



For the future you want

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 09 OCTOBER 2019

15:00 Boardroom, Milton Road Campus

Present: Ian Doig; Lesley Drummond; Ross Laird; Nigel Paul (Chair)

In attendance: Brian Battison (Audit Scotland); Sue Clyne; Audrey Cumberford; Mark MacPherson (Audit Scotland); Claire Robertson (BDO); Lindsay Towns; Marcus Walker (Clerk); Alan Williamson

1 WELCOME AND APOLOGIES

1.1 Apologies were received from Judith Sischy.

1.2 The Committee Chair welcomed Lesley Drummond to her first meeting of the Audit & Risk Assurance Committee, following a review of committee membership by the Board on 19 March.

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 29 May 2019 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, with the exception of the following:

COUNTER FRAUD CONTROLS: MATURITY MODEL (Minutes 7.3.3/27.02.19 refers)

The Committee DISCUSSED the benefits of considering counter fraud controls against a maturity model going forward. The Committee AGREED that the Chief Operating Officer should consider the maturity model used by the Scottish Government, as a template, and bring back a draft model for the College to a future meeting - for review by members.

4.2 REVIEW OF COMMITTEE OPERATION 2018/19

4.2.1 The Committee NOTED a finalised version of the Review of Committee Operation 2018/19, as agreed by Members outwith the meeting.

4.3 BUSINESS COMMITTEE OF THE BOARD UPDATE

4.3.1 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 its Terms of Reference as previously agreed in September 2018. The 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.

6 AUDIT SCOTLAND: SCOTLAND'S COLLEGES 2019 REPORT

6.1 The Committee NOTED the Scotland's Colleges 2019 Report published by Audit Scotland in June 2019. The Senior Audit Manager advised the Committee that the 2019 report provided an update on college finances and an analysis of learning activity.

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

- (i) The underlying financial position of the college sector had a small, but improved, financial surplus in 2017/18;
- (ii) colleges continued to operate within an increasingly tight financial environment and the sector-wide position masked particular financial challenges, with 12 incorporated colleges forecasting recurring financial deficits by 2022/23;
- (iii) colleges face increased cost pressures, with the Scottish Government revenue funding for 2019/20 covering only the additional costs of harmonising pay and conditions across the sector. Further to this, the proportion of non-government income that colleges generated had reduced over time;
- (iv) student numbers increased, and the sector exceeded its learning activity targets;

- (v) there was considerable variation across colleges in terms of student attainment and retention and those going on to positive destinations. Average attainments rates for students in full-time education remained relatively static in recent years.
- 6.3 The Committee NOTED Audit Scotland's recommendation to colleges, college board and regional bodies, the SFC and Scottish Government. The Senior Audit Manager advised the Committee that college boards were recommended to agree medium-term financial plans that set out the mitigating actions to financial sustainability, and submit medium-term financial plans to the SFC along with the financial forecast return (FFRs).
- 6.4 The Committee DISCUSSED the following in relation to the performance of the College against other colleges in the sector:
- (i) The position of the College in the lower quartile for a number of performance indicators for full-time further education, when compared against other colleges;
 - (ii) the ambition for the College to be the 'pre-eminent' college in the sector;
 - (iii) the reviewing of performance indicators relating to recruitment and retention by the Policy & Resources Committee, and attainment and satisfactions through the Academic Council;
 - (iv) the need to focus on year-on-year performance data at the College, rather than remaining specifically focused on league table information;
 - (v) widening access performance across the sector, and the need for greater alignment of Scottish Government policies to support colleges in meeting their targets.
 - (vi) the focus of the College to improve attainment rates across all modes of learning;
 - (vii) the financial planning in place at the College to mitigate its exposure to financial risk.
- 6.5 The Committee NOTED that the Board would consider progress against the Edinburgh College Strategic Plan 2017-22, and associated key performance indicators, at its Board Development Session on 29 October.

7 INTERNAL AUDIT

7.1 SUMMARY OF AUDIT RECOMMENDATIONS

7.1.1 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.

7.1.2 The Committee NOTED that meeting had been arranged between the Vice Principal Corporate Development and the Head of HR & OD to develop a full project implementation plan around workforce management and succession planning. The Head of OD & HR informed the Committee that a project timescale would be confirmed in October 2019, and once a workforce plan had been drafted a further update would be provided to the Committee.

7.1.3 The Committee NOTED an update on the process of conducting Business Impact Assessments with faculties and departments across the College, which would be completed by November 2019. The Head of Communications, Policy and Research advised the Committee that by the end of March 2020 all business continuity assessment plans would have been tested.

7.2 INTERNAL AUDIT FOLLOW-UP REPORT

7.2.1 The Committee NOTED an Internal Audit Follow-Up Report 2018/19, which aimed to provide assurances that internal audit actions agreed during the previous financial year had been implemented satisfactorily.

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

7.3 INTERNAL AUDIT REPORT: STAFF RECRUITMENT

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

7.3.2 The Committee NOTED that five recommendations, which would serve to improve the overall control environment, had been outlined in the report. The Committee welcomed the report and DISCUSSED the processes in place for reviewing job applicant references and conducting PVG checks.

7.4 INTERNAL AUDIT REPORT: DATA PROTECTION

The Information Manager, Nick Murton, joined the meeting

7.4.1 The Committee NOTED that internal audit had conducted a review to assess arrangements for managing the compliance of the College with GDPR, and to identify any areas of non-compliance. The Internal Auditor advised the Committee that 'limited assurance' had been received in relation to the design and operational effectiveness of the controls in place regarding data protection.

7.4.2 The Committee NOTED that nine 'moderate' and 'minor' recommendations, which would serve to improve the overall control environment, had been outlined in the report. The Internal Auditor acknowledged the level of preparatory work undertaken by the College toward meeting compliance in a number of areas, and welcomed the development of a GDPR Action Plan to track progress. The Committee NOTED that there remained a range of areas where the College remained non-compliant, resulting in the assurance rating provided.

7.4.3 The Committee DISCUSSED the following in relation to the internal audit report:

- (i) The progress of other colleges and organisations towards GDPR compliance;

- (ii) the resources invested by the College into ensuring GDPR compliance, and the support provided by a Data Protection Officer through a shared service agreement;
- (iii) the number of staff who had not completed mandatory training around data protection, and the reasons behind their failure to complete;
- (iv) the need to remind all staff of the financial and reputational impact of data breaches;
- (v) the alignment of the GDPR Action Plan with the recommendation put forward by internal audit.

7.4.4 The Committee DISCUSSED the management response to the internal audit, and its indication of 'partial agreement' with a number of the recommendations put forward. The Head of Communications, Policy and Research advised the Committee that all recommendations would be implemented in the timeframe outlined within the management response.

7.4.5 The Committee NOTED that members would receive a further update on progress relating to GDPR compliance in the Internal Auditor's end of year report.

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

7.5 INTERNAL AUDIT ANNUAL REPORT 2018/19

7.5.1 The Committee NOTED an annual report on internal audit activity carried out during 2018/19. The internal auditors provided a statement on the internal audit cover achieved from 01 August 2018 to 31 July 2019, and a summary of audit opinion on the College's control environment and systems of internal control.

7.5.2 The Committee DISCUSSED the annual report and AGREED that a corrected version should be reissued, in relation to data protection (as outlined in Minute 7.4), to state that: *"The risk management and activities in the areas which we examined, except for data protection, were found to be suitably designed to achieve the specific risk management, control, governance and value for money arrangement"*.

7.6 INTERNAL AUDIT REPORT: FES RETURN AUDIT 2018/19

7.6.1 The Committee NOTED that the internal auditors had conducted a review of the Edinburgh College FES and Fee Waiver returns in accordance with the SFC's 'Credit Guidance: 2018/19 Student Activity Data Guidance for Colleges', as issued in May.

7.6.2 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 four minor recommendations to improve underlying systems and processes.

8. RISK ASSURANCE

8.1 RISK MANAGEMENT REPORT

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

8.1.2 The Committee NOTED and welcomed the reference provided within the Top-Level Risk Register to the 'Three Lines of Defence' Framework. The Head of Communications, Policy & Research advised the Committee that such cross-referencing aimed to enhance the existing approach of the College to internal control and risk management.

8.2 BUSINESS CONTINUITY EXERCISE REPORT

8.2.1 The Committee NOTED a report which outlined the actions and learning outcomes arising from a Business Continuity (BCM) Exercise held with members of the Executive Team, Senior Management Team and three managers from the Estates Team of Edinburgh College on 25 June. The Chief Operating Officer provided a brief overview of the aims of the exercise, and the methodology applied, which was conducted by Zurich Management Service Ltd.

8.2.2 The Committee welcomed the implementation of such a BCM Exercise, and DISCUSSED the observations and recommendations arising from the session. Members AGREED that a follow-up report on the implementation of recommendations arising from the event should be presented to a future meeting of the Committee.

8.3 ANNUAL REPORT ON CYBER-ATTACKS AND DATA BREACH INCIDENTS

8.3.1 The Committee NOTED an annual report on data breach incidents and cyber attacks to support the Committee in understanding their source and frequency, and whether any specific trends existed. The Head of Communications, Policy and Research advised the Committee that Edinburgh College had attained its Cyber Essentials Plus accreditation in August 2018, which provided assurance that the College had critical controls in place to reduce its vulnerability to the most common internet-based threats.

8.3.2 The Committee NOTED that, despite security controls, the College was subject to one successful external 'cyber-attack' in 2018/19. The Head of Communications, Policy and Research advised that the matter had been fully investigated and the funds had been recovered, with a report into the incident and corrective actions reported to Committee in May.

8.3.3 The Committee welcomed the report and DISCUSSED how the College could protect against personal data incidents and data breaches through training and development, in order to mitigate the impact of breaches categorised as 'human error' by the Information Commissioner's Office.

The Information Manager left the meeting

8.4 RISK DEEP DIVE: STAFF PERFORMANCE MONITORING REPORT

8.4.1 The Committee NOTED a report outlining current employee performance processes and highlighting improvements that were underway to enhance staff performance monitoring. The Head of HR & OD advised the Committee that the College was committed to continually improving staff performance in order to ensure that students receive the best possible service.

8.4.2 The Committee NOTED brief updates on the following range of tools, systems and support in place to manage performance:

- (i) Effective recruitment, induction and probation;
- (ii) staff development and review;
- (iii) effective, clear and workable policies and procedures;
- (iv) management training;
- (v) specialist advice;
- (vi) improving the quality of teaching (in tandem with the Curriculum Performance and Planning Department);
- (vii) working with trade unions.

8.4.3 The Committee DISCUSSED the processes in place to identify and support underperforming staff. The Head of HR & OD advised the Committee that significant investment had been made in management skills training to support managers handling of performance issues

8.4.4 The Committee DISCUSSED the risks to the College of not achieving its strategic aims and targets if staff performance was not optimised. The Head of HR & OD informed the Committee that there was also a risk of high performing staff leaving the College if the culture of the organisation did not continue to focus on development and challenge.

The Head of HR & OD left the meeting

9 EXTERNAL AUDIT

9.1 COMPLIANCE WITH THE CODE OF GOOD GOVERNANCE

9.1.1 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').

9.1.2 The Committee NOTED assurances that the governance arrangements at the College were compliant overall. The Head of Communications, Policy and Research 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.

9.1.3 The Committee DISCUSSED the report and AGREED that the document should state that representatives from EIS-FELA and UNISON were, as of June, invited to meeting of the Board as observers.

9.2 INTERNAL CONTROL ASSURANCE STATEMENT

9.2.1 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 Principal informed the Committee that these statements enabled her to provide assurances to both the Board and the SFC that appropriate internal controls within the College were in-place.

9.2.2 The Committee NOTED an internal control assurance statement provided by the Principal.

9.3 DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2019

9.3.1 The Committee NOTED an initial draft of the Annual Report and Financial Statements for the period ended 31 July 2019.

9.3.2 The Committee DISCUSSED minor contextual amendments to the Annual Accounts to July 2019, and AGREED that the Head of Finance should incorporate appropriate amendments, and correct any factual errors highlighted, prior to the next draft of the document being reviewed by the Committee on 20 November. Further to this, the Committee AGREED that the Staff Remuneration Report, included within the Annual Accounts, should be considered by the Chair of the Remuneration Committee prior to the document being finalised.

9.3.3 the Committee AGREED that the narrative of the Annual Accounts should be re-considered by senior management, prior to a revised draft being presented to the next meeting of the Committee, in order to ensure that its contents were clear and concise. The Chair emphasised the need to communicate the "story" of the year, and key messages in the Annual Accounts and Financial Statements, particularly the Performance Review section, given it gets laid before parliament for MSPs and their staff to peruse.

10 COMPLAINTS ACTIVITY SUMMARY REPORT

10.1 The Committee NOTED a summary of complaints received by the College from 01 August 2018 to 31 July 2019. The Head of Communications, Policy and Research informed the Committee that the Head of Curriculum Performance and Planning could not attend the meeting, and therefore he would present the report to members.

10.2 The Committee NOTED that in 2017/18 there had been a reduction of 40% in the number of complaints raised from the previous year. The Head of Communications, Policy and Research advised the Committee that this reduction had been achieved through the appointment of a new Complaints Handling Coordinator and continued developments to the compliant handling processes.

10.3 The Committee DISCUSSED the complaints activity across the four campuses and NOTED that the majority of complaints received were at the Sighthill Campus. The

Committee AGREED that it would welcome a more detailed response on this matter from the Head of Curriculum Performance and Planning, and an expanded overview of the nature of 'C1' level complaints, provided to its next meeting.

11 HORIZON SCANNING REPORT

11.1 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 Communications, Policy and Research advised the Committee that further to this, the report also indicated what the College was doing to address these impacts.

12 ANY OTHER COMPETENT BUSINESS

12.1 None.

13 DATE OF NEXT MEETING

13.1 The next meeting of the Audit & Risk Assurance Committee shall take place on 20 November 2019, in the Boardroom, Milton Road Campus.

Meeting closed at 17:20