



For the future you want

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 18 APRIL 2018

15:00 Boardroom, Milton Road Campus

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

In attendance: Annette Bruton; Nick Croft; Chris McClelland (Audit Scotland); Joanna Stevenson (Audit Scotland); Matthew Swann (Scott-Moncrieff); Lindsay Towns; Marcus Walker (Clerk); Alan Williamson

1 WELCOME AND APOLOGIES

1.1 Apologies were received from Bob Downie.

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 21 February 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.

4.1.2 The Committee NOTED that a risk assurance report on Commercial & International Income had been deferred to its next meeting, to allow the Head of Commercial to be in attendance.

4.2 SECTION 22 REPORT

4.2.1 The Committee NOTED a verbal update on a Section 22 Report prepared for the Public Audit and Post-Legislative Scrutiny Committee by the Auditor General for Scotland. The Principal informed the Committee that a draft version of the report had been viewed by the Executive, and it would be put forward before Parliament in early May 2018.

4.2.2 The Committee NOTED that the report drew Parliament's attention to the progress made by the college towards financial sustainability, based on information provided through the 2016/17 audit of Edinburgh College and additional work undertaken by the auditor. The Principal advised members that the full report would be circulated to the Committee and the Board in due course.

5 RESOURCE RETURN TO 31 MARCH 2018

5.1 The Committee NOTED the Resource Return to 31 March 2018 which showed an underspend of £0.8m against the Resource Departmental Expenditure Limit (RDEL) figure, in comparison to an initial annual projected over-spend of £0.5m. The Head of Finance advised the Committee that the variance related to the inclusion of (Phase 4) Voluntary Severance funds amounting to £625k in Grant Income, which would not be paid out before March. The Committee NOTED that Workforce Development Funds of £800k were also included in income but would not be incurred until later in the year.

5.2 The Committee NOTED a Certificate of Assurance from the Principal to the Accountable Officer of the SFC, to enable the Funding Council to sign a governance statement as part of the Scottish Government Whole of Government Accounts for 2017/18 Procedure.

5.3 The Committee DISCUSSED the following in relation to the Resource Return to 31 March 2018:

- (i) The potential risks related to further contribution rate increases and the agreement at the last meeting of the Committee that a report would come forward on this matter in the new academic year;
- (ii) re-assurance relating to the impact of unspent funds on the RDEL to March 2019;
- (iii) the need to ensure that the cover sheet to the Resource Return clearly highlights the key risks to the Committee.

5.4 The Committee welcomed the opportunity to review the Resource Return and Certificate of Assurance, and thanked the Finance Team for drawing together the information provided.

6 PROCUREMENT & COMMERCIAL IMPROVEMENT PROGRAMME REPORT

6.1 The Committee NOTED a Procurement & Commercial Improvement Programme (PCIP) 2017 Report. The Chief Operating Officer advised the Committee that the PCIP replaced the previous Procurement Capability Assessment as a way of helping

public sector organisations look at and improve how they carry out their procurement activities.

- 6.2 The Committee NOTED that the PCIP focused on the policies and procedures driving procurement performance and the results delivered. The Chief Operating Officer informed the Committee that the college PCIP score showed progressive improvements, with a score of 73%, which equated to a 'Silver' performance band.
- 6.3 The Committee DISCUSSED the following matters related to the PCIP score:
- (i) The significant improvements made by the Finance and Procurement Teams to achieve such progress;
 - (ii) the need to provide a better evidence trail in the next PCIP, in order to achieve the 'Gold' performance band score (75%>);
 - (iii) the significant cost savings made over the past year, and the need to ensure that cost savings and Best Value were recognised in future reports;
 - (iv) the continued need to encourage ethical and sustainable procurement through APUC.
- 6.4 The Committee welcomed the positive PCIP report, and AGREED that in future it would be beneficial for members to have sight of the college efficiency report - once it had been reviewed by the Policy & Resources Committee.

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, 2015/16 and 2017/18. The Chief Operating Officer advised the Committee that a consolidated improvement plan which incorporated all Scott-Moncrieff recommendations against the Business Transformation Plan was included for members' review.

7.1.2 The Committee DISCUSSED progress on two outstanding recommendations relating to Workforce Management Planning. The Chief Operating Officer advised the Committee that the college had undertaken work for reporting on the current workforce, which would then form part of the future workforce profile through the strategic 'Blueprint' project.

7.1.3 The Committee NOTED progress relating to the review of the college's risk appetite statement, and AGREED that further discussion should be undertaken at the next meeting of the Risk Management & Assurance Group and fed back to members.

7.2 INTERNAL AUDIT REPORT: INCOME & DEBTORS / PURCHASING AND CREDITORS

7.2.1 The Committee NOTED an internal audit review of the controls in place for managing college income and debtors' processes and purchasing and creditors'

arrangements. The Internal Auditors advised the Committee that, in general, the college's financial procedures reflected good practice and were well designed. The Committee NOTED a number of instances where the college could improve its financial controls which would help to make its financial systems more efficient.

7.2.2 The Committee DISCUSSED the internal audit report, and AGREED that the Executive should confirm if they accepted the recommendation in the report and, if not agreed, provide supporting narrative accordingly. The Chief Operating Officer advised the Committee that, in future, the Head of Corporate Development would record whether or not the Executive accepted the recommendation.

7.3 INTERNAL AUDIT REPORT: ESTATES MANAGEMENT

7.3.1 The Committee NOTED an internal audit review to consider whether Edinburgh College had an appropriate Estates Strategy in place and associated controls to ensure its estates assets were well managed, utilised and maintained. The Internal Auditors advised the Committee that the college's controls for estates management were adequate.

7.3.2 The Committee NOTED that the Estates Strategy was in its final year and would be placed by a new strategy aligned to the Strategic Plan 2017-22. The Internal Auditors identified two areas which, if incorporated into the new strategy, would enhance and strengthen the controls in place. This included the need to enhance the clarity of project objectives to better facilitate monitoring of achievement of objectives.

7.3.3 The Committee NOTED that a new Estates Strategy would be presented to future meeting of the Policy & Resources Committee - for approval.

7.4 INTERNAL AUDIT PROGRESS REPORT 2017/18

7.4.1 The Committee NOTED a summary of internal audit activity during the academic year 2017/18 (to date), which included details on the reviews planned for the coming quarter.

The Principal left the meeting

8. RISK ASSURANCE

8.1 RISK MANAGEMENT REPORT

8.1.1 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 February 2018.

8.1.2 The Committee DISCUSSED risks associated with the implications of Brexit, and AGREED that the Board should be provided with a clear understanding of

where key risks were in the upcoming 2018/19 Budget. The Chief Operating Officer advised the Committee that scenarios would be outlined as part of the Budget review process at next meetings of the Policy & Resources Committee and the Board.

8.1.3 The Committee DISCUSSED the following matters relating to Cyber Security, and AGREED that further supporting information should be included in the Top Risk Register (TRR):

- (i) The use of the term 'insurance' in the TRR 'Contingency' column, and the need for further clarification on its specific meaning;
- (ii) the frequency of penetration testing at the college, plus the need to include such information in the TRR;
- (iii) the indirect implications of computer attacks, for instance a hostile action being carried out against an national/regional electrical grid, and the need to capture mitigations in business continuity plans for building failure.

8.1.4 The Committee DISCUSSED the risks associated with the appointment of new Principal & Chief Executive, which was not currently included on the TRR. The Head of Corporate Development advised the Committee that a robust recruitment process was in place, and that engagement with the process to date had been positive.

8.1.5 The Committee AGREED that risks 21 & 22 relating to Estates/Infrastructure would be merged into a new risk entitled; '*(28) Estates/Infrastructure not aligned to Business Needs*'. Further to this, the Committee AGREED that risks 19 & 20 would be merged into a new risk entitled; '*(27) Workforce Planning and Development*'.

9 ANY OTHER COMPETENT BUSINESS

9.1 HORIZON SCANNING REPORT

9.1.1 The Committee NOTED a verbal update on the proposal to reshape Horizon Scanning reports for the purposes of the Committee. The Head of Corporate Development advised the Committee that future reports would be formatted around the five aims of the Strategic Plan 2017-22.

9.1.2 The Committee welcomed the proposed layout of the Horizon Scanning Report and AGREED that it should include a section highlighting areas for consideration by other committees of the Board.

9.2 DRAFT COMMITTEE CALENDAR 2018/19

9.2.1 The Committee NOTED a proposed Audit & Risk Assurance Committee schedule for the 2018/19 academic year. The Chair advised the Committee that the first meeting of the year would take place in October to allow members the opportunity to consider draft elements of the year end accounts, in advance of the November 2018 meeting - prior to approval by the Board.

9.2.2 The Committee welcome the proposed Committee schedule and AGREED that the timing of meetings were appropriate.

10 FOR INFORMATION

10.1 DATA BREACH INCIDENT UPDATE

10.1.1 The Committee NOTED a report providing a summary of data breach incidents within Edinburgh College for the reporting period from 01 February 2018.

11 DATE OF NEXT MEETING

11.1 The next meeting of the Audit & Risk Assurance Committee will take place on 30 May 2018, in the Boardroom, Milton Road Campus.

Meeting closed at 17:10