For the future you want

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 27 FEBRUARY 2019

15:00 Room 4.02, Milton Road Campus

Present: Ian Doig; Nigel Paul (Chair); Judith Sischy

In attendance: Brian Battison (Audit Scotland); Audrey Cumberford; Ursula Lodge (Audit Scotland); Mark McCabe (Audit Scotland); Scott Peterson (BDO); Lindsay Towns; Marcus Walker (Clerk); Alan Williamson

1   WELCOME AND APOLOGIES

1.1   No apologies were received.

1.2   The Committee NOTED that Ursula Lodge (Senior Audit Manager) and Brian Battison (Audit Manager) of Audit Scotland would be leading the external audit of Edinburgh College going forward. The Committee Chair, on behalf of members, welcomed the new external audit team to the meeting and thanked the previous audit team (Helen Russell and Joanna Stevenson) for their engagement with the College.

1.3   The Committee NOTED that Mark McCabe (Senior Audit Manager) would be in attendance for Item 5; Scotland's Colleges 2018 Report.

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 21 November 2018 as an accurate record of the meeting.

4   MATTERS ARISING

4.1   The Committee NOTED that actions from the previous meeting were complete, overtaken or on the agenda.

5   AUDIT SCOTLAND: SCOTLAND'S COLLEGES 2018 REPORT

5.1   The Committee NOTED the Scotland's Colleges 2018 Report published by Audit Scotland in June 2018. The Senior Audit Manager advised the Committee that the 2018 report provided an update on college finances and an analysis of learning activity. Further to this, the Committee NOTED that Audit Scotland were now in the process of deciphering key messages for their Scotland's Colleges 2019 Report.

5.2   The Committee NOTED the following key messages from the Scotland's Colleges 2018 Report:

(i)   The college sector's underlying financial position had improved in 2016/17, but several colleges continued to face significant financial challenges;

(ii)   staff costs remained the highest area of spending and were forecast to increase, mainly as result of costs associated with harmonising staff pay and other conditions;

(iii)   the SFC's 2017 estates condition survey indicated that college buildings required urgent and significant investment, with backlog maintenance over the next five years of up to £360m;

(iv)   differences in the assumptions used by colleges for forecasting did not provide a reliable picture of future sustainability for the sector, and would need to be addressed going forward;

(v)   the college sector exceeded its targets for learning activity and full-time equivalent student places in 2016/17, with student numbers increasing around four per cent;

(vi)   the proportion of credits delivered to students from deprived areas, from ethnic minorities, with care backgrounds or with disabilities all continued to increase. Despite this, the gap in attainment between students from the least and most deprived areas continued to grow.

5.3   The Committee DISCUSSED the need for significant financial investment in college infrastructure, and the difficult decisions colleges had to take to fund essential building maintenance over digital and IT investment. The Senior Audit Manager informed the Committee that the impact of this would be explored within the 2019 report.

5.4   The Committee NOTED that Audit Scotland would be focusing on deprivation as part of 2019 report, and DISCUSSED the need to take a holistic view of student pathways (and funding models) across schools, colleges and universities. The Principal flagged to the Committee that a considerable amount of higher education provision was delivered by the College for which it receive no additional funding.

5.5   The Committee DISCUSSED the performance of the College against other colleges in the sector, and AGREED that as part of the College's work to develop its monitoring of key performance indicators it should seek to benchmark itself against the sector.

5.6 The Committee Chair thanked the Senior Audit Manager for providing a comprehensive overview of the 2018 Report, and it was AGREED that once Scotland's Colleges 2019 Report was published a further update would be provided.

The Senior Audit Manager (Audit Scotland), Mark McCabe, left the meeting

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 and 2017/18.

6.1.2 The Committee DISCUSSED matters relating to business continuity and the timescales outlined by the College to complete outstanding internal audit actions. The Chief Operating Officer advised the Committee that a Business Continuity Management (BCM) Framework and Policy had been approved by the Senior Management Team on 31 January. The Committee NOTED the BCM Framework and Policy, and welcomed the progress made by the College to complete all internal audit recommendations relating to business continuity in a timely manner.

6.1.3 The Committee DISCUSSED outstanding internal audit actions relating to workforce management and succession plans. The Chief Operating Officer informed the Committee that the new Head of HR & OD was progressing these matters with a view to their completion before the next meeting of the Committee on 29 May.

6.2 INTERNAL AUDIT REPORT: CORPORATE GOVERNANCE

6.2.1 The Committee NOTED that the internal auditors had conducted a review of corporate governance at the College. The Internal Auditor advised the Committee that 'substantial assurance' had been received in relation to the design and operational effectiveness of the controls in place regarding corporate governance at the College.

6.2.2 The Committee NOTED that two recommendations had been outlined in the report, relating to the amount of paperwork provided to Board members and the need to produce an annual plan of work for the Board and all its committees going forward. The Clerk advised the Committee that both recommendation were currently being responded to, and would be considered as part of the College's external governance review.

6.2.3 The Committee welcomed the report and NOTED that progress relating to individual recommendations would be monitored through the Audit Recommendation Summary Report.

6.3 INTERNAL AUDIT PROGRESS REPORT 2018/19

6.3.1 The Committee NOTED a summary of internal audit activity during the academic year 2018/19 (to date), which included details on the reviews planned for the coming quarter.

7. RISK ASSURANCE

7.1 RISK GOVERNANCE AND THE 'THREE LINES OF DEFENCE' UPDATE

7.1.1 The Committee NOTED an update on the progress of the College towards developing its risk management structures and processes to include the three lines of defence model, a well-established model which aimed to help organisations manage uncertainty and mitigate downside risks.

7.1.2 The Committee NOTED that the Senior Management Team would consider the 'three lines of defence' model in March 2019, and look to provide further assurances on the first and second lines of defence. The Chief Operating Officer advised the Committee that he would also be meeting with the Committee Chair and the Principal to discuss what further information was required by the Committee for assurance purposes.

7.1.3 The Committee DISCUSSED the following in relation to the establishment of a three lines of defence model:

(i) The need to consider more external assurances and not only rely on the internal auditors assurances;
(ii) the development of an assurance map as a tool to support risk management;
(iii) considerations around the scope and frequency of the assurances provided;
(iv) the support available from the internal auditors to develop a model using existing templates.

7.1.4 The Committee AGREED a draft 'three lines of defence' proposal should be brought forward to its next meeting for further consideration.

7.2 RISK MANAGEMENT REPORT

7.2.1 The Committee NOTED a risk management report as provided by the Chief Operating Officer, which highlighted progress in relation to risk management and reporting since the last meeting of the Committee in November 2018.

7.2.2 The Committee NOTED that the Risk Management and Assurance Group (RMAG), which reports to the Audit & Risk Assurance Committee, agreed that all top risk owners were to complete a review of their assigned risk narrative and the accompanying risk appetite/tolerance scoring. The Chief Operating Officer advised the Committee that the risk appetite/tolerance scoring of *Risk 26; Impacts of Brexit on College Business* would be revisited at the next meeting of the RMAG in March 2019.

7.2.3 The Committee DISCUSSED the current scoring of *Risk 27; Workforce Planning and Development* as 'Green', and AGREED that the associated net risk should be increased to indicate the current position of national pay bargaining.

7.2.4 The Committee DISCUSSED the risk tolerance summary contained within the top risk register, and AGREED that the Chief Operating Officer and Head of Corporate Development should consider how such information is presented going forward - to ensure that the Committee (and the Board) fully engage with the scoring system.

7.3 RISK DEEP DIVE: ANTI-FRAUD, BRIBERY AND CORRUPTION REPORT

7.3.1 The Committee NOTED a report outlining the anti-fraud, bribery and corruption arrangements of the College. The Head of Finance informed the Committee that it had previously approved the College's Anti-Fraud, Bribery and Corruption Policy in February 2018.

7.3.2 The Committee NOTED areas of specific risk to the College and the processes currently in place to mitigate any potential incidents. The Committee DISCUSSED the following in relation to anti-fraud, bribery and corruption:

(i) The College's policy towards the tagging of assets to reduce incidents of theft;
(ii) the guidance in place for staff in the areas of commercial and international where cases of bribery may arise;
(iii) the benefits of producing a business ethics policy, which links in with the College values and culture;
(iv) the College's Cyber Security Essential Certification and the mandatory training provided to staff;
(v) the need to disseminate lessons learned in cases where an incident of fraud had been committed;
(vi) the potential for the internal auditors to work with the College to run workshops on fraud prevention;
(vii) the benefits of considering current controls against a maturity model.

7.3.3 The Committee welcomed the assurances provided by Head of Finance, and AGREED that it would be worthwhile considering the counter fraud controls against a maturity model going forward.

8 HORIZON SCANNING REPORT

8.1 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. The Clerk advised the Committee that further to this, the report also indicated what the college was doing to address these impacts.

9   ANY OTHER COMPETENT BUSINESS

9.1   AUDIT SCOTLAND STATUTORY FEES

9.1.1 The Committee NOTED an indication of the fees for 2018/19 audits as charged by Audit Scotland. The Senior Audit Manager informed the Committee that the proposed fee was based on Audit Scotland's overall budget proposals which will be considered by the Scottish Commission for Public Audit (SCPA).

9.1.2 The Committee DISCUSSED the fee for 2018/19 audits and AGREED that in future it would welcome feedback from Audit Scotland on what the College could do to minimize its external audit costs.

9.2   AUDIT & RISK ASSURANCE COMMITTEE BUSINESS PLANNER

9.2.1   The Committee NOTED an overview of upcoming agenda items to be considered by the Audit & Risk Assurance Committee at its next three scheduled meetings. Members AGREED that, in line with a recommendation arising from the corporate governance internal audit *(Minute 6.2.2 refers)*, the presentation of a business planner to the Committee would become a standing item at future meetings.

9.2.2 The Committee AGREED that the Clerk to the Board should liaise with the internal auditors to ensure that upcoming internal audit reports were included in the planner.

10   FOR INFORMATION

10.1 DATA BREACH INCIDENT UPDATE

10.1.1   The Committee NOTED that no data breach incident had taken place at the college from November 2018 to February 2019.

10.1.2   The Committee AGREED that it would welcome an annual report on data breach incidents and cyber-attacks to help members understand the source, frequency and whether any specific trends existed.

11   DATE OF NEXT MEETING

11.1   The next meeting of the Audit & Risk Assurance Committee shall take place on 29 May 2019, in the Boardroom, Milton Road Campus.

Meeting closed at 17:05