AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 31 MAY 2017

16:00 Boardroom, Milton Road Campus

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

In attendance: Chris Brown (Scott-Moncrieff); Helen Russell (Audit Scotland); Matthew Swann (Scott-Moncrieff); Marcus Walker (Clerk); Richard Whetton; Alan Williamson.

1   WELCOME AND APOLOGIES

1.1   Apologies were received from Bob Downie.

1.2   The Committee Chair welcomed Judith Sischy, a newly appointed non-executive member of the Board, to her first meeting of the Committee.

1.3   The Committee Chair, on behalf of members, thanked Niki McKenzie for her service to the Committee over the past two years. The Committee Chair informed the members that Ms McKenzie had joined the Board's Remuneration Committee and its Policy & Resources Committee, following a review of committee membership by the Board.

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 20 April 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   INTERNAL AUDIT

5.1   SUMMARY OF AUDIT RECOMMENDATIONS

5.1.1 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 Head of Corporate Development advised the Committee that a consolidated improvement plan which incorporated all Scott-Moncrieff recommendations against the Business Transformation Plan was included for members' review.

5.1.2 The Committee DISCUSSED progress towards the agreement and setting of risk tolerances. The Head of Corporate Development advised the Committee that a session to focus on risk appetite and risk tolerances would be scheduled in August/September 2017.

5.1.3 The Committee DISCUSSED the development of a workforce management policy, which was scheduled for completion in June 2017. The Head of Corporate Development advised the Committee that the matter had been considered by the Policy & Resources Committee on 30 May, and a proposal would be presented to the next meeting of the Board.

5.2   INTERNAL AUDIT 2016/17 PROGRESS REPORT

5.2.1 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.

5.3   PRIORITY BASED BUDGET (PHASE 2) AUDIT REPORT

5.3.1 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 second stage of a two stage audit process.

5.3.2 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 one low risk recommendation which would further strengthen the controls in place, relating to the use of up-to-date guidance around PBB procedures.

5.3.3 The Committee DISCUSSED the internal audit report, and welcome the positive findings presented. The Committee Chair highlighted to the Executive the importance of producing a management response to the internal auditor's recommendations which clearly stated whether management accepted the requested action.

5.4   FINANCIAL MANAGEMENT AUDIT REPORT

5.4.1 The Committee NOTED an internal audit review of the financial management framework in place at the college. The Internal Auditor advised the Committee that the current framework was well designed and had in general operating effectively.

5.4.2 The Committee NOTED that three low risk recommendations for improvement had been identified, primarily related to the identification and investigation of budget variances.

5.4.3 The Committee DISCUSSED the blend of budgeting approaches used by the college, and the intention to move completely towards a PBB approach in the near future.

5.4.4 The Committee NOTED that the general purpose of the audit report was to provide assurances on the financial management framework used by the college. The Committee Chair advised members that the financial performance of the college was monitored by the Policy & Resources Committee and the Board through the monthly management accounts.

5.5   DRAFT INTERNAL AUDIT PLAN 2017/18

5.5.1 The Committee NOTED a Draft Internal Audit Plan 2017/18, as presented by the Internal Auditor to seek the Committee's guidance on audit planning arrangements for 2017/18. The Internal Auditor highlighted that the principle aim of the plan was to provide assurance on the effective management of the college's key risks.

5.5.2 The Committee NOTED that an internal audit methodology linked internal audit activity to the college's overall risk management framework. The Internal Auditor proceeded to outline the suggested areas of coverage for 2017/18, which included; Key financial risks, operational systems reviews, and management, follow-up and contingency work.

5.5.3 The Committee NOTED that the Internal Auditor had liaised with the Depute Principal and the Chief Operating Officer to discuss the proposed scope of the Plan, prior to its presentation to the Committee.

5.5.4 The Committee DISCUSSED the following aspects of the Draft Internal Audit Plan 2017/18:

(i)   The focus of the plan on estates management and workforce planning matters, which was generally welcomed by the Committee;

(ii)   the focus away from the Business Transformation Plan (BTP), and the importance of ensuring that links exist between the planned estates and workforce audits;

(iii)   the general scope of the planned internal audits, and the need to ensure that such information is provided to the Committee;

(iv)   the need to ensure a sufficient degree of focus is placed on business continuity, with specific reference to ICT matters;

(v)   current arrangements relating to procurement and the role of the APUC.

5.5.5 The Committee AGREED that the Internal Audit Plan 2017/18 should include greater focus on business continuity, and that the updated Plan should be presented to the next meeting of the Committee.

5.5.6 The Committee AGREED that, further to discussions around ICT assurances, the University and College Shared Services' (UCSS) Chief Information Security Officer should be invited to a future meeting of the Committee to update members on the outcome of an ongoing national cyber security review.

5.5.7 The Committee AGREED that, in light of discussions around procurement arrangements, the Committee should consider the most recent APUC procurement capability assessment at its next meeting.

5.6   EVALUATION OF INTERNAL AUDIT

5.6.1 The Committee NOTED a four-part checklist template, produced by the Audit Committee Institute, to assist audit committees in their assessment of the internal audit function. The Committee Chair outlined the benefits of using such a template to annually assess performance in this key area of internal control.

5.6.2 The Committee DISCUSSED the checklist provided and considered the following points:

(i)   The focus of the checklist on the corporate sector and in-house audit teams;
(ii)   the length of the checklist and the need to focus it towards the Committee's needs;
(iii)   the sources of assurance, and how this could be made clear within the checklist.

5.6.3 The Committee AGREED that it would welcome the use of a similar checklist to assess the internal audit function. Further to this, it was AGREED that the Committee Chair and the Chief Operating Officer should create an abridged version of the checklist for use at the next meeting of the Committee.

6.   RISK ASSURANCE

6.1   RISK MANAGEMENT REPORT

6.1.1 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 April 2017.

6.1.2 The Committee NOTED that in line with the Risk Management Improvement Plan work had continued on the development of an operational risk register

across the college. Further to this, the Head of Corporate Development informed the Committee that the Risk Management and Assurance Group had met on 12 May 2017, and confirmed its new terms of reference.

6.1.3 The Committee NOTED amendments to the Top Risk Register since April, which included eight changes and the inclusion of two new risks relating to ICT security (Risk 24) and information management (Risk 25). The Head of Corporate Development advised members that, in response to a request by the Committee, items on the Top Risk Register were now ranked.

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

(i)   The narrow focus of the new ICT security risk, and the need to open the risk up beyond 'hackers';
(ii)   the current risk target for industrial relations, and the need to ensure a lower target score was aspired to;
(iii)   areas where 'deep dives' into key risks would be required during the 2017/18 academic year.

6.1.5 The Committee AGREED that the following areas should be consider during future 'deep dive' sessions scheduled in the new academic year: Commercial income; fraud and anti-corruption; EU General Data Protection Regulation; ICT assurances; industrial relations; and staffs continued professional development.

6.1.6 The Committee AGREED that, further to discussions around ICT assurances, a report on the frequency/severity of cyber-attacks and the number of recorded security breaches should be presented to the Committee for information. The Committee Chair hoped that such information would provide members with an overview of the current situation and highlight any potential issues.

6.2   UK TERROR THREAT LEVEL UPDATE

The Head of Resources and Facilities joined the meeting

6.2.1 The Committee NOTED a verbal update on the college's response to the raising of the UK terror threat level to 'critical' on 22 May. The Head of Resources and Facilities informed the Committee that the threat level had since returned to 'severe' on 27 May.

6.2.2 The Committee DISCUSSED the arrangements in place and NOTED that the Chair of the Audit & Risk Assurance Committee would convene a meeting on 22 June to consider the college's arrangements in relation to the UK counter-terrorism strategy (CONTEST).

6.2.3 The Committee NOTED that, due to its alignment with the Corporate Development function, it had been agreed by the Executive that the Head of Corporate Development would act as CONTEST lead for the college.

The Head of Resources and Facilities left the meeting

6.3   EU GENERAL DATA PROTECTION UPDATE

6.3.1 The Committee NOTED an update on preparations for the new General Data Protection Regulation (GDPR), which would apply from 25 May 2018. The Head of Corporate Development informed the Committee that the primary objective of the GDPR was to give citizens and residents control of their personal data and to simplify the regulatory environment by unifying the regulations within the EU.

6.3.2 The Committee NOTED the main implications for the college under the GDPR, which related to the following areas: Privacy by design; employing a dedicated Data Protection Officer; consent; responsibility and accountability; the use of pseudonymisation; reporting data breaches; the right to erasure; and, data portability. The Head of Corporate Development advised the Committee that in preparation for the GDPR, the college was taking a broad improvement approach to information management, led by a dedicated Information Management Group.

6.3.3 The Committee welcomed the update provided, and DISCUSSED the following aspects of GDPR:

(i)   The considerable fine for bodies failing to implement the new regulation;
(ii)   the amount of data currently held by the college, including information gathered during student enrolment;
(iii)   the risks associated with the implementation of the GDPR and its position of the risk register.

6.3.4 The Committee AGREED that periodical updates on the implementation of GDPR should be received in the coming academic year.

6.4   COMPLAINTS ACTIVITY REPORT

The Head of Performance, Planning and Policy joined the meeting

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 brief summary complaints received in Quarter 1 and 2 of the current academic year (01 August 2016 to 31 January 2017).

6.4.2 The Committee NOTED that in 2015/16 there had been a reduction of 16.6% in the number of complaints raised from the previous year. Further to this, the Head of Performance, Planning and Policy advised the Committee that the college had managed to reduce the number of upheld complaints in comparison with the academic year 2014/15.

6.4.3 The Committee DISCUSSED the complaints activity outlined in the report, and sought assurances that the underlying reasons for complaints were been dealt with by the college. The Head of Performance, Planning and Policy informed

the Committee that as part of the self-evaluation process, curriculum teams were utilising complaint activity information to ensure that appropriate improvements were made.

The Head of Performance, Planning and Policy left the meeting

7   ANY OTHER COMPETENT BUSINESS

7.1   HORIZON SCANNING REPORT

7.1.1 The Committee NOTED the high cost associated with National Joint Negotiating Committee (NJNC) Agreement on lecturer pay awards and the potential knock-on effect on support staff and management pay. The Chief Operating Officer advised the Committee that the potential financial impact of the pay deal would be outlined in the College Budget 2017/18, which would be considered by the Board on 20 June.

7.2   REVIEW OF COMMITTEE OPERATION 2016/17

7.2.1 The Committee NOTED that at the end of each academic year the Committee is required to review its annual activity. The Committee Chair advised members that the first section of the review was based on a self-evaluation checklist within the Scottish Government's Audit Committee Handbook, whilst the second section focussed on committee alignment with the key principles of the Code of Good Governance.

7.2.2 The Committee DISCUSSED its operation and compliance with its terms of reference, as outlined in 'Part 1' of the review form. The Committee AGREED the following areas of improvement its operation going forward:

(i)   The need for a further update on controls around fraud, bribery and corruption in the 2017/18 committee cycle;
(ii)   the further development of the Statement of Control by including the statements of assurance made by senior staff to the Principal, in additional to the Principal's statement;
(iii)   the implementation of planned 'deep dives' during the 2017/18 cycle.

7.2.3 The Committee DISCUSSED 'Part 2' of the review form, and AGREED that the mapping of assurances, to get a greater understanding of the source of the assurance, should be highlighted as an area of improvement for the Committee - in relation to the performance monitoring.

8   DATE OF NEXT MEETING

8.1   The next meeting of the Audit & Risk Assurance Committee will take place on 22 November 2017, in the Boardroom, Milton Road Campus.

Meeting closed at 18:00