

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 03 JUNE 2015

16:30, Boardroom, Granton

Present: N McKenzie; N Paul (Committee Chair); R Stimpson

In attendance: A Bruton; C Brown (Scott-Moncrieff); P Davis; H Harvie (KPMG); I McKay; M Swann (KPMG); J Thomson (Scott-Moncrieff); M Walker (Clerk); A Williamson.

1 WELCOME & APOLOGIES

1.1 The Committee Chair welcomed the new Principal, Annette Bruton, to the meetings.

2 DECLARATIONS OF INTEREST

2.1 None.

3 MINUTES OF PREVIOUS MEETING

3.1 The Committee APPROVED the minutes from the meeting of 05 March 2015.

4 MATTERS ARISING

4.1 MATTERS ARISING UPDATE

All actions from the previous meeting were either complete or on the agenda.

4.2 TERMS OF REFERENCE

The Committee NOTED that its Terms of Reference had been reviewed by the Internal Auditors, in line with the Scottish Government's Audit Handbook, and approved by the Board on 24 March.

5 WHISTLEBLOWING POLICY

- 5.1 The Committee NOTED a Whistleblowing Policy & Procedure for Edinburgh College, based on the Whistleblowing Code of Practice issued by the British Standards Institute and Public Concern at Work.
- 5.2 The Committee NOTED that the Policy applied to all 'workers', including the Board and temporary staff, and was therefore not considered by the College as an HR Policy. The Governance Director informed the Committee that both Unison and EIS-FELA had been consulted as a matter of good practice, and given four weeks within which to respond. Both unions declined to respond.
- 5.3 The Committee DISCUSSED the Whistleblowing Policy and the consultation process with both unions.
- 5.4 The Committee NOTED that the Policy's content aligned with current legislation, and were content to APPROVE the Whistleblowing Policy for publication.
- 5.5 The Committee AGREED that the Governance Director would draft a briefing note to assist line managers in identifying legitimate whistleblowing concerns.

The Governance Director, Penny Davis, left the meeting

6 FINANCIAL REPORT

6.1 MARCH END OF YEAR RESOURCE RETURN

- 6.1.1 The Committee NOTED the Resource Return (the transitional year Return) to 31 March 2015 submitted to the SFC on 13 April, which illustrated a positive Resource Departmental Expenditure Limit (RDEL).
- 6.1.2 The Committee NOTED the challenges faced by the Finance Department in preparing the Resource Return, including:
 - (i) the limited time available to produce accurate figures in advance of the management accounts;
 - (ii) the uncertainty surrounding the treatment of prior year deferred income, based on the SFC guidance provided;
 - (iii) the continued dialogue with the SFC over the mix of accounting approaches.

The Committee NOTED that these issues had been highlighted to the SFC in the cover letter for the College's 'Statement of Assurances'.

- 6.1.3 The Committee NOTED the Statement of Assurances submission to the SFC, and DISCUSSED the Committee's involvement within the review process. The Director of Finance explained that the Principal (as Accountable Officer) would, in future, be asked to sign-off a statement of Assurances at both the July and March financial year ends.

Members AGREED that Audit & Risk Assurance Committee would review the Statement of Assurance in July, in conjunction with a light-touch review for the Resource Return in March.

6.2 MANAGEMENT ACCOUNTS TO APRIL 2015

6.2.1 The Committee NOTED the financial performance of the College, as highlighted in the Financial Accounts to April 2015.

6.2.2 The Committee NOTED the Executive Team's decision to centralise expenditure decisions until the end of the academic year, in order to help the College achieve its target out-turn deficit.

6.3 INTERNATIONAL BUDGET SETTING REPORT

6.3.1 The Committee NOTED a report on the 2014/15 International Department's budget setting process, and a subsequent pre-budget costing error which had occurred.

6.3.2 The Committee NOTED that a Zero Based Budgeting system was introduced for 2015/16, and that a more stringent budget sign-off mechanism will be employed.

6.3.3 The Committee welcomed Executive assurances that future pre-budget costing errors were not expected to arise again.

6.4 PROCUREMENT CAPABILITY ASSESSMENT

6.4.1 The Committee NOTED that the Edinburgh College Procurement Capability Assessment (PCA) Report and Improvement Action Plan.

6.4.2 The Committee NOTED the College's improved PCA score, and the areas where further improvements could be achieved. The Director of Finance informed the Committee that procurement capability had improved significantly over the past three years, and that the PCA had been a positive instrument for change.

7 MONITORING OUR PERFORMANCE

7.1 The Committee NOTED the status of key performance indicators relating to 'financial perspectives', as of April 2015.

7.2 The Committee NOTED that the College had achieved its targets relating to the increased use of APUC frameworks and the development of an economic costing model.

8 RISK ASSURANCE

Ian McKay, the Chair, entered the meeting

8.1 RISK MANAGEMENT UPDATE

8.1.1 The Committee NOTED the Top Risk Register (TRR) to May 2015, and a number of developments to the Register's format introduced, at the recommendation of the Committee.

8.1.2 The Committee DISCUSSED the TRR and the progress on individual risks, including:

- (i) the realignment of the Executive and Leadership Teams in line with development plan;
- (ii) further improvements to the TRR, to explicitly identify key risks to the College (e.g. student enrolment);
- (iii) the need to build an increased awareness of risk across senior and middle management;
- (iv) the ownership of risks relate to the development plan and need to include all associated risks within the TRR.

8.1.3 The Committee NOTED that risk tolerances had been removed from the TRR and placed into a separate document. The Committee welcomed the development of a risk tolerance chart, and AGREED that the Committee would refine the document further prior to its future presentation to the Board.

8.1.4 The Committee NOTED an update on risk management and business continuity. The update included a report from the Head of IT, outlining the impact of a significant reduction in capital on critical project delivery. The Committee AGREED that the Head of IT would attend the next meeting of the Committee to outline both the risks and the potential exposures the College faced.

8.2 2014/15 WSUMs & 2015/16 APPLICATIONS UPDATE

8.2.1 The Committee NOTED an update on the 2014/15 WSUMs position, and the Director of Finance informed Members that the Executive expected the College to achieve its annual activity targets.

8.2.2 The Committee NOTED an update on applications and credits for 2015/16. The Director of Finance informed the Board that application activity had been 'very strong' when compared with last year's activity.

8.2.3 The Committee DISCUSSED application to enrolment conversion rates and the current processes in-place to ensure students apply, and are accepted or if need be, diverted on to an appropriate course.

8.2.4 The Committee welcomed the assurances provided by the Executive, but AGREED that more detailed information on applications and enrolments should be provided by the Executive to the next meeting of the Committee and the Board.

9 FINANCIAL YEAR END PLANNING

9.1 FINANCIAL ACCOUNTS ANNUAL AUDIT PLAN

9.1.1 The Committee NOTED an Audit Strategy and Plan Overview outlining the External Auditors planned work in 2014/15.

9.1.2 The Committee DISCUSSED the planned external audit work, including:

- (i) the appropriateness of systems and controls in-place across the College;
- (ii) the need for the external audit to consider commercial and international risks, given the College's aim to develop these aspects further;
- (iii) the current External Auditors fee arrangements, and how the College could continue to ensure good value.

9.1.3 The Committee AGREED that the Audit Strategy and Plan Overview, as outlined by the External Auditors, was appropriate. The Committee AGREED that the External Auditors should provide an overview of audit costs prior to the next meeting of the Committee.

9.2 FRS18 & GENERAL ACCOUNTING POLICIES

9.2.1 The Committee APPROVED the FRS18 Accounting Policy presented by the Director of Finance, which included the College's Financial Reporting Standards and the Principle Accounting Policies.

10 INTERNAL AUDIT

10.1 INTERNAL AUDIT PROGRESS REPORT

10.1.1 The Committee NOTED a report on the internal audit work conducted by Scott-Moncrieff to 22 May 2015.

10.1.2 The Committee NOTED that the Principal would meet with the Internal Auditors in due course to confirm the focus of a Best Value audit.

10.2 INCOME AND DEBTORS REPORT

10.2.1 The Committee NOTED the findings of an internal audit report which found that the College's income and debtors' controls were adequate and operating effectively.

10.2.2 The Committee NOTED a small number of opportunities whereby the College could enhance its existing arrangements.

10.3 PURCHASING AND CREDITORS REPORT

10.3.1 The Committee NOTED the findings of an internal audit report which found that the College's purchasing and creditors' controls were adequate and operating effectively.

10.3.2 The Committee NOTED only three minor instances of non-compliance out of 22 purchase orders tested by the Internal Auditors. Additionally, the Internal Auditor's highlighted a small number of opportunities to further enhance existing arrangements.

10.4 CORPORATE GOVERNANCE & RISK MANAGEMENT REPORT

10.4.1 The Committee NOTED a report highlighting the Internal Auditor's high-level of assurance that the governance and risk management arrangements in-place at the College were robust and compliant with best practice guidance.

10.4.2 The Committee NOTED two recommendations regarding 'risk appetite' and 'reporting on risks'. The Internal Auditors indicated that the implementation of both recommendations would assist the Board in gaining greater assurance over the management of risks at the College.

10.4.3 The Committee welcomed the report, and the Chair informed Members of the College's investment in governance and the sectors increased focus on compliance following the ONS reclassification.

10.5 PAYROLL AND EXPENSES REPORT

10.5.1 The Committee NOTED the findings of an internal audit report which found that the College's payroll and expenses controls were generally adequate and operating effectively. The Committee NOTED that there were no major weaknesses in either the design or operation of controls, although there remained a number of opportunities to further enhance existing arrangements.

10.5.2 The Committee DISCUSSED the staff resource requirements of operating ITrent, and the need to ensure that staff who absorbed roles and responsibilities had appropriate capacity.

10.5.3 The Committee welcomed the report, which illustrated the College's approach to payroll and expenses was developing in a positive manner, following the implementation of the ITrent system.

10.6 SUMMARY OF AUDIT RECOMMENDATIONS

10.6.1 The Committee NOTED the current status of internal audit recommendations from 2011/12 and 2013/14, as previously reviewed by the Audit & Risk Assurance Committee.

10.6.2 The Committee NOTED that all outstanding internal audit actions from 2012/13 had been completed.

10.6.3 The Committee NOTED that outstanding HR audit recommendations from 2011/12 had been removed from the recommendation summary,

since the recommendations would be considered at the next meeting of the Committee as part of a workforce management audit.

10.6.4 The Committee NOTED that (as agreed under Paragraph 8.1.4) the Head of IT would attend the next meeting of the Committee to outline risks associated with outstanding audit recommendation related to IT functions, business continuity and security.

11 REVIEW OF COMMITTEE OPERATION

- 11.1 The Committee NOTED a self-appraisal checklist, which contained the collated feedback of Committee Members. The Committee Chair informed Members that the Scottish Government's Audit Committee Handbook advised committees to regularly review their effectiveness against their formal terms of reference.
- 11.2 The Committee NOTED the collated responses and DISCUSSED the following matters arising:
- 11.2.1 The Committee's aim to co-opt an additional members with public sector expertise, prior to the commencement of AY 2015/16.
 - 11.2.2 The continued independence of the Committee and its consideration as part of the ongoing committee structure reformulation.
 - 11.2.3 The need to hold a meeting in April to appropriately consider the requirements of the March end of year returns, and (if required) seek the necessary assurances.
 - 11.2.4 The need to invite members of the Executive and Leadership teams to the Committee, as appropriate, in order to support Members understanding of individual risks and seek assurances;
 - 11.2.5 The importance of the Committee receiving an opportunity to consider a formal Statement of Assurances, and the Committee action agreed under Paragraph 5.1.3.
 - 11.2.6 The potential for an annual workshop with Board, Committee and Risk Management Group members' in-attendance, to take a fundamental look at risk management and audit practice. The Committee AGREED that the Director of Finance should consider the content and timing of such a workshop.
 - 11.2.7 The Committee AGREED that it should receive a presentation on the prevention of fraud, bribery and corruption, along with an overview of the processes in-place at the College.
 - 11.2.8 The Committee AGREED that the authorisation for 'debt write offs', where required, should be processed through the Policy & Resources Committee.
- 11.3 The Committee AGREED that it was content with the populated self-appraisal checklist, and the matters arising from discussions (Paragraph 11.2 refers).

11.4 The Committee AGREED that, in future, it may wish to widen its focus to consider issues affecting the wider college sector, including the impact of ONS on the drafting and reporting of accounts and the charitable status of colleges.

12 REPORTING TO BOARD

12.1 The Committee AGREED that the following matters would be reported at the next meeting of the Board on 23 June:

- (i) the approval of the College's Whistleblowing Policy for publication;
- (ii) the positive feedback highlighted within the four internal audit reports reviewed by the Committee;
- (iii) matters arising from the Committee's self-appraisal exercise.

13 ANY OTHER COMPETENT BUSINESS

13.1 RISK MANAGEMENT GROUP MEMBERSHIP

The Committee AGREED that all three Committee Members and the Chair would take turns to attend quarterly meetings of the College's Risk Management Group.

14 DATE OF NEXT MEETING

The next meeting will take place on 19 November 2015 at 16:30 in the Boardroom, Milton Road Campus.

15 CLOSED BUSINESS

No closed items of business were considered.

The meeting closed at 18:30