committee that the Report reflected Board Members previous discussions, although the nuances relating to risk appetite statements around 'Regulatory & Compliance' and 'Reputation' required further consideration.

The Committee NOTED that the Board of Management had agreed that a draft Risk Appetite Statements would be circulated to the Board in due course and approved by correspondence. The Chair informed the Committee that the approved Risk Appetite Statements would be presented to Members at its next meeting.

4.1.3 INTERNAL AUDIT – ISQM (INTERNATIONAL STANDARDS ON QUALITY MANAGEMENT).

The Committee NOTED that Anderson, Anderson & Brown (AAB) had been commissioned to undertake internal audits relating to both Credit / FES Return and Student Support Funds. The Director of Finance & Estate Infrastructure informed the Committee that both internal audit reports would be reported at its next meeting.

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 meetings cycle.

4.2.2 The Committee NOTED that Education Scotland had published its Edinburgh College Progress Visit Report on 15 August 2023, following a scheduled visit in June. The Board Secretary advised the Board that its Learning, Teaching & Student Experience Committee had considered the Report on 9 September 2023, and would monitor progress against recommendations at future meetings.

4.3 HORIZON SCANNING UPDATE

4.3.1 The Committee NOTED a briefing paper published by Audit Scotland in September 2023, entitled *Scotland's Colleges 2023*.

- 4.3.2 The Committee NOTED an update on recent amendments to International Audit Standards as highlighted by both Mazars and BDO. The Chair advised the Committee that documents relating to the verbal update provided would be circulated by the Clerk following the meeting.

5. TERMS OF REFERENCE

- 5.1 The Committee NOTED that the Code of Good Governance dictated that committees of the Board should annually review their terms of reference to ensure they remain fit for purpose.
- 5.2 The Committee DISCUSSED its terms of reference and AGREED that it was content with the current document. The Chair advised the Committee that once an externally led Board Effectiveness Review had concluded in March 2024, if there are any proposed change/s to the terms of reference they would be considered by Members.

6. INTERNAL AUDIT REPORTS

6.1 SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS

- 6.1.1 The Committee NOTED a report on progress against internal audit recommendations previously reported to the Audit & Risk Assurance Committee in 2018/19, 2020/21, 2021/22 and 2022/23. The Chief Operating Officer highlighted completed audit items which would be removed from the next iteration of the summary report.

6.2 INTERNAL AUDIT REPORT: FOLLOW-UP REPORT

- 6.2.1 The Committee NOTED an Internal Audit Follow-Up Report 2022/23, which aimed to provide assurances that internal audit actions agreed during the previous financial year had been implemented satisfactorily.
- 6.2.2 The Committee NOTED that, of the 37 recommendations due to be implemented, 25 recommendations had been categorised as 'fully implemented', six as 'partially implemented', four as 'not implemented', and two were 'superseded'. The Internal Auditor advised the Committee that the remaining 14 recommendations were not currently due for implementation.
- 6.2.3 The Committee DISCUSSED the 'reasonable progress' made by the College against internal audit actions, and welcomed assurances provided by the Internal Auditor.

The Digital Infrastructure Service Lead joined the meeting

6.3 INTERNAL AUDIT REPORT: CYBER REVIEW

- 6.3.1 The Committee NOTED that internal audit had undertaken a review of the cyber security controls in place at the College. The Internal Auditor

advised the Committee that 'limited' assurances had been received in relation to cyber security controls within the scope of the review.

6.3.2 The Committee NOTED that the College had made significant investments in infrastructure over recent years, such as the introduction of multi-factor authentication. The Chief Operating Officer advised the Committee that improvements were partly driven by previous audit reviews and a penetration (phishing) test undertaken by JISC, with a subsequent follow-up penetration (phishing) test in 2023 indicating that marked improvements in cyber security had been achieved. The next stage of the plan was to have an internal audit on cyber security controls across multiple departments and systems, as it was considered that there were likely to be some vulnerabilities given the dynamic working environment.

6.3.3 The Committee DISCUSSED the following in relation to the Cyber Review:

- (i) Account management procedures and the potential for unauthorised accounts to remain active.
- (ii) The tight timeframe set to respond to specific areas of risk, and the prioritisation of actions by the Digital Infrastructure Lead.
- (iii) The resources and staffing available to appropriately mitigate risks highlighted within the Review.
- (iv) The potential for board members with cyber security expertise to support the College by providing information from their own experiences.
- (v) The refreshed Digital Strategy 2022-25 and the proposed strategic direction of the College in using in-house application development.

6.3.4 The Committee NOTED that the Internal Audit Team would conduct a follow-up review later in the academic year to assess progress against the recommendations outlined in the Report. The Chair, on behalf of the Committee, advised Members that the assurances provided by senior management and the Internal Auditor were appropriate, subject to a further progress update on progress against the recommendations being provided in due course.

6.3.5 The Committee NOTED points raised within the Cyber Review relating to approval and review of College policies and procedures. The Committee DISCUSSED the policy register maintained by the College and AGREED that the summary information provided on the register should be presented to an appropriate committee of the Board.

6.4 INTERNAL AUDIT REPORT: FRAUD STRATEGY

6.4.1 The Committee NOTED that internal audit had conducted a review of the fraud prevention and detection strategies at the College. The Internal Auditor advised the Committee that 'limited' assurances had

been received in relation to the design and operational effectiveness of the anti-fraud controls in place.

- 6.4.2 The Committee NOTED that the College, in 2020, had assessed the maturity of its counter fraud controls against the Scottish Government's Counter Fraud Maturity Model. The Internal Auditor informed the Committee that the College had rated itself against each control area within the Model on a five-point lifecycle scale – scoring itself between 'developing' and 'progressive'.
- 6.4.3 The Committee NOTED that recommendations within the Fraud Strategy internal audit were identified to progress the College through the lifecycle to become a sector leading institution. The Committee DISCUSSED the recommendations outlined within the report including key actions relating to the Fraud Risk Assessment and the continued review of the Fraud Maturity Assessment Model.
- 6.4.4 The Committee NOTED a refreshed Counter Fraud, Bribery & Corruption Policy. The Chief Operating Officer advised the Committee that approval of the Policy would precede the undertaking of a Fraud Risk Assessment, in line with a recommendation outlined in the Internal Audit Report.
- 6.4.5 The Committee DISCUSSED and APPROVED the Counter Fraud, Bribery & Corruption Policy.

6.5 INTERNAL AUDIT ANNUAL REPORT 2022/23

- 6.5.1 The Committee NOTED an annual report on internal audit activity carried out during 2022/23. The internal auditors provided a statement on the internal audit coverage achieved from 1 August 2022 to 31 July 2023, and a summary of audit opinion on the College's control environment and systems of internal control.
- 6.5.2 The Committee NOTED that, in the opinion of the internal auditors, four of the six audits performed provided reasonable, but not absolute, assurance that the related risk management, control, value for money and governance objectives were achieved for the period. The Internal Auditor advised the Committee that the cyber security and fraud strategy reviews had identified that further work was required to ensure that robust controls were in place (Minutes 6.3 & 6.4 refer).
- 6.5.3 The Committee NOTED that it would continue to closely monitor progress against the cyber security and fraud strategy reviews - where only limited assurance could be provided - to ensure that further work was undertaken to verify that robust controls had been implemented.

6.6 INTERNAL AUDIT PLAN 2023/24

- 6.6.1 The Committee NOTED both an Internal Audit Plan 2023/24 and an accompanying Internal Audit Strategy 2023-26, as outlined by BDO. The Internal Auditor advised the Committee that in response to

Members feedback on 24 May 2023 the 2023/24 Internal Audit Plan had been updated.

- 6.6.2 The Committee DISCUSSED and AGREED the proposed amendments to the Internal Audit Plan.

7. RISK ASSURANCE REPORT

7.1 THREE LINES OF DEFENCE ANNUAL REVIEW

- 7.1.1 The Committee NOTED an annual update on control, assurance, and risk management arrangements, which were part of the Edinburgh College 'Three Lines of Defence' Framework. The Chief Operating Officer advised the Committee that all the arrangements identified in the Framework continued to operate effectively.
- 7.1.2 The Committee NOTED that no gaps had been identified in the Framework, following significant efforts over the academic year 2022/23 to maintain arrangements across all three lines of defence.

7.2 RISK MANAGEMENT UPDATE

- 7.2.1 The Committee NOTED a risk management update as provided by the Chief Operating Officer, which highlighted progress in relation to risk management and reporting since the last meeting of the Committee on 24 May 2023.
- 7.2.2 The Committee NOTED the Top-Level Risk Register and the four risks currently RAG rated as 'Red'. The Chief Operating Officer advised the Committee that following positive feedback from a recent Education Scotland Progress Visit, 'Risk (2) Student Retention and Attainment' had been reduced by the Risk Management & Assurance Group (RMAG) from a Red risk status to Amber.
- 7.2.3 The Committee DISCUSSED the current risk scoring related to 'Risk (1) National Bargaining Impact on College Operations'. The Committee NOTED that although National Bargaining was conducted through College Employers Scotland (CES), Edinburgh College (as a member of CES) did have a degree of control over potential risks and their mitigation.
- 7.2.4 The Committee NOTED three new Business Continuity Management (BCM) Plans relating to iTrent, Agresso, and Unit-e, as approved by the RMAG. The Committee DISCUSSED the three BCM Plans and AGREED to endorse their implementation.

7.3 ANNUAL REPORT ON DATA BREACH INCIDENTS AND CYBER ATTACKS UPDATE

- 7.3.1 The Committee NOTED an Annual Report on Data Breach Incidents and Cyber Attacks for 2022/23. The Chief Operating Officer advised the

Committee that the annual report enabled both the Senior Management Team and the Audit & Risk Assurance Committee to identify areas of risk and respond accordingly.

- 7.3.2 The Committee NOTED that over the academic year 2022/23, the College's Information Management Team were notified of, and investigated, 16 data incidents to evaluate whether personal data breaches had occurred - in line with the breach definition provided by the Information Commissioners Office (ICO). The Chief Operating Officer advised the Committee that no data breaches had been determined as reaching the threshold for reporting to the ICO.
- 7.3.3 The Committee DISCUSSED the Security Operating Centre (SOC) update provided and AGREED that the Digital Infrastructure Service Lead would circulate further information and analysis relating to the SOC data provided in the Report.

The Digital Infrastructure Service Lead left the meeting

8. EXTERNAL AUDIT: ANNUAL AUDIT PLAN YEAR ENDING 31 JULY 2023

8.1 COMPLIANCE WITH THE CODE OF GOOD GOVERNANCE

- 8.1.1 The Committee NOTED the governance arrangements in-place across the College and their compliance with the 2022 Code of Good Governance for Scotland's Colleges ('the Code').
- 8.1.2 The Committee NOTED assurances that the governance arrangements at the College were compliant overall. The Board Secretary outlined to the Committee an overview of the areas of governance with which the Code is concerned, and how the College complies in each instance.
- 8.1.3 The Committee DISCUSSED the work of the Board in relation to the Code and were content with the broad level of compliance outlined.

8.2 INTERNAL CONTROL ASSURANCE STATEMENTS

- 8.2.1 The Committee NOTED that the Executive Team had each completed Internal Control Assurance Statements, based on the Scottish Government's own internal control framework template. The Principal informed the Committee that these statements enabled her, as Chief Executive Officer, to provide assurances to both the Board and the SFC that appropriate internal controls within the College were in-place.
- 8.2.2 The Committee DISCUSSED the internal control assurance statement provided by the Principal and were content with the level of assurance illustrated.

8.3 DRAFT (UNAUDITED) ANNUAL REPORT & FINANCIAL STATEMENT TO JULY 2023

- 8.3.1 The Committee NOTED an unaudited draft of the Annual Report and Financial Statements for the period ended 31 July 2023.
- 8.3.2 The Committee DISCUSSED the following in relation to the unaudited draft document:
- (vi) The Year-to-Date Adjusted Operating Position, which illustrated a more favourable position against the starting budget deficit.
 - (vii) The need to clearly highlight the financial performance of the College during another very challenging year for the sector.
 - (viii) The current cash position of the College, and the challenges faced within the college sector around liquidity.
 - (ix) The land and buildings valuation following a recent indexation exercise.
 - (x) The Internal Audit Opinion provided within the account narrative and need to ensure clarity around the statement.
- 8.3.3 The Committee NOTED that an updated draft Annual Report and Financial Statements for the period ended 31 July 2023 would be presented to its next meeting on 22 November 2023. The Director of Finance and Estate Infrastructure advised the Committee that the narrative within the Annual Report and Financial Statements would be reviewed further to enhance its readability and overall impact.

8.4 EXTERNAL AUDIT UPDATE

- 8.4.1 The Committee NOTED a verbal update from Mazars on progress (to date) relating to the audit of the Annual Report and Financial Statements to 31 July 2023. The External Auditor advised the Committee that the College had provided good quality information throughout the fieldwork period, with the audit process progressing as planned.
- 8.4.2 The Committee DISCUSSED the current positive pension scheme asset value position and the proposed move to a capped asset ceiling level.

9. ANY OTHER COMPETENT BUSINESS

- 9.1 None.

10. FOR INFORMATION

10.1 COMMITTEE PROGRAMME OF WORK 2023/24

- 10.1.1 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 November 2023.

Meeting closed at 17:00