



For the future you want

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 22 NOVEMBER 2017

15:00 Boardroom, Milton Road Campus

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

In attendance: Chris Brown (Scott-Moncrieff); Annette Bruton; Stuart Nugent (Audit Scotland); Helen Russell (Audit Scotland); Gordon Smail (Audit Scotland) Matthew Swann (Scott-Moncrieff); Marcus Walker (Clerk); Alan Williamson.

1 WELCOME AND APOLOGIES

- 1.1 No apologies were received.
- 1.2 The Committee Chair welcomed Bob Downie, a non-executive member of the Board, to his first meeting of the Committee.
- 1.3 The Committee NOTED that members had held their annual private meetings with the internal and external auditors in advance of the Committee meeting.

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 31 May 2017 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.

4.2 AUDIT COMMITTEE HANDBOOK SELF-EVALUATION

4.2.1 The Committee NOTED an approved version of the Audit Committee Handbook Self-Evaluation Checklist, as agreed outwith the meeting.

5 INTERNAL AUDIT

5.1 INTERNAL AUDIT REPORT: ESTABLISHMENT MANAGEMENT

5.1.1 The Committee NOTED an internal audit review of the controls in place for addressing workforce establishment challenges identified with the Business Transformation Plan. The Internal Auditors advised the Committee that their review identified no major weakness, and that the college had made a number of improvements to its control framework to enable better understanding and management of its workforce.

5.1.2 The Committee NOTED management responses to the internal audit review, which accepted the outlined recommendations and put forward an appropriate timescale for their implementation. The Committee Chair, on behalf of members, commended the Executive Team on the improvements made to management responses in light of feedback from the Committee.

5.2 INTERNAL AUDIT REPORT: PROGRAMME GOVERNANCE

5.2.1 The Committee NOTED an internal audit review of governance and reporting arrangements at project and programme levels for the Business Transformation Plan. The Internal Auditors advised the Committee that the college had identified the need to improve procedures and were currently in the process of designing appropriate reporting structures.

5.2.2 The Committee DISCUSSED the five 'moderate risk exposure' recommendations highlighted by the internal auditors, and how lessons learned would be taken forward in future project planning around the new Strategic Blueprint 2017-22.

5.3 INTERNAL AUDIT REPORT: REVIEW OF 2016/17 CREDITS RETURN

5.3.1 The Committee NOTED an internal audit review of the Edinburgh College Credits Data Return 2016/17, which examined the procedures and controls over the preparation of the return.

5.3.2 The Committee NOTED a certificate of assurance 2016/17, as submitted by the internal auditors to the SFC. The Committee Chair, on behalf of members, commended the Executive Team on the significant progress the college had made in developing its approach to recruitment and retention.

5.4 INTERNAL AUDIT REPORT: STUDENT SUPPORT FUNDS AND EMA 2016/17

5.4.1 The Committee NOTED that the internal auditors had conducted Student Support Fund and EMA audits for the academic year 2016/17 in September 2017, in accordance with the requirements set out in SFC's 'Student Support Fund Audit Guidance 2016/17' and 'Educational Maintenance Allowances (EMA) Audit Guidance 2016/17'.

5.4.2 The Committee NOTED the internal auditors had highlighted two management points relating to the breakdown of EMA administrative costs and attendance records. The Committee welcomed the management responses outlined and the Chief Operating Officer's feedback on progress to date.

5.5 SUMMARY OF AUDIT RECOMMENDATIONS

5.5.1 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-Moncreeff recommendations against the Business Transformation Plan was included for members' review.

5.5.2 The Committee NOTED that, in relation to a recommendation arising from the Corporate Governance and Risk Management audit in 2014/15, members of the Committee had attended a meeting of the Risk Management and Assurance Group (RMG) in August 2017. The Committee Chair informed those in attendance that following a constructive discussion around risk appetite and tolerance it was agreed that appropriate guidance would be included in a new draft risk policy and procedure, which was currently in development.

5.5.3 The Committee DISCUSSED progress on two outstanding recommendations relating to Workforce Management. The Principal advised the Committee that, although recommendations were being progressed, national bargaining provided the college with a number of challenges in relation to workforce planning. The Committee NOTED that workforce planning and development was now underway, and that these matters would also be taken forward as a key programme within the Strategic Blueprint 2017-22.

5.6 INTERNAL AUDIT FOLLOW-UP REPORT

5.6.1 The Committee NOTED an Internal Audit Follow-Up Report 2015/16, which aimed to provide assurances that internal audit actions agreed during the previous financial year had been implemented satisfactorily.

5.6.2 The Committee NOTED that the college had closed 30 (of a total of 36) actions agreed in internal audit reports. The internal auditors advised the Committee that they were content with progress on the six ongoing actions, and that none of the outstanding actions were considered high risk.

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

5.7 INTERNAL AUDIT ANNUAL REPORT 2016/17

5.7.1 The Committee NOTED an annual report on internal audit activity carried out during 2016/17. The internal auditors provided a statement on the internal audit cover achieved from 01 August 2016 to 31 July 2017, and a summary of audit opinion on the college's control environment and systems of internal control.

5.7.2 The Committee NOTED that, in the opinion of the internal auditors, the college had an effective framework of governance, risk management and internal controls, and proper arrangements in place to promote value for money and deliver best value in the achievement of organisational objectives. The internal auditors informed the Committee that significant improvements had been made to the college's internal control environment during 2016/17, with good progress being made in the implementation of identified actions.

5.7.3 The Committee welcomed the positive report and NOTED the significant progress made by the Executive Team towards the development of internal controls over the past financial year.

5.8 INTERNAL AUDIT PLAN 2017/18

5.8.1 The Committee NOTED the Draft Internal Audit Plan 2017/18, which covered the full range of systems in the college and was not restricted to financial systems alone.

5.8.2 The Committee DISCUSSED the following points related to the proposed Internal Audit Plan:

- (i) The continued focus of the internal auditors on areas of change in the college;
- (ii) the number of days audit work required in 2017/18;
- (iii) the need to ensure maximum value within the plan;
- (iv) the areas of focus requested by senior management, and their involvement in the internal audit planning process;
- (v) the effective use of contingency days outlined within the plan;
- (vi) the breadth of the proposed Business Continuity audit, and its coverage around ICT matters;
- (vii) the planned risk 'deep dives' due to take place at future meetings of the Committee.

5.8.3 The Committee AGREED that the internal auditors should utilise planned contingency days to appropriately assess the college's preparations for the General Data Protection Regulation (GDPR), prior to its implementation in May 2018. The internal auditors confirmed that the Internal Audit Plan 2018/19 would be amended accordingly and circulated to the Committee for review.

5.8.4 The Committee APPROVED the Internal Audit Plan 2017/18, subject to the inclusion of the amendment requested under minute 5.8.3.

6. FINANCIAL ACCOUNTS

6.1 INTERNAL CONTROL ASSURANCE STATEMENT

6.1.1 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 SFC that appropriate internal controls within the college were in-place.

6.1.2 The Committee NOTED the internal control assurance statement provided by the Principal, and the two supporting statements provided by the Depute Principal and Chief Operating Officer.

6.2 COMPLIANCE WITH THE CODE OF GOOD GOVERNANCE

6.2.1 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').

6.2.2 The Committee NOTED assurances that the college's governance arrangements were compliant overall. The Chief Operating Officer outlined to the Committee an overview of the areas of governance with which the Code is concerned, and a list of relevant developments since the Code was revised in 2016.

6.3 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2017

6.3.1 The Committee NOTED a proposed Independent Auditor's Report and unqualified audit opinions to the accounts, which included a report on the audit of the financial statements, the regularity of expenditure and income, and all other reporting requirements.

6.3.2 The Committee NOTED a consolidated draft of the Annual Report and Financial Statements for the period ended 31 July 2017, and an accompanying draft Annual Audit Report submitted by the external auditors.

6.3.3 The Committee NOTED that the external auditors had reconsidered the holiday pay accrual included in the financial statements and had recalculated the accrual to include pensions and NI information. The external auditors advised the Committee that the draft financial statements had not yet been adjusted to reflect this revision.

6.3.4 The Committee NOTED that the external auditors were content with the college's ability to carry on as a going concern, in light of the financial statements recording net current liabilities. The external auditors advised the Committee that appropriate assurances had been received that the SFC would continue to support the college until the achievement of the transformation plan in 2018/19.

6.3.5 The Committee DISCUSSED minor contextual amendments to the Annual Accounts to July 2017, and AGREED that in future it may be appropriate to circulate draft documentation to the Committee for review in advance of its meeting to confirm the financial statements for the period.

6.3.6 The Committee AGREED to recommend the approval of the financial statement to the Board, subject to agreement on the final wording between the Chief Operating Officer and the external auditors.

6.4 DRAFT LETTER OF REPRESENTATION

6.4.1 The Committee AGREED to recommend a Draft Letter of Representation to the Board at its meeting on 12 December 2017.

7. RISK ASSURANCE

7.1 RISK MANAGEMENT REPORT

7.1.1 The Committee NOTED a risk management report as provided by the Chief Operating Officer, which highlighted progress in relation to risk management and reporting since the last meeting of the Committee in June 2017.

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

- (i) The narrow focus of the ICT security risk, and the need to open the risk up beyond 'hackers';
- (ii) the risks associated with BREXIT, and the potential impact on the recruitment of international students;
- (iii) the potential impact of local universities reducing their entry requirements.

7.1.3 The Committee NOTED that reports on the impact of BREXIT and changes locally to entry requirements would be considered by Policy & Resources Committee at its meeting on 20 February 2018.

7.1.4 The Committee AGREED that Risk 24; 'Breach of Security of ICT Networks by Hackers' should be reconsidered to focus more broadly on ICT security breaches.

8 CHAIR'S ANNUAL REPORT TO THE BOARD

8.1 The Committee NOTED a draft Audit & Risk Assurance Committee Annual Report prepared by the Committee Chair.

8.2 The Committee AGREED that the annual report should highlight the following matters to the Board:

- (i) the financial sustainability of the college sector going forward in light of the recent staff pay awards, sector harmonisation and the likely limited level of future SFC financial support;
- (ii) the importance of preparation for the implementation of GDPR in May 2018, and the need to maintain a high level of cyber security;
- (iii) the commendations provided by the internal and external auditors to the college for its achievements over the past year.

8.3 The Committee AGREED that the Annual Report should be presented to the Board with the Annual Accounts to July 2017.

9 ANY OTHER COMPETENT BUSINESS

9.1 HORIZON SCANNING REPORT

9.1.1 The Committee NOTED that the LPS pension fund actuarial valuation would be completed shortly. The Head of Finance informed the Committee that if this showed an increased gap in funding between assets and liabilities there was the potential that there would be further increases in the employer pension contributions in future years.

9.1.2 The Committee AGREED that to support forward planning a business schedule, outlining the key items of business coming forward to future meetings, should be circulated to Committee members for information.

9.2 TENDER FOR INTERNAL AUDITORS

9.2.1 The Committee NOTED that an update from the Head of Finance on the tender process for internal auditors which was due to commence in early 2018.

9.3 AUDIT SCOTLAND REPORT: SCOTLAND'S COLLEGES 2017

9.3.1 The Committee NOTED an overview of the Scotland's College 2017 Report published by Audit Scotland in June 2017. The external auditors informed the Committee that Scotland's colleges had seen improved attainment over the past year but faced several financial challenges, and potential difficulties from a declining student population.

10 DATE OF NEXT MEETING

10.1 The next meeting of the Audit & Risk Assurance Committee will take place on 21 February 2017, in the Boardroom, Milton Road Campus.

Meeting closed at 17:30