



For the future you want

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 21 NOVEMBER 2018

15:00 Boardroom, Milton Road Campus

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

In attendance: Nick Croft; Scott Peterson (BDO); Claire Robertson (BDO); Helen Russell (Audit Scotland); Joanna Stevenson (Audit Scotland); Lindsay Towns; Marcus Walker (Clerk); Alan Williamson

1 WELCOME AND APOLOGIES

1.1 No apologies were received.

1.2 The Committee NOTED that Bob Downie, a non-executive member of the Board and Audit & Risk Assurance Committee, had informed the Chair of the Board of his intention to step down from the Board with immediate effect on 02 November. The Committee Chair thanked Mr Downie for his contribution to the Committee over the past year, and wished him well in his future endeavors.

1.3 The Committee NOTED that members had held their annual private meetings with the internal and external auditors in advance of the Committee meeting.

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 10 October 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, with the exception of the following:

4.1.2 *PERFORMANCE MONITORING DASHBOARD (Minutes 5.5.4/23.11.16 refers)*

The Committee NOTED that the Board had reviewed a proposal to develop key performance indicators to assess progress on the delivery of the Edinburgh College Strategic Plan at its Development Day on 30 October. The Head of Corporate Development advised the Committee that draft KPIs would be considered by the Board at its meeting on 19 March 2019, prior to their inclusion in the Edinburgh College Annual Report and Strategic Plan Update in September 2019.

4.1.3 *THREE LINES OF ASSURANCE (Minute 4.3.3/10.10.18 refers)*

The Committee NOTED that the Committee Chair, Chief Operating Officer, and Head of Corporate Development would prepare a draft assurance framework for consideration by the Committee at its next meeting.

4.1.4 *INTERLINKS WITH THE POLICY & RESOURCES COMMITTEE (Minute 8.1.4/10.10.18)*

The Committee NOTED that the Committee Chair was content that appropriate interlinks with the Policy & Resources Committee were in place, through his membership of both committees and the current reportage received by the Board. The Committee DISCUSSED current linkages and NOTED further consideration for all committees was required. The Clerk to the Board advised the Committee that interlinks between all committees would be considered as part of the 2019 Governance Review.

4.2 TERMS OF REFERENCE

4.2.1 The Committee NOTED an updated Audit & Risk Assurance Committee Terms of Reference, which incorporated points raised by members on 10 October. The Committee Chair advised members that amendments included further reference to an assurance framework (as outlined in the Scottish Government's Audit & Risk Assurance Committee Handbook) and clarification of the Committee's role in supporting the Board and Accountable Officer.

4.2.2 The Committee DISCUSSED and APPROVED the updated Terms of Reference, subject to the inclusion of further reference to 'best value' and 'cyber risks' in Paragraph 3.2.1 of the document. The Committee Chair advised members that these revisions would be included prior to approval being sought from the Board on 11 December.

5 INTERNAL AUDIT

5.1 SUMMARY OF AUDIT RECOMMENDATIONS

5.1.1 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.

5.1.2 The Committee DISCUSSED matters relating to business continuity and the timescales outlined by the college to complete outstanding internal audit actions. The Head of Corporate Development provided assurances to the Committee that the timescales presented by senior management were appropriate.

5.2 INTERNAL AUDIT REPORT: REVIEW OF 2017/18 CREDITS RETURN

5.2.1 The Committee NOTED that the internal auditors had conducted a review of the Edinburgh College FES data return in accordance with the SFC's 'Credit Guidance: 2017/18 Student Activity Data Guidance for Colleges', as issued in August 2018.

5.2.2 The Committee NOTED that following a review of systems and procedures for collecting and recording data, in respect of the FES and Fee Waiver Returns, the internal auditors had made minor recommendations to improve underlying systems and processes.

5.2.3 The Committee NOTED that the internal auditors were content to sign-off a 2017/18 certificate of assurance for submission to the SFC. The Committee Chair commended the significant progress made by the college in its approach to recruitment and retention over recent years, whilst acknowledging there remained continuing challenges across the sector relating to full-time recruitment and the outcome of BREXIT.

5.3 INTERNAL AUDIT REPORT: STUDENT SUPPORT FUNDS 2017/18

5.3.1 The Committee NOTED that the internal auditors had conducted a Student Support Fund Audit for the academic year 2017/18, in September 2018, in accordance with the requirements set out in SFC's 'Student Support Fund Audit Guidance 2017/18'.

5.3.2 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: EMA AUDIT 2017/18

5.4.1 The Committee NOTED that the internal auditors had conducted an Educational Maintenance Allowance (EMA) audit for the academic year 2017/18, in September 2018, in accordance with the requirements outlined in both the Scottish Government and SFC's EMA guidance.

5.4.2 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.

5.5 INTERNAL AUDIT REPORT: RISK MANAGEMENT REPORT

5.5.1 The Committee NOTED that the internal auditors had conducted a review of the risk management framework in place at Edinburgh College and compared it with good practice. The internal auditors advised the Committee that whilst the report recognised a number of areas of good practice within the risk reporting process, several areas for further improvement had been identified.

5.5.2 The Committee welcomed the report and the management responses provided, and DISCUSSED the following points:

- (i) The ongoing work to develop the reporting of KPIs at the college in order to gauge and compare risk management performance;
- (ii) the development of a Risk Appetite and Tolerance Statement, and its consideration under Item 7.1;
- (iii) the alignment of risk appetite to the strategic aims of the college;
- (iv) the recommendation to more regularly review the operational risk register possibly on a quarterly basis.

5.5.3 The Committee NOTED that work relating to recommendations around the development of a Risk Appetite and Tolerance Statement and KPIs were underway, and that progress in these areas would continue to be monitored through the Audit Recommendation Summary Report.

6. FINANCIAL ACCOUNTS

6.1 INTERNAL CONTROL ASSURANCE STATEMENT

6.1.1 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 to provide assurances to both the Board and SFC that appropriate internal controls within the college were in-place.

6.1.2 The Committee NOTED an internal control assurance statement provided by the Principal, and AGREED that the four supporting statements provided by the Chief Operating Officer and Assistant Principals should be circulated to Committee members for noting.

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

6.2.1 The Committee NOTED a proposed Independent Auditor's Report and unqualified audit opinion to the accounts, which included a report on the audit

of the financial statements, the regularity of expenditure and income, and all other reporting requirements.

6.2.2 The Committee NOTED a draft of the Annual Report and Financial Statements for the period ended 31 July 2018. The Committee DISCUSSED minor contextual amendments to the Annual Accounts, and AGREED that the changes highlighted should be incorporated into the final version of the report.

6.2.3 The Committee NOTED a Draft Annual Audit Report submitted by the external auditors. The external auditors informed the Committee that they were content with the college's ability to carry on as a going concern.

6.2.4 The Committee NOTED that they had not been made aware of any serious weaknesses in the internal control environment, significant fraud, or major accounting or other control breakdowns.

6.2.5 The Committee DISCUSSED the reference to reserves held by the college in the Draft Annual Audit Report, and NOTED that reserves predated merger and were not related to cash.

6.2.6 The Committee AGREED to recommend the approval of the financial statement to the Board, subject to agreement on the final wording between the Chief Operating Officer and the external auditors.

6.3 DRAFT LETTER OF REPRESENTATION

6.3.1 The Committee AGREED to recommend a Draft Letter of Representation to the Board at its meeting on 11 December 2018, subject to minor amendment in 'Point 4' of the Statement.

7 RISK ASSURANCE

7.1 RISK MANAGEMENT REPORT

7.1.1 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 October 2018.

7.1.2 The Committee NOTED that the Risk Management and Assurance Group had considered a request from the Committee to refresh the narrative of the Top Level Risk Register, and that this review was currently underway. The Head of Corporate Development informed the Committee that several key changes had already been made to refocus the top register on risks that required strategic oversight.

7.1.3 The Committee NOTED that eight risks had been removed from the Top Level Risk Register as they no longer required strategic oversight and could be managed at an operational level. The Committee welcomed the developments

outlined and DISCUSSED how members would continue to seek assurances on risks managed at an operational level.

7.1.4 The Committee AGREED that the Committee Chair, Chief Operating Officer and the Head of Corporate Development should consider strategic and operational level risks as part of the development of a 'Three Lines of Assurance' framework, as considered under Minutes 4.1.3.

7.1.5 The Committee DISCUSSED the proposal to remove 'Risk 8' relating to 'limited policy option to reduce size of workforce' from the Top Level Risk Register. The Committee AGREED that the positioning of Risk 8 should be considered further by the Risk Management and Assurance Group.

7.1.6 The Committee NOTED that it had been marked as a 'Lead Committee' for a number of items on the updated Top Level Risk Register. The Committee DISCUSSED its independent monitoring role and AGREED that such risks should be attributed to the Policy & Resources Committee.

7.1.7 The Committee NOTED a Draft Risk Appetite and Tolerance Statement which had been updated following the Board Development Day on 30 October. The Head of Corporate Development advised the Committee that amendments had been made in light of the feedback from the Board on risk appetite against the key business objectives of the college.

7.1.8 The Committee DISCUSSED the Draft Risk Appetite and Tolerance Statement and AGREED that it should go forward to the Board for approval on 11 December, subject to further clarification within the document on where commercial matters sit in terms of risk appetite.

7.2 RISK DEEP DIVE PROPOSALS

7.2.1 The Committee NOTED a series of proposed risk deep activities for consideration at future meetings. The Head of Corporate Development advised the Committee that the proposed deep dives had been agreed following consideration by the Committee Chair, and Executive Team.

7.2.2 The Committee DISCUSSED the proposed deep dives and AGREED that scheduled reviews of the following should be planned for upcoming meetings: (i) Bribery Act; (ii) student destinations; (iii) student retention; and (iv) financial sustainability.

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 AGREED that the annual report should highlight the following matters to the Board:

- (i) Financial sustainability in the light of the national pay award and uncertain government funding, and the College's ability to manage its activities and deliver its outcomes within its funding limits;
- (ii) ongoing vigilance with regard to cyber security and data protection;
- (iii) the unknown effects of BREXIT on the FE sector.

8.3 The Committee AGREED that the Annual Report should be presented to the Board with the Annual Accounts to July 2018, subject to minor contextual amendments.

9 HORIZON SCANNING REPORT

9.1 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 Head of Corporate Development advised the Committee that further to this, the report also indicated what the college was doing to address these impacts.

9.2 The Committee DISCUSSED the Horizon Scanning Report and AGREED that reference to the updating of the Scottish Government's National Performance Framework should be included. Further to this, the Committee AGREED that it would be useful for the college to consider including in subsequent annual reports how it contributes to the National Performance Framework.

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 October to November 2018.

11 DATE OF NEXT MEETING

11.1 The next meeting of the Audit & Risk Assurance Committee shall take place on 27 February 2019, in the Boardroom, Milton Road Campus.

Meeting closed at 17:20