



For the future you want

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 10 OCTOBER 2018

15:00 Boardroom, Milton Road Campus

Present: Ian Doig; Bob Downie; Judith Sischy (Acting Chair)

In attendance: Chris Brown (Scott-Moncrieff); Nick Croft; Audrey Cumberland; Chris McClelland (Audit Scotland); Scott Peterson (BDO); Claire Robertson (BDO); Joanna Stevenson (Audit Scotland); Lindsay Towns; Marcus Walker (Clerk); Alan Williamson

1 WELCOME AND APOLOGIES

- 1.1 Apologies were received from Nigel Paul.
- 1.2 The Acting Chair welcomed the new Principal & Chief Executive, Audrey Cumberland, to her first meeting of the Audit & Risk Assurance Committee following her recent appointment.
- 1.3 The Acting Chair welcomed Claire Robertson and Scott Peterson to the meeting, following the appointment of BDO as internal auditors to the college.

2 DECLARATIONS OF INTEREST

- 2.1 No declarations of interests were received.

3 MINUTES OF PREVIOUS MEETING

- 3.1 The Board APPROVED the minutes from 29 May 2018 as an accurate record of the meeting.

4 MATTERS ARISING

4.1 MATTERS ARISING REPORT

4.1.1 Actions from the previous meeting were complete, overtaken or on the agenda.

4.1.2 The Committee NOTED an update on Section 22 Report which had been published in May 2018, and an appropriate communication plan implemented by the college. The Chief Operating Officer advised the Committee that although no further action was required of the college, progress continued to be made against areas of risk highlighted in the Section 22 Report.

4.2 REVIEW OF COMMITTEE OPERATION 2017/18

4.2.1 The Committee NOTED a finalised version of the Review of Committee Operation 2017/18, as agreed by Members outwith the meeting.

4.2.2 The Committee DISCUSSED the future representation of staff and student Board members on the Audit & Risk Assurance Committee. The Committee AGREED that it had no objections to staff and student Board members joining the Committee and that the matter should be considered as part of the 2019 Governance Review.

4.3 SCOTTISH GOVERNMENT AUDIT AND ASSURANCE COMMITTEE HANDBOOK

4.3.1 The Committee NOTED that the Scottish Government had published a revised Audit and Assurance Committee Handbook in April 2018. The Internal Auditor highlighted the key differences between the 2008 and 2018 versions of the Handbook, and the applicability of the key changes to current practice at Edinburgh College.

4.3.2 The Committee NOTED that the revised Handbook focused on the increased responsibility of audit committees to develop an assurance framework, and to understand the various sources of assurance it receives and the role that each assurance provider plays.

4.3.3 The Committee DISCUSSED the 'three lines of assurance' model advocated by the Handbook to articulate an appropriate assurance framework. The Committee AGREED that the Chair and the Head of Corporate Development should draft an assurance framework, using the three lines of assurance model, for presentation to a future meeting. The incoming internal auditors (BDO) advised the Committee that they would be content to help the college develop its assurance framework and provide appropriate training for Committee members.

5 TERMS OF REFERENCE

5.1 The Committee NOTED its terms of reference as previously agreed in June 2015. The Acting Chair advised the Committee that the Code of Good Governance dictated that

committees of the Board should regularly review their terms of reference to ensure they remain fit for purpose.

5.2 The Committee DISCUSSED its terms of reference and the potential inclusion of the following points:

- (i) The development of an assurance framework, and any further inclusions from the Scottish Government's Audit and Assurance Committee Handbook;
- (ii) the annual meeting of the internal and external auditors with Committee members;
- (iii) the role of the Committee in supporting the Board and the Accountable Officer, and providing a constructive challenge.

5.3 The Committee NOTED the extensive nature of its terms of reference and the demands it placed on both its Chair and members.

5.4 The Committee AGREED that a revised version of the terms of reference, with the inclusions outlined in Paragraph 5.2, should be brought forward to the next meeting of the Committee for review.

6 INTERNAL AUDIT

6.1 SUMMARY OF AUDIT RECOMMENDATIONS

6.1.1 The Committee NOTED a report on progress against internal auditors recommendations previously reported to the Audit & Risk Assurance Committee in 2014/15, 2015/16 and 2017/18.

6.1.2 The Committee DISCUSSED matters relating to two recommendations within the 2015/16 Workforce Development audit, including the opportunities available to staff to retrain/upskill and the benefits of a workforce satisfaction survey as a means to develop the culture of the college going forward.

6.1.3 The Committee NOTED that, with regard to a recommendation from a 2017/18 Estates Management audit, the Policy & Resources Committee would be considering an Estates Strategy in due course.

6.2 INTERNAL AUDIT REPORT: WORKFORCE MANAGEMENT

6.2.1 The Committee NOTED an internal audit review of workforce management procedures at Edinburgh College. The Internal Auditors advised the Committee that the procedures of the college reflected good practice in a number of areas, although one minor improvement had been identified relating to the monitoring of the summary of targets by the Executive Team.

The Head of Corporate Development joined the meeting

6.3 INTERNAL AUDIT REPORT: BUSINESS CONTINUITY PLANNING

6.3.1 The Committee NOTED an internal audit review of the extent to which Edinburgh College had implemented an effective Business Continuity Management (BCM) framework. The Internal Auditors advised the Committee that management recognised the need to have an effective BCM system in place, and that the Head of Corporate Development would take action to develop a new business continuity planning framework for the college.

6.3.2 The Committee DISCUSSED the areas for improvement identified within the report, and the ambitious timescales outlined by the Head of Corporate Development to meet the five recommendations outlined. The Head of Corporate Development advised the Committee that the college was in a good place to develop its business continuity planning, and that a BCM framework would be brought back to the Committee for review in early 2019.

6.3.3 The Committee NOTED the assurance provided by the Head of Corporate Development, and the strong management response provided to the audit.

6.4 INTERNAL AUDIT FOLLOW-UP REPORT

6.4.1 The Committee NOTED an Internal Audit Follow-Up Report 2017/18, which aimed to provide assurances that internal audit actions agreed during the previous financial year had been implemented satisfactorily.

6.4.2 The Committee DISCUSSED the positive progress made by the college against internal audit actions, and welcomed reassurances provided by the internal auditors.

6.5 INTERNAL AUDIT ANNUAL REPORT 2016/17

6.5.1 The Committee NOTED an annual report on internal audit activity carried out during 2017/18. The internal auditors provided a statement on the internal audit cover achieved from 01 August 2017 to 31 July 2018, 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, the college had an effective framework of governance, risk management and internal controls, and proper arrangements in place to promote value for money and deliver best value in the achievement of organisational objectives. The internal auditors informed the Committee that improvements over the past year were consistent with the significant developments made by the college in 2016/17.

6.5.3 The Committee welcomed the positive report and NOTED the significant progress made by the Executive Team towards the development of internal controls over recent years.

6.5.4 The Acting Chair, on behalf of the Committee, thanked Scott-Moncrieff for delivering their final internal audit annual report - following five years of service as internal auditors to the college.

6.6 INTERNAL AUDIT PLAN 2018/19

6.6.1 The Committee NOTED the Draft Internal Audit Plan 2018/19, as presented by BDO, which covered the full range of systems in the college and was not restricted to financial systems alone.

6.6.2 The Committee NOTED an internal audit plan overview and the phasing of audits across the academic year. The Internal Auditors advised the Committee that a FES Return and Student Support Funds audits had almost been completed, whilst a Risk Management audit was currently underway.

6.6.3 The Committee DISCUSSED the following points related to the proposed Internal Audit Plan:

- (i) The wider level reviews undertaken by BDO in their first year as internal auditors, to build up a picture of governance, risk management and internal controls across the college;
- (ii) the achievement of a Cyber Essential Plus Certificate by the college, and the rationale behind not undertaking an internal audit into cyber security in the first year of the plan;
- (iii) the areas of focus requested by senior management, and their involvement in the internal audit planning process.

6.6.4 The Committee APPROVED the Internal Audit Plan 2018/19, and welcomed the opportunity to review the outcomes of the Risk Management audit at its next meeting.

7 EXTERNAL AUDIT

7.1 EDINBURGH COLLEGE MANAGEMENT REPORT 2017/18

7.1.1 The Committee NOTED a summary of the key issues identified as part of the interim audit work carried out at Edinburgh College. The External Auditors advised the Committee that the audit work allowed Audit Scotland to update its understanding of key controls within financial systems at the college, and to gain assurance over the processes and systems used in preparing the financial statements.

7.1.2 The Committee DISCUSSED the Management Report 2017/18 and NOTED that no significant concerns had been identified by Audit Scotland.

7.2 COMPLIANCE WITH THE CODE OF GOOD GOVERNANCE

7.2.1 The Committee NOTED the governance arrangements in-place across the college and their compliance with the Code of Good Governance for Scotland's Colleges ('the Code').

7.2.2 The Committee NOTED assurances that the college's governance arrangements were compliant overall. The Head of Corporate Development

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.

7.3 DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2018

7.3.1 The Committee NOTED an initial draft of the Annual Report and Financial Statements for the period ended 31 July 2018.

7.3.2 The Committee DISCUSSED minor contextual amendments to the Annual Accounts to July 2018, and AGREED that members should be provided with an opportunity to feedback comments to the Clerk of the Board for consideration and (if appropriate) incorporation in advance of a consolidate draft being reviewed by the Committee on 21 November.

8 RISK ASSURANCE

8.1 RISK MANAGEMENT REPORT

8.1.1 The Committee NOTED a risk management report as provided by the Head of Corporate Development, which highlighted progress in relation to risk management and reporting since the last meeting of the Committee in May 2018.

8.1.2 The Committee NOTED updates to the risk narrative provided to *Risk 24; Cyber Security Breaches within the College*, with the inherent probability of the risk being reduced following the recent achievement of the Scottish Government's Cyber Security Essentials certificate.

8.1.3 The Committee NOTED that *Risk 9; National Pay Bargaining Resulting in Unaffordable Settlement* had been split into two separate risk in order to support improved monitoring going forward. The Head of Corporate Development advised the Committee that this action was taken following feedback from the Committee at its meeting on 30 May.

8.1.4 The Committee DISCUSSED the interlinks between the Audit & Risk Assurance Committee and the Policy & Resources Committee, and AGREED that the Chair and Clerk should consider how members could remain informed of relevant decisions arising from the Policy & Resources and other committees.

8.1.5 The Committee NOTED that a future internal audit report on Risk Management could be presented to members in a workshop format. The Committee welcomed this proposal and AGREED that, depending on the findings of the report, the internal auditors should discuss this approach further with the Head of Corporate Development.

8.1.6 The Committee NOTED a Draft Risk Appetite and Tolerance Statement developed by the Risk Management and Assurance Group. The Committee DISCUSSED the statement and AGREED that it should be included as an item for consideration at the Board Development Day on 30 October, to allow the

Board an opportunity to consider its risk appetite against the business objectives of the college.

Joanna Stevenson, Chris McClelland and Chris Brown left the meeting

The Assistant Principal (Recruitment & Retention), the Head of Student Experience and the Head of Curriculum Planning & Performance joined the meeting

8.2 SAFEGUARDING REPORT

8.2.1 The Committee NOTED a report provided by the Head of Student Experience outlining the safeguarding arrangements in place at the college. The Acting Chair advised the Committee at a previous meeting members had sought an opportunity to discuss safeguarding and gain assurances around the procedures currently in place.

8.2.2 The Committee NOTED that over the past year the college had dealt with over 200 safeguarding issues, and that an updated Edinburgh College Safeguarding Policy had been drafted to support staff in dealing with their safeguarding responsibilities. The Head of Student Experience advised the Committee that the new Policy would also help staff in distinguishing between Causes for Concern and safeguarding matters.

8.2.3 The Committee welcomed the Safeguarding Report provided, and DISCUSSED the following matters:

- (i) The issues of online bullying and how the college responds through its IT Service User Agreement;
- (ii) the relationship of the college with its partners through the Multi-Agency Public Protection Arrangements (MAPPA);
- (iii) robustness of the safeguarding procedures in place and the training available to staff;
- (iv) the rollout of mandatory online safeguarding training to all staff;
- (v) the cooperation between the college and ECSA to tackle safeguarding issues.

8.2.4 The Committee welcomed the assurances provided by the Assistant Principal and the Head of Student Experience, and looked forward to further updates on the important issue of safeguarding.

The Assistant Principal (Recruitment & Retention) and the Head of Student Experience left the meeting

8.3 PENSION FUND UPDATE

8.3.1 The Committee NOTED an update from the Head of Finance on the recent 2017 triennial Lothian Pension Fund reporting and the potential effects on contribution rates.

8.3.2 The Committee NOTED that the Scottish Government Actuary Department had recently put forward a proposal to increase pension contributions by 5.2%, to

cover an existing deficit of £1.3bn. The Chief Operating Officer advised the Committee that, although the proposal was still in its early stages, any such increase would have a significant financial impact on the college sector.

8.3.3 The Committee DISCUSSED the inclusions of pension contributions as an item on the top risk register, and AGREED that it may be appropriate to conduct a risk deep dive on this matter in the future.

8.4 CYBER ESSENTIALS PLUS CERTIFICATION

8.4.1 The Committee NOTED that Edinburgh College had attained a Cyber Essentials Plus Certificate, which would enable the Board to provide assurance to the Scottish Government that the college was embedding a mature and sustainable risk management from common internet based threats - as well as broader risks.

8.4.2 The Committee DISCUSSED the potential for future Board and committee level training on cyber security and IT threats. The Committee AGREED that it would be appropriate to consider this topic for future Board development sessions.

9 COMPLAINTS ACTIVITY REPORT

9.1 The Committee NOTED a summary of complaints received by the college from 01 August 2017 to 31 July 2018.

9.2 The Committee NOTED that in 2017/18 there had been a reduction of 20% in the number of complaints raised from the previous year. Further to this, the Head of Curriculum Planning & Performance advised the Committee that the college had managed to reduce the number of upheld complaints by 50% in 2017/18.

9.3 The Committee DISCUSSED the complaints activity outlined in the report, and sought assurances that the underlying reasons for complaints were been dealt with by the college. The Head of Curriculum Planning & Performance advised the Committee that although the response rates for Stage 2 complaints in 2017/18 had decreased since 2016/17 by 66% (whilst remaining within the required timescale), this was attributed to the implementation of a more robust approach to complaint handling.

Head of Curriculum Planning & Performance left the meeting

10 HORIZON SCANNING REPORT

10.1 The Committee NOTED a Horizon Scanning Report which outlined major political, economic, social, technologies, legal and/or environmental developments that could impact on the five strategic plan aims of the college. The Head of Corporate Development advised the Committee that further to this, the report summarised what the impact of these developments might be and proposed a course of action in response.

10.2 The Committee welcomed the Horizon Scanning Report and NOTED that a reference to the publication of the Audit Scotland Report for Scotland's Colleges in June 2018 should be included.

Ian Doig left the meeting

11 FOR INFORMATION

11.1 DATA BREACH INCIDENT UPDATE

11.1.1 The Committee NOTED that no data breach incident had taken place at the college from May to September 2018.

12 DATE OF NEXT MEETING

12.1 The next meeting of the Audit & Risk Assurance Committee shall take place on 21 November 2018, in the Boardroom, Milton Road Campus.

Meeting closed at 17:30