



For the future you want

## **AUDIT & RISK ASSURANCE COMMITTEE**

### **MINUTES OF MEETING OF 24 NOVEMBER 2021**

**15:00, Remotely via Microsoft Teams**

**Present:** Ian Doig; Janyce Holmes; Ross Laird; Nigel Paul (Chair)

**In attendance:** Nick Croft; Ursula Lodge (Audit Scotland); Martin Nolan (Audit Scotland); Claire Robertson (BDO); Lindsay Towns; Marcus Walker (Clerk); Alan Williamson

#### **1 WELCOME AND APOLOGIES**

- 1.1 Apologies were received from Lesley Drummond.
- 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 13 October 2021 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 5.2/13.10.21 refers*)**

The Committee NOTED that at its last meeting it was agreed that the Audit & Risk Assurance Committee's Terms of Reference would be checked

against the Scottish Government's Audit Committee Handbook. The Chair advised the Committee that the Handbook stated the following with regards to membership: *'at least one member of the committee should have recent and relevant financial experience'*. The Committee NOTED that the wording within the Terms of Reference differed slightly, referring to the requirement of a *'recent and relevant background in finance, account and/or auditing'* (under Paragraph 7.1).

The Committee AGREED that the text within Paragraph 7.1 of the Terms of Reference should be updated to match the Audit Committee Handbook, and the amendment recommended to the Board for approval.

#### 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 2020/21

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 2 August 2021.

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 the five 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 2020/21

5.2.1 The Committee NOTED that the internal auditors had conducted an Educational Maintenance Allowance (EMA) audit for the academic year 2020/21, in September 2021, 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 STUDENT SUPPORT FUNDS

5.3.1 The Committee NOTED that the internal auditors had conducted a Student Support Fund Audit for the academic year 2020/21, in September 2021, in accordance with the requirements set out in SFC's 'Student Support Fund Audit Guidance 2020/21'.

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.

## 5.4 INTERNAL AUDIT REPORT: COVID-19 HEALTH & SAFETY

- 5.4.1 The Committee NOTED that internal audit had conducted a review of the risk mitigations put into place for Covid-19 in relation to health & safety procedure, practice and associated risk assessment towards a planned re-opening of College buildings. The Internal Auditor advised the Committee that the audit provided substantial assurance over the design and effectiveness of the controls in place around Covid-19 Health & Safety measures.
- 5.4.2 The Committee welcomed the internal audit report and the Chair, on behalf of members, commended the College for the way it had dealt with health & safety matters during the Covid-19 Pandemic.

## 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 13 October 2021.
- 6.1.2 The Committee NOTED the continued management and development of the Covid-19 Risk Register by the 5R Hub, who met on a weekly basis to review updates. The Director of Communications, Policy & Research informed the Committee that, although a significant number of students had physically attended College since the start of the academic year, there had been no instances of 'on campus' Covid-19 transmission.
- 6.1.3 The Committee DISCUSSED risks related to the financial sustainability of the College and the sector. The Chief Operating Officer advised the Committee that the Financial Forecast Return (FFR) 2020-24 had been reviewed by the Policy & Resources Committee on 16 November 2021, and (for information) it was agreed that the FFR would be presented to the Board on 14 December 2021.
- 6.1.4 The Committee NOTED that both full-time enrolments and credit activity in 2021/22 (year-to-date) had decreased by 9% on the previous academic year. The Director of Communications, Policy & Research advised the Committee that the decrease in activity was not known until after the last review of the Top-Level Risk Register in October 2021. The Committee DISCUSSED potential factors leading to a reduction in 2021/22 credit activity across the sector and AGREED that the residual risk score relating to *'Failure to meet SFC funded activity targets and fees'* should be reviewed at the next meeting of the Risk Management and Assurance Group.
- 6.1.5 The Committee DISCUSSED risks relating to workforce development and the challenges facing organisations around talent retention. The Committee AGREED that the Executive should consider further whether talent retention was a risk to the College, and report back to the Committee at its next meeting.

6.1.6 The Committee NOTED Business Continuity Management Plans related to the following two areas: (i) Loss of Site; and (ii) Loss of Utility. The Committee DISCUSSED each of the Plans and AGREED to endorse their publication by the College.

## 6.2 PENETRATION AND PHISHING TEST UPDATE AND PRESENTATION

6.2.1 The Committee NOTED that the College had recently completed a penetration test, which involved a two-stage phishing campaign. The Chief Operating Officer informed the Committee that a phishing campaign was an email scam designed to steal personal information from victims and was a popular tool used by cybercriminals, with 92% of cyber-attacks starting with phishing.

6.2.2 The Committee NOTED the methodology, results and recommendation arising from the penetration test - which was independently conducted by JISC. The Chief Operating Officer advised the Committee that, based on the results of the test, it was important to increase staff awareness of the risks associated with phishing through staff inductions, mandatory training, and College updates. Further to this, the Committee NOTED that, where appropriate, the College would continue to rollout Multi-Factor Authentication (MFA) for access to email and other applications, to provide a further layer of security to College IT systems.

6.2.3 The Committee DISCUSSED the recommendations and next steps arising from the Penetration test. The Committee AGREED that such tests should be repeated periodically to demonstrate the impact of mitigations and to allow the Committee to measure performance.

## 7. ANNUAL REPORT AND FINANCIAL STATEMENTS

### 7.1 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2021

7.1.1 The Committee NOTED a draft Annual Report and Financial Statements for the period ended 31 July 2021. The Committee DISCUSSED minor contextual amendments to the Annual Report, and updates in response to points raised by Audit Scotland relating to building values exhibited in '*Exhibit 2, Point 2*' of the 2020/21 Draft Annual Audit Report.

7.1.2 The Committee DISCUSSED the Annual Report and Financial Statement to 31 July 2021 and AGREED that the Director of Finance should consider the following two points when drafting next year's annual accounts:

- (i) Wider considerations within the '*Sustainability*' section to include areas such as social sustainability and health & wellbeing.
- (ii) The presentation of information relating to Reconciliations, as presented in the '*Pension and Similar Obligations*' section of the Financial Statements, to align with the layout presented in the Annual Audit Report.

7.1.3 The Committee commended the Chief Operating Officer, the Director 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 2021 by the Board on 14 December 2021.

## 7.3 DRAFT 2020/21 ANNUAL AUDIT REPORT

7.3.1 The Committee NOTED a Draft 2020/21 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 2020/21 Annual Audit Report:

- (i) The positive report provided by the external auditors under challenging circumstances for the College.
- (ii) 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.
- (iii) 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 2021 and the Letter of Representation to the Board on 14 December 2021.

## 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 to ensure the College estate is both configured and sized appropriately to meet the needs of the new Curriculum Strategy and the current blended learning approach.
- (iv) The agile approach being adopted by the College in response to the Covid-19 Pandemic, and the changes in the profile of the student population.
- (v) The positive way staff at all levels across the College have responded to the changes in working practices that were necessary over the past year.

8.3 The Committee NOTED that the Chair's Annual Report would be presented to the Board on 14 December 2021, with the Annual Accounts and Financial Statements to July 2021.

## **9. ANY OTHER COMPETENT BUSINESS**

### ***The Internal Auditor left the meeting***

#### **9.2 EVALUATION OF INTERNAL AUDIT FUNCTION 2020/21**

9.1.1 The Committee NOTED a consolidated response to an evaluation of the internal audit function in the 2020/21 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 2018/19, 2019/20 and 2020/21. 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 23 February 2022.

### **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 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 2021 to 30 October 2021.

10.4 COMMITTEE PROGRAMME OF WORK 2021/22

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 23 February 2022.

***Meeting closed at 16:40***

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