



For the future you want

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 20 APRIL 2017

16:00 Boardroom, Milton Road Campus

Present: Ian Doig; Niki McKenzie Nigel Paul (Chair)

In attendance: Annette Bruton; Mark MacPherson (Audit Scotland); Gordon Smail (Audit Scotland); Joanna Stevenson (Audit Scotland); Matthew Swann (Scott-Moncrieff); Marcus Walker (Clerk); Richard Whetton; Alan Williamson.

1 WELCOME AND APOLOGIES

- 1.1 No apologies were received.
- 1.2 The Committee Chair welcomed Mark MacPherson and Joanna Stevenson, Audit Scotland their first meeting of the Committee.
- 1.3 The Committee Chair welcomed Matthew Swann to the meeting as the new Audit Manager at Scott-Moncrieff.

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 09 February 2017 as an accurate record of the meeting.

4 MATTERS ARISING

- 4.1 Actions from the previous meeting were complete, overtaken or on the agenda.

5 FINANCE REPORT

5.1 SECTION 22 REPORT

5.1.1 The Committee NOTED that Audit Scotland intended to publish a report on the college following evidence provided to the Government's Public Audit and Post Legislative Scrutiny Committee (PAPL) in November 2016. Audit Scotland representatives informed the Committee that 'The 2015/16 Audit of Edinburgh College' report would be laid before parliament on 21 April.

5.1.2 The Committee NOTED the report and an overview provided by Audit Scotland representatives. Audit Scotland advised the Committee that the Auditor General would brief the PAPL on the report in due course, and the PAPL would decide whether to take further evidence from the college.

5.1.3 The Committee DISCUSSED the report, as provided by Audit Scotland, including the following matters:

- (i) The report's recognition of the significant progress made by the college in identifying and addressing key challenges, through the implementation of its Business Transformation Plan;
- (ii) the progress of the transformation plan and the challenges still faced by the college;
- (iii) the assurances sought by the Committee and the Board going forward;
- (iv) the continued monitoring of the college by Audit Scotland through the annual audit cycle.

5.1.4 The Committee NOTED that once the report had been laid before parliament, it would be circulated to the Board along with a press statement and message for staff.

5.1.5 The Committee NOTED that Audit Scotland were due to publish a sector-wide report in June 2017, which would provide further context in relation to the Section 22 Report.

The Chair of the Board, the Principal and Mark MacPherson (Audit Scotland) left the meeting.

5.2 RESOURCE RETURN (MARCH 2017) AND CERTIFICATE OF ASSURANCE

5.2.1 The Committee NOTED the Resource Return to 31 March 2017 which showed an over spend of £0.8m against the Resource Departmental Expenditure Limit (RDEL) figure. This compared to an initial annual projected over spend of £3.2m, as reported on the return submitted for the period to June 2016. The Chief Operating Officer advised the Committee that the improvements were mainly due to the cash advance funding received from the SFC, additional capital funding, under spend in student support funds, and an improvement in the Income and Expenditure position compared with the original budget for the period.

5.2.2 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 2016/17 procedure.

5.2.3 The Committee DISCUSSED the following in relation to the Resource Return to 31 March 2017:

- (i) Monthly forecast information to the SFC on the deficit position, and their recognition of the improvements made;
- (ii) the alignment of the monthly management accounts with the Resource Return, and the reporting requirements of the Funding Council;
- (iii) assurances relating to the appropriate alignment of finance policies when completing the resource return and year-end accounts.

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

6 INTERNAL AUDIT

6.1 SUMMARY OF AUDIT RECOMMENDATIONS

6.1.1 The Committee NOTED a report on progress against internal auditors recommendations previously reported to the Audit & Risk Assurance Committee in 2014/15 and 2015/16. The Chief Operating Officer advised the Committee that the consolidated improvement plan which incorporated all Scott-Moncrieff recommendations against the Business Transformation Plan was included for members' review.

6.1.2 The Committee NOTED an update from the Head of Corporate Development regarding improvements made to develop the rigour around the transformation plan. The Committee Chair informed members that the Policy & Resources Committee had reviewed comprehensive Programme Board information at its meeting on 18 April, and were content with the assurances provided by senior management.

6.1.3 The Committee NOTED that most outstanding audit recommendation were due to be complete in 2016/17. The Chief Operating Officer advised the Committee that actions relating to Priority Based Budgeting (PBB) and management accounting had been completed, and that Stage 2 of the PBB audit was due to commence shortly.

6.1.4 The Committee DISCUSSED the following matters relating to internal audit recommendations:

- (i) the progress relating to work around risk appetite, in order to support Board-level decision-making;

- (ii) progress relating to workforce development, through the transformation plan, which was due for completion in June 2017;
- (iii) the small number of staff responsible for overseeing the implementation of audit recommendations;
- (iv) missing evidence relating to 'Action 3' of the consolidated improvement plan, and the need to ensure its inclusion in future reporting;
- (v) future validation of internal audit recommendations through Scott-Moncrieff, to ensure greater consistency and alignment.

6.1.5 The Committee AGREED that members should be provided with an opportunity to consider risk tolerance/appetite further in August/September 2017, in order to further enhance risk reporting to the Board.

6.2 INTERNAL AUDIT PROGRESS REPORT

6.2.1 The Committee NOTED a summary of internal audit activity during the academic year 2016/17 (to date), which included details on the reviews planned for the coming quarter.

6.3 PRIORITY BASED BUDGET (PHASE 1) AUDIT REPORT

6.3.1 The Committee NOTED an internal audit review of the robustness and interface of the college's PBB project and its management accounting arrangements. The Internal Auditor informed the Committee that the review was the first stage of a two stage audit process.

6.3.2 The Committee NOTED that the internal auditors had gained assurances that the control procedures for the PBB project were operating effectively. The Internal Auditor outlined two low risk recommendations which would further strengthen the controls in place, relating to the clarity or reporting around projected savings and the detail of reports provided to the Board and its committees.

6.3.3 The Committee DISCUSSED the internal audit report, and welcomed the positive findings presented.

6.4 PAYROLL AND EXPENSES AUDIT REPORT

6.4.1 The Committee NOTED an internal audit review of the adequacy and operational effectiveness of controls in place over payroll and expenses. The Internal Auditor advised the Committee that appropriate procedures were in place at the college for payroll and expenses.

6.4.2 The Committee NOTED a small number of minor issues for the attention of senior management which would further strengthen current controls. The Chief Operating Officer informed the Committee that all three recommendation had been implemented by the college and would be reviewed in due course.

6.4.3 The Committee DISCUSSED the internal audit report, and welcomed the management response to recommendations.

7 EXTERNAL AUDIT PLAN 2016/17

- 7.1 The Committee NOTED an annual audit plan 2016/17, as presented by Audit Scotland, which outlined the planned scope and timing of the audit. The External Auditors advised the Committee that the audit plan would be carried out in accordance with International Standards on Auditing, the Code of Audit Practice and other relevant guidance.
- 7.2 The Committee NOTED that the plan identified audit work to provide an opinion on the financial statements and related matters, and meet the requirements of a public sector audit. The External Auditors informed the Committee that the wide scope of such public audits allowed conclusions to be drawn on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.
- 7.3 The Committee welcomed the proposed annual audit plan and DISCUSSED the following points:
- (i) the 'wider dimension' audit approach outlined, and the proposal to publish all audit plans and outcomes publicly;
 - (ii) the proposed audit fee for the 2016/17 audit, and the determining factors behind the quoted fee bracket;
 - (iii) the positioning of 'best value' at the centre of all the planned audit work;
 - (iv) the national fraud initiative, its coverage in the audit plan and the need for the Chief Operating Officer to keep the Committee informed of any further developments.
- 7.3 The Committee NOTED that it was content with the proposed annual audit plan 2016/17.

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.
- 8.1.2 The Committee NOTED that, in line with the Risk Register Improvement Plan, a presentation for all Heads of Service on risk management within the college had been completed, and the migration of old risk registers into the new format would be finalised by the end of April. Further to this, the Head of Corporate Development advised the Committee that a new terms of reference for the Risk Management and Assurance Group would be considered at its next meeting on 12 May.

8.1.3 The Committee NOTED amendments to the Top Risk Register since February, which included eight changes put forward by the Head of Corporate Development.

8.1.4 The Committee DISCUSSED the following points relating the Risk Management Improvement Plan and the Top Risk Register:

- (i) The presentation of the risk register and the presentational benefits of outlining the 'top risks' at the top of the register;
- (ii) the proposed changes to risk scores relating to 'Risk 16' (Poor Industrial Relations) and 'Risk 19' (Mismatch of Staff Resources to Need);
- (iii) the need to 'deep dive' into specific risks on the register, to allow the Committee to gain a more detailed understanding of the key issues and the required assurances.

8.1.5 The Committee AGREED that risk scores relating to 'Risk 19' should be reconsidered by the Head of Corporate Development.

8.1.6 The Committee AGREED that a schedule to allow members to consider key risks in more detail should be created for 2017/18. The Committee Chair informed the Committee that the schedule should be cognisant of internal and external audits in order to avoid any duplication.

8.2 BUSINESS CONTINUITY UPDATE

8.2.1 The Committee NOTED an update on the management of business continuity across the college, the key plans in place and the programme of testing currently underway. The Head of Corporate Development advised the Committee that he had taken on a broader development and coordination role in relation business continuity as of March 2017.

8.2.2 The Committee welcomed the update provided, and DISCUSSED current arrangements and the development of strategic oversight in this important area.

Ian Doig left the meeting.

9 ANY OTHER COMPETENT BUSINESS

9.1 HORIZON SCANNING REPORT

9.1.1 The Committee NOTED an update on the budget setting process for 2017/18, which began in March and would conclude with the presentation of the budget to the Board on 20 June.

9.1.2 The Committee NOTED that Phase 3 of the voluntary severance scheme had opened on 24 March, and was due to close at midday on 02 May.

9.1.3 The Committee NOTED EIS had submitted a statutory ballot to all colleges in Scotland, relating to the 2015/16 pay award and the trade union's request for pay to be agreed separately from Terms & Conditions. The Chief Operating Officer advised the Committee that the ballot had closed on 10 April, and EIS members had voted in favour of 11 days of industrial action – taking effect from 27 April.

9.1.4 The Committee DISCUSSED the implementation of EU general data protection regulations, and AGREED that a report on the college's preparations in relation to this matter should be presented to a future meeting of the Committee.

9.1.5 The Committee NOTED the appointment of three new non-executive members to the Edinburgh College Board of Management. The Committee Chair informed the Committee that, following the Board meeting on 02 May, a new member of the Audit & Risk Assurance Committee would be confirmed.

10 DATE OF NEXT MEETING

10.1 The next meeting of the Audit & Risk Assurance Committee will take place on 31 May 2017, in the Boardroom, Milton Road Campus.

Meeting closed at 18:00