



For the future you want

## **AUDIT & RISK ASSURANCE COMMITTEE**

### **MINUTES OF MEETING OF 12 OCTOBER 2022**

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

**Present:** Ian Doig; Lesley Drummond (Chair); Ian McLaughlan

**In attendance:** Nick Croft; Gordon Hope; Rosemary Khan (Audit Scotland); Chloe Main (BDO); Sarah-Louise Nandadasa; Marcus Walker (Clerk); Alan Williamson

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

- 1.1 Apologies were NOTED from Stewart Darling.
- 1.2 The Committee NOTED that Janyce Holmes, a Non-Executive Board Member and Chair of the Audit & Risk Assurance Committee, had resigned from the Board of Management on 30 September 2022. The Chair, on behalf of the Committee, thanked Ms Holmes for her contribution to the Audit & Risk Assurance Committee over the course of her tenure.
- 1.3 The Committee NOTED that the Board of Management, on 27 September 2022, had agreed that Lesley Drummond would assume the role of Chair of the Audit & Risk Assurance Committee from 30 September 2022 until the end of her tenure as a Board member on 1 March 2023.
- 1.4 The Committee NOTED that the Board of Management, in line with a recommendation from the Nominations Committee, had agreed that Ian Doig would continue as Independent Member of the Audit & Risk Assurance Committee until 31 July 2023. The Chair, on behalf of the Committee, thanked Mr Doig for reassuming the role of Independent Member during a continued period of transition for the Audit & Risk Assurance Committee.
- 1.5 The Chair welcomed Ian McLaughlan to his first meeting of the Audit & Risk Assurance Committee as a Non-Executive Member, following his appointment to the Board of Management on 30 June 2022.
- 1.6 The Chair welcomed Rosemary Khan to her first meeting of the Audit & Risk Assurance Committee as a representative of Audit Scotland.

## **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 25 May 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.

### **4.2 BUSINESS COMMITTEE OF THE BOARD UPDATE**

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 TERMS OF REFERENCE**

5.1 The Committee NOTED 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 NOTED that membership of the Audit & Risk Assurance Committee excluded both the Chair of the Board and the Principal & Chief Executive. Further to this, the Committee DISCUSSED current good practice guidance relating to the attendance of the Chair of the Board at meetings of the Audit & Risk Assurance Committee.

5.3 The Committee AGREED that, subject to further discussion with the Chair of the Board, a change to the Terms of Reference should be proposed to the next meeting of the Audit & Risk Assurance Committee - to ensure that the Committee maintained an appropriate level of independence.

***The Digital Services Infrastructure Lead joined the meeting***

## **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 and 2021/22.

6.1.2 The Committee NOTED that, in relation to an action arising from a 2018/19 Partnership Working Internal Audit, a draft Service Level Agreements (SLA) had been drafted and shared with local authorities. The Chief Operating Officer advised the Committee that the College would hold meetings with all three local authorities, and it was hope that each SLA would be signed off before the end of the calendar year.

6.1.3 The Committee NOTED that, in response to a 2021/22 IT Services Internal Audit, a report on the use of personal devices by College staff had been received by the Senior Management Team (SMT) on 9 June 2022 which acknowledged that it would be too expensive to give every member of staff a mobile phone and laptop exclusively for work use. The Chief Operating Officer outlined that the SMT had subsequently agreed a risk-based approach which was proportionate to the level of security threat.

6.1.4 The Committee DISCUSSED the response of the SMT to the use of personal devices audit recommendation. The Committee AGREED that given the assurances outlined by the Chief Operating Officer it was content for the Executive Team to sign-off the audit recommendation as closed.

## 6.2 INTERNAL AUDIT REPORT: FOLLOW-UP 2021/22

6.2.1 The Committee NOTED an Internal Audit Follow-Up Report 2021/22, 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 26 recommendations due to be implemented, 13 recommendations had been categorised as 'fully implemented', 11 as 'partially implemented', one as 'not implemented' and one as 'superseded'. The Internal Audit advised the Committee that the remaining 18 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 reassurances provided by the internal auditors.

## 6.3 INTERNAL AUDIT REPORT: APPLICATION, INDUCTION & ENROLMENT

6.3.1 The Committee NOTED that internal audit had conducted a review of application, induction, and enrolment arrangements in place at the College. The Internal Auditor advised the Committee that 'substantial' assurances had been received in relation to the design and operational effectiveness of the controls in place regarding application, recruitment, induction, and enrolment processes.

6.3.2 The Committee DISCUSSED the Internal Audit Report and NOTED the considerable work achieved by the College to improve its application and enrolment processes. The Chair highlighted to the Committee that since 2015/16 the position of the College relating to application, induction and enrolment had improved significantly, as highlighted through the commendations within the Internal Audit Report.

#### 6.4 INTERNAL AUDIT REPORT: CASH HANDLING

6.4.1 The Committee NOTED that internal audit had conducted a review of the controls in place at the College relating to cash handling. The Internal Auditor advised the Committee that 'moderate' assurances had been received in relation to the design and operational effectiveness of the controls in place.

6.4.2 The Committee DISCUSSED the work done by the College to promote card payments and move towards becoming fully cashless. The Chief Operating Officer advised the Committee that whilst the Covid-19 Pandemic had made most of the College business cashless, several discrete areas still required cash transactions.

6.4.3 The Committee NOTED that cash takings by the College, which mainly related to online payments, had reduced from over £1.8m in 2016/17 to approximately £36k in 2021/22. The Chair welcomed assurances that the amounts of cash handled by the College had significantly reduced over recent years, whilst acknowledging the challenges faced by the College to become completely cashless.

#### 6.5 INTERNAL AUDIT REPORT: EQUALITIES

6.5.1 The Committee NOTED that internal audit had conducted a review of the equality arrangements in place at the College. The Internal Auditor advised the Committee that 'moderate' assurances had been received in relation to the design and operational effectiveness of the controls in place.

6.5.2 The Committee NOTED it was important that all staff complete training on equalities so that they were aware of their roles, responsibilities, and legal obligations. The Internal Auditor advised the Committee that 14.5% of staff had not completed their Equality, Diversity, and Inclusion (EDI) mandatory training, and therefore might not be sufficient aware of their responsibilities to ensure compliance.

6.5.3 The Committee DISCUSSED the risks to the College, and both new and existing members of staff, in relation to the failure to complete EDI mandatory training. The Committee NOTED that the Senior Management Team would, as a priority, ensure that all staff who had never completed the mandatory training would be contacted directly. The Chair advised the Committee that progress relating to the recommendations within the report would be followed up as part of the Internal Audit Recommendation Summary Report.

#### 6.6 INTERNAL AUDIT ANNUAL REPORT 2021/22

6.6.1 The Committee NOTED an annual report on internal audit activity carried out during 2021/22. The internal auditors provided a statement on the internal audit coverage achieved from 1 August 2021 to 31 July 2022, and a summary of audit opinion on the College's control environment and systems of internal control.

6.6.2 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.

6.6.3 The Committee welcomed the positive report and NOTED the continued progress made by the College towards the development of its internal controls.

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

## **7. RISK ASSURANCE REPORT**

### **7.1 THREE LINES OF DEFENCE ANNUAL REPORT**

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 Director of Communications, Policy & Research 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 2021/22 to maintain arrangements across all three lines of defence. The Chair, on behalf of the Committee, welcomed the approach implemented by the Director of Communications, Policy & Research and highlighted the continued maturity of the Three Lines of Defence Framework.

### **7.2 RISK MANAGEMENT UPDATE**

7.2.1 The Committee NOTED a risk management report as provided by the Director of Communication, Policy & Research, which highlighted progress in relation to risk management and reporting since the last meeting of the Committee.

7.2.2 The Committee NOTED the Top-Level Risk Register and the three risks currently RAG rated as 'Red'. The Director of Communications, Policy and Research advised the Committee that following a return of commercial income towards pre-Covid levels, the Risk Management & Assurance Group (RMAG) had agreed that the inherent and residual scoring related to *Risk 3; Shortfall in Commercial Income* had reduced sufficiently to downgrade the risk to a RAG rating of 'Amber'.

7.2.3 The Committee DISCUSSED *Risk 33, Financial Sustainability* and its continued scoring on the Top-Level Risk Register as 'Red', despite several mitigations implemented by the College to reduce its risk score.

7.2.4 The Committee NOTED updates to the Risk Management Policy & Procedure and three Business Continuity Management (BCM) Plans relating to Adverse Weather, Terrorist Threat/Attack, and a Pandemic. The Chair, on behalf of the Committee, welcomed both the Policy & Procedure and the BCM Plans and commended the College on the level of assurance provided through its current risk management arrangements.

## 7.3 ANNUAL REPORT ON DATA BREACH INCIDENTS AND CYBER ATTACKS

- 7.3.1 The Committee NOTED an Annual Report on Data Breach Incidents and Cyber Attacks for 2021/22. The Director of Communications, Policy & Research advised the Committee that the annual report allowed 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 the key cyber-defence improvements made since the last iteration of the Report, including the significant boost provided to cyber-security capabilities through the procurement of both an external (fully managed) Security Operations Centre and Managed Detection and Response Service. The Digital Services Infrastructure Lead advised the Committee that the investment made in these major areas of operation allowed the in-house IT Infrastructure and Network Team to focus on key security controls, such as 'patch' management, firewalls, user access control, malware protection and secure configuration.
- 7.3.3 The Committee NOTED that user education on cyber-security at work, and at home, had been boosted by a new online training platform offering bite-sized video training to raise awareness to users of the threat. The Digital Services Infrastructure Lead informed the Committee that human error remained the single biggest risk to cyber-security at the College, and appropriate staff/student training would mitigate potential risks.
- 7.3.4 The Committee NOTED that over the academic year 2021/22, the College's Information Management Team were notified of, and investigated, 20 data incidents to evaluate whether personal data breaches had occurred (-incline with the breach definition provided by the Information Commissioners Office (ICO)). The Director of Communications, Policy & Research advised the Committee that no data breaches had been determined as reaching the threshold for reporting to the ICO.

***The Director of Communication, Policy & Research left meeting.***

## 8. ANNUAL ACCOUNTS TO JULY 2022

### 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 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.
- 8.1.4 The Committee DISCUSSED the membership of the Audit & Risk Assurance Committee, as outlined in its Terms of Reference, and its inclusion of '*at least one [member] of whom will have a recent and relevant background in finance, accounting and/or auditing*'. The Committee AGREED to endorse

to the Nominations Committee that the Board of Management should seek the appointment of two new non-executive members with either chartered accountancy and/or audit experience.

## 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 Chief Operating Officer informed the Committee that these statements enabled the Principal & 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 an internal control assurance statement provided by the Principal and were content with the level of assurance illustrated.

## 8.3 DRAFT (UNAUDITED) ANNUAL REPORT AND FINANCIAL STATEMENTS

8.3.1 The Committee NOTED an unaudited draft of the Annual Report and Financial Statements for the period ended 31 July 2022.

8.3.2 The Committee DISCUSSED the following in relation to the unaudited draft document:

- (i) The need to clearly highlight the financial performance of the College during a challenging period for the sector.
- (ii) The current cash position of the College, and the challenges faced within the college sector around liquidity.
- (iii) The positive movement in pension assets from a pension liability in the prior year, mainly based on an increase in the discount factor.
- (iv) The recent land and buildings valuation, which added 10% to value of the College since the last valuation two years ago.

8.3.3 The Committee NOTED that an updated draft Annual Report and Financial Statements for the period ended 31 July 2022 would be presented to its next meeting on 22 November 2022. The Chief Operating Officer 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 AUDIT SCOTLAND UPDATE

8.4.1 The Committee NOTED a verbal update from Audit Scotland on progress (to date) relating to the audit of the Annual Report and Financial Statements to 31 July 2022. The External Auditor advised the Committee that Audit Scotland had taken the decision not to provide interim audit report to clients across the public sector this year.

8.4.2 The Committee NOTED that its members would be asked by Audit Scotland, at its next scheduled meeting, if they were aware of any serious weaknesses in the internal control environment, significant fraud, or major accounting or other control breakdowns. The Chair asked the Committee to be cognisant that the question, in line with standard auditing practice, would be posed by

the External Auditor to the Audit & Risk Assurance Committee on 22 November 2022.

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

### **9.1 INTERNAL AUDIT PROCUREMENT PROCESS**

9.1.1 The Committee NOTED that a tender for a new internal audit provider from 1 August 2023 onwards, had been published in September 2022. The Chief Operating Officer advised the Committee that, following the completion of the procurement process, an update would be provided at the Audit & Risk Assurance Committee's next meeting.

### **9.2. INDEPENDENT MEMBER OF THE AUDIT & RISK ASSURANCE COMMITTEE**

9.1.2 The Committee NOTED that the Board of Management continued to advertise for an Independent Member to join the Audit & Risk Assurance Committee. The Board Secretary advised the Committee that a further update on the co-option process would be provided at its next meeting.

## **10. FOR INFORMATION**

### **10.1 ANNUAL COMPLAINT ACTIVITY REPORT 2021/22**

10.1.1 The Committee NOTED an annual report on complaints activity as provided by the Quality Enhancement Team. The Chief Operating Officer advised the Committee that to ensure that complaint activity was considered in appropriate detail it would be reviewed by the Policy & Resources Committee at its next meeting.

### **10.2 COMMITTEE PROGRAMME OF WORK 2021/22**

10.2.1 The Committee NOTED its proposed programme of work for the upcoming academic year.

## **11. FOR CIRCULATION**

### **11.1 AUDIT SCOTLAND REPORT: SCOTLAND'S COLLEGES REPORT 2022**

11.1.1 The Committee NOTED the Scotland's Colleges Report 2022, as published by Audit Scotland in July 2022. The External Auditor advised the Committee that colleges had responded well to the Covid-19 Pandemic, but changes were needed to ensure they are financially sustainable in the long term and more students graduate.

## **12. DATE OF NEXT MEETING**

12.1 The next meeting of the Audit & Risk Assurance Committee will take place on 22 November 2022



***Meeting closed at 17:05***