AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 14 APRIL 2016

16:00, Boardroom, Milton Road

Present: I Doig; N McKenzie; N Paul (Committee Chair); F Riddoch.

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

1   WELCOME & APOLOGIES

1.1   No apologies were received.

2   DECLARATIONS OF INTEREST

2.1   None.

3   MINUTES OF PREVIOUS MEETING

3.1   The Committee APPROVED the minutes from the meeting of 25 February 2016, subject to the following amendment:

3.1.1   The Co-opted Member emphasised that under minute 6.5.4(ii), with regards to the Anti-Fraud Policy, it should be a requirement on individuals to declare conflicts of interests.

4   MATTERS ARISING

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

5   FINANCIAL ACCOUNTS

5.1   FINANCE REPORT

5.1.1   The Committee NOTED correspondence between the SFC and the College regarding a request to undertake an audit of the College's credit target and activity level for the academic year 2015/16. The Chief Operating Officer

informed the Committee that the Head of Engineering was in the process of ratifying the College's current credit position and ensuring the 2015/16 credit claim was robust. The Committee DISCUSSED the proposed audit and AGREED that the Principal should request that the SFC produce a formal audit report for review by the Committee.

5.1.2 The Committee NOTED two further letters from the SFC, the first confirming that the College's accounts had been laid before the Scottish Parliament and a second updating colleges on the Funding Council's work to ensure claims for one plus activity remained transparent and consistent across the sector.

5.1.3 The Committee NOTED a letter from Angela Constance, Cabinet Secretary for Education and Lifelong Learning, to the SFC outlining the Scottish Government's expectation for further education provision in 2016/17. The Chair highlighted that this was the second letter of guidance provided to the SFC by the Scottish Government this year.

5.1.4 The Committee NOTED a verbal update from the Chief Operating Officer on financial projections for 2015/16 and subsequent years. The Committee DISCUSSED SFC assurances relating to future funding and ongoing support, and for the External Auditors and the Board to be able sign off the Accounts on a going concern basis at the year end.

5.2   SECTION 22 REPORT

5.2.1   The Committee NOTED a Section 22 Report produced by Audit Scotland to draw the Scottish Parliament's attention to their concerns relating to the significant financial challenges facing Edinburgh College. The Chief Operating Officer outlined the additional audit work requested by Audit Scotland following the publication of the Report.

5.2.2   The Committee DISCUSSED the following aspects of the Report and the additional audit work:

(i)   The potential for a Public Audit Committee to consider the report and seek further clarification;
(ii)   key items not included in the Report, for example, previous pay awards and the ongoing Business Transformation Plan;
(iii)   the Audit Scotland's request for Board minutes from September 2014, and the benefits of providing further committee/working group minutes.

5.2.3   The Committee AGREED that, in addition to Board minutes, the Executive and the Governance Director should consider providing specific committee and working group minutes to help the auditors better understand the reasons for the difficulties and to examine the actions being taken by the College to address the concerns.

5.3   RESOURCE RETURNS MARCH 2016

5.3.1   The Committee NOTED the Resource Returns to 31 March 2016 which showed a negative £375k Resource Departmental Expenditure Limit (RDEL) figure. The Chief Operating Officer advised the Committee that the Return showed a positive movement, against the previous February

2016 forecast, due to holiday pay accrual over the Easter holiday, student support funds and the impact of new contracts and the moratorium on expenditure.

5.3.2 The Committee NOTED a Certificate of Assurance from the Principal to the Accountable Officer of the SFC. The Chief Operating Officer informed the Committee that whilst the SFC had not requested a Certificate of Assurance it was highly likely that one would be sought to comply with good governance and compliance measures.

5.3.3 The Committee DISCUSSED the process of compiling the Resource Returns and the Certificate of Assurance for submission to the SFC.

5.4 RESOURCE RETURNS REVIEW

5.4.1 The Committee NOTED an internal audit report which reviewed the College's processes and controls for preparing and submitting its SFC Resource Returns.

5.4.2 The Committee NOTED that the Internal Auditors were content with the SFC Resource Returns which reconciled with the College's management accounts and budgets, and were consistent with the College's cash flow returns. The Internal Auditor informed the Committee that the audit had identified opportunities for the College to improve the efficiency of the preparation and review of its Resource Returns.

5.4.3 The Committee DISCUSSED the areas of improvement highlighted within the report, and NOTED actions taken by Chief Operating Officer including:

(i)   Improvements of the financial functionality through Agresso;
(ii)   the review of work across the Finance Team to better align the work of management accountants and finance accounts teams;
(iii)   the implementation, through the Head of Finance, of enhanced document checking procedures.

The Chief Operating Officer advised the Committee that future improvements in these areas would be noticeable through information presented in future management accounts.

5.4.4 The Committee NOTED that the SFC required all college resource return submission to adhere to a set proforma. The Principal informed the Committee that the Resource Returns presents on funding provided by the SFC, and did not include the same format of information as the year end accounts at 31 July 2016.

5.5 REVISED STATEMENT OF RECOMMENDED PRACTICE (SORP)

5.5.1 The Committee NOTED that the Further and Higher Education SORP Board had published a revised SORP (FRS102) which would affect the current College accounting period. The Chief Operating Officer highlighted the impact of the new regulations on the presentation of

financial performance, assets and liabilities in the College's financial statements and accounting policies.

5.5.2 The Committee NOTED that the effects on the College would be minor, but there would be implications for the amount of external audit work required.

6 RISK ASSURANCE

6.1 RISK MANAGEMENT UPDATE

6.1.1 The Committee NOTED the Top Risk Register (TRR) to April 2016, which had seen no change since it was last reviewed by the Committee in February.

6.1.2 The Committee NOTED progress in the development of a new TRR, and the process of consultation with the Senior Management Team. The Chief Operating Officer outlined the following top risks which would affect the College's ability to meet its outcome agreement:

(i)   Financial – Institutional sustainability;
(ii)   Reputational risk;
(iii)   Infrastructure (Estates and ICT);
(iv)   People;
(v)   Business Transformation Plan;
(vi)   College Performance (Student No. KPIS & ROA).

6.1.3 The Committee NOTED that the Senior Management Team were currently considering the underlying risk for each of the six areas and identifying strategies to ensure that risks were mitigated accordingly within a normal operational cycle, and how to mitigate the 'live' risks.

6.1.4 The Committee DISCUSSED the following in relation to the current and proposed TRRs:

(i)   the need to maintain the original TRR as a reference document;
(ii)   the scoring of risks within the new TRR;
(iv)   the current unmitigated scores on the TRR and the need to articulate further what is been done to mitigate risks;
(v)   the need for the new TRR to illustrate when the College is on/off course.

6.1.5 The Committee AGREED that the Chief Operating Officer should consider incorporating matters raised minute 6.1.4 into the new TRR.

6.2 2015/16 CREDITS & 2016/17 APPLICATIONS UPDATE

Jonny Pearson, Associate Principal Recruitment & Retention, joined the meeting.

6.2.1 The Committee NOTED the College's current credit position and an update on 2016/17 applications. The Chief Operating Officer highlighted to the Committee that two appendices were included in the

documentation to provide assurances relating to the College's 2015/16 credit claim and the ongoing curriculum planning process.

6.2.2 The Committee NOTED a paper tabled by the Associate Principal which outlined, for each curriculum area, achievement against the current credit target and projected enrolment figures.

6.2.3 The Committee welcomed the information provided and DISCUSSED the following aspects of the data:

(i) The high conversion rate due to the one application per applicant;
(ii) course areas where enrolments had been above/below expectations;
(iii) issues arising in Construction & Building Crafts due to changes in the City & Guilds qualification and the need to seek revalidation;
(iv) course areas where the College had made more 'offers' than places available, and the reasoning behind this approach;
(v) the use of percentages as a means to present target information (e.g. '% Reached' data);
(vi) the separation of credits and enrolment information in the dashboard document.

6.2.4 The Committee AGREED that the Associate Principal should consider the presentational comments provided under minute 6.2.3, and provide an updated dashboard document to the Board meeting on 19 April.

6.2.5 The Committee DISCUSSED the wider implications of qualification changes within the curriculum area of Construction & Building Craft and AGREED that the Executive and Governance Teams should consider how the Board, through the Academic Council, monitors such developments.

Jonny Pearson left the meeting.

6.3 BUSINESS TRANFORMATION PLAN: GOVERNANCE, PLANNING & PROJECT MANAGEMENT

6.3.1 The Committee NOTED a report outlining the Business Transformation Plan Proposal, approved by the Policy & Resources Committee on 29 March, and assurances relating to its governance, planning and project management. Further to this, the Principal informed the Committee of arrangements for a proposed 'gateway-style review', which aimed to ensure that effective review mechanisms were in place.

6.3.2 The Committee NOTED that the transformation plan proposal had been submitted to the SFC on 01 April. The Principal informed the Committee that the SFC had subsequently requested further narrative information which members of the Senior Management Team were currently preparing.

6.3.3 The Committee DISCUSSED the following aspects of the governance and project planning arrangements in place to facilitate the transformation plan:

(i) The benefits of the gateway-style review;
(ii) the methodology to review the scope of 'what we are trying to achieve' as part of the gateway review process;
(iii) the response of the SFC to the proposal and the implications if requested elements of funding were not forthcoming.

6.3.4 The Committee AGREED the group conducting the 'gateway-style review' may benefit from the inclusion of an individual with private sector experience, and recommended that the Executive invite a member of the Developing Scotland's Young Workforce Working Group to join the review team.

6.4 COMPLAINT ACTIVITY

6.4.1 The Committee NOTED a summary of complaints received by the College from 01 August 2015 to 31 January 2016, along with a summary of the Scottish Public Services Ombudsman (SPSO) complaint handling procedure for colleges.

6.4.2 The Committee NOTED that (to date) in 2015/16 there had been a slight reduction in the number of complaints raised from the previous year. The Chief Operating Officer highlighted that 84% of complaints were resolved at Stage 1, meaning that no further investigation was required. Improved response/closure times for 2015/16 were also highlighted to the Committee, with 76% of Stage 1 and 83% of Stage 2 complaints closed within the respective 5 and 20 working days timescales.

6.4.3 The Committee DISCUSSED complaint activity and the categories where most complaints had been received, including: learning and teaching; funding related; applications and admissions; and, staff conduct. The Committee Chair informed members that he hoped that the new applications and enrolment process would resolve a number of issues raised by complainants.

6.4.4 The Committee AGREED that it would be beneficial if future complaint reports included analysis of complainants.

6.4.5 The Committee NOTED the role of the Students' Association in complaint handling, and how the relationship between ECSA and the College had led to the resolution of numerous student issues.

7   INTERNAL AUDIT

7.1 SUMMARY OF AUDIT RECOMMENDATIONS

7.1.1 The Committee NOTED the current status of internal audit recommendations from 2011/12, 2013/14 and 2014/15, as previously reviewed by the Committee.

7.1.2 The Committee NOTED ongoing developments related to ICT and business continuity & disaster systems in response to actions set in 2011/12 and 2013/14. The Chief Operating Officer informed the Committee that he anticipated that most actions relating to both areas would be progressed before January 2017, subject to the receipt of capital funding.

7.1.3 The Committee DISCUSSED the ongoing audit recommendations and AGREED that estimated dates for completion should be indicated for all outstanding audit recommendations.

7.1.4 The Committee DISCUSSED cyber security and to what extent the SFC and Colleges Scotland tackled this issue in a collective way. The Committee AGREED that the Chief Operating Officer and the Head of IT should consider raising this matter at future Finance/IT Directors Group meetings.

7.2 COMPLAINTS HANDLING AUDIT REPORT

7.2.1 The Committee NOTED an internal audit report on the consistency of treatment of students' complaints across the College and the appropriateness of the controls in place over the complaint handling process.

7.2.2 The Committee NOTED that the majority of controls supporting the College's complaints handling arrangements were robust and effective; however, opportunities did exist for further improvement. The Internal Auditor informed the Committee that further actions to improve administrative controls would ensure that complete and accurate records are kept of all complaints received by the College.

7.2.3 The Committee DISCUSSED the existing administrative processes for maintaining records of complaints and the need to comply with SPSO guidelines (and the College's own complaint handling procedures). The Committee AGREED that the Executive should ensure that current complaint handling arrangements take heed of the audit recommendations to fully comply with SPSO guidance.

7.3 NEW FINANCE SYSTEM AUDIT REPORT

7.3.1 The Committee NOTED an internal audit report on implementation of the new finance system 'Agresso' at the College, which went live in August 2013. The Internal Auditor highlighted that the controls around Agresso had been reviewed to determine whether the new system supported the College's aims and objectives.

7.3.2 The Committee NOTED that the implementation of Agresso had not been a smooth process and there remained a number of outstanding issues which were currently being resourced through Agresso consultants. The Internal Audit confirmed that the College had however ensured that the key financial controls remained in place throughout the transition to the new system.

7.3.3 The Committee DISCUSSED the following points raised in the internal audit report:

(i) Data transfer to the new system and the checks undertaken to ensure that data was transferred accurately;

(ii) the need to conduct formal lessons learned and benefits realisation exercises as part of the project management process;

(iii) the External Auditor's confirmation that, in material terms, the College's reporting had been accurate;

(iv) the pressures and strains placed on the Finance Department since the College's merger;

(v) the need to invest in Finance systems and (where practical) staff resources in order to increase automation.

7.3.4 The Committee NOTED a Management Action Plan to respond to the recommendations raised in the audit, and the Committee Chair highlighted the importance of investing in, and maintaining an efficient and effective finance system.

7.4 INTERNAL AUDIT 2015/16 PROGRESS REPORT

7.4.1 The Committee NOTED an internal audit progress report for 2015/16 which highlighted that two audits were currently underway, and a further two were in their initial planning stages.

8 ANY OTHER COMPETENT BUSINESS

8.1 HORIZON SCANNING UPDATE

8.1.1 The Committee NOTED the dates of external visits and audits taking place over April and May 2016, including the Education Scotland Annual Engagement Visit on 09/10 May.

8.1.2 The Committee NOTED that on 18 April changes to EU Procurement Directives would come into operation, and the Procurement Reform (Scotland) Act 2014 would become enforceable. The Chief Operating Officer outlined the affect these changes would have for procurement at the College and across the Public Sector.

8.1.3 The Committee NOTED that the next phase of the national pay award was for NJNC and EIS to negotiate pay and terms & conditions in relation to moving towards a common pay scale and conditions across the sector.

8.2 GOOD GOVERNANCE TASK GROUP

8.2.1 The Committee NOTED that the Scottish Government's Good Governance Task Group had published its college governance report on 18 March. The Governance Director provided an overview of the Task Group's recommendations and their wider implications for the College and the sector.

8.2.2 The Committee NOTED future actions for the Board and its Policy & Resources, Audit & Risk Assurance and Remuneration committees, in response to the 10 recommendations put forward by the Task Group.

8.2.3 The Committee DISCUSSED the recommendations which were of particular interest to its remit and function, including the following:

(i) The systems in place to ensure the Board consistently 'gets the basics right';
(ii) the support and facilitation of good governance practice;
(iii) the use of Board self-assessment to improve performance;
(iv) the use of external assurance to respond quickly and effectively to emerging issues.

8.2.4 The Committee NOTED that the SFC would be developing a proactive, risk-based, differentiated approach to assurance in response to each of the recommendations in the Task Group's findings. The Committee DISCUSSED the SFC's intentions to monitor changes and manage risks through a RAG report. The Committee AGREED that it would be wise for the Senior Management Team and the Board to consider the RAG criteria for each recommendation and current best practice.

8.2.5 The Committee AGREED that the College should make effort to reassure itself (and meet SFC requirements) that actions plans are in place to meet any outstanding recommendations outlined in the Task Group's Report.

9 DATE OF NEXT MEETING

9.1 The next meeting will take place on 02 June 2016 at 16:00 in the Boardroom, Milton Road Campus.

The meeting closed at 18:20