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AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 30 MAY 2018

15:00 Boardroom, Milton Road Campus

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

In attendance: Annette Bruton; Nick Croft; Ian Diamond; David Eardley (Scott-Moncrieff); Helen Russell (Audit Scotland): Joanna Stevenson (Audit Scotland); Lindsay Towns; Marcus Walker (Clerk); Alan Williamson

1   WELCOME AND APOLOGIES

   1.1   Apologies were received from Bob Downie.

   1.2   The Chair welcomed the new Chair of the Board, Professor Sir Ian Diamond, to his first meeting of the Audit & Risk Assurance Committee since his appointment by Scottish Ministers.

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 18 April 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, with the exception of the following:

4.1.2 *SAFEGUARDING [Minute 6.1.4 / 21.02.18 refers]*

The Committee NOTED a verbal update from the Head of Corporate Development of progress towards the college self-evaluating its safeguarding arrangements against an OSCR checklist. The Head of Corporate Development advised the Committee that a full report would be presented to members in the new academic year.

4.1.3 *WHISTLEBLOWING PROCEDURES [Minute 7.1.2 / 21.02.18 refers]*

The Committee NOTED a verbal update on the current whistleblowing procedures in place at the college. The Head of Corporate Development advised the Committee that the Whistleblowing Policy had recently been refreshed and that colleagues within the organisation had been made aware of the Policy at its launch, and through subsequent mandatory induction training events.

The Committee NOTED that a Whistleblowing Annual Report would be provided for members' review in the new academic year.

4.2 SECTION 22 REPORT

4.2.1 The Committee NOTED the 2016/17 Audit of Edinburgh College as prepared for the Public Audit & Post Legislative Scrutiny Committee (PAPLS) by the Auditor General for Scotland, under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. The External Auditor advised the Committee that the report had been laid before Parliament and the PAPLS Committee was currently in the process of considering whether any further action was required.

4.2.2 The Committee DISCUSSED the Section 22 Report and the progress of the college against areas of risk highlighted in the report. The Chair of the Board informed the Committee, in response to risks raised in the report, that leadership capacity within the college would be maintained following his appointment. Further to this, the Committee NOTED that Audrey Cumberford, an experienced Principal & Chief Executive in the college sector had been appointed as a successor to Annette Bruton.

4.2.3 The Committee NOTED that the Section 22 Report was in the public domain following its publication, and that a communications plan had been implemented by the college.

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, 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.

5.1.2 The Committee DISCUSSED progress on two recommendations relating to the Estates Management audit in 2017/18. The Chief Operating Officer advised the Committee that the recommendation relating to project monitoring had been completed, whilst the inclusion of a 'change log' by the document owner of the Estates Strategy was expected to be completed by July 2018.

5.2 INTERNAL AUDIT PROGRESS REPORT 2017/18

5.2.1 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.

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 2018.

6.1.2 The Committee DISCUSSED the level of detail included in the report and AGREED that the Top Level Risk Register graphic, provided to the Board at every meeting, should also be presented in the reportage received by the Audit & Risk Assurance Committee.

6.1.3 The Committee NOTED that *Risk 9; National Pay Bargaining Resulting in Unaffordable Settlement* had been considered at the Risk Management and Assurance Group (RMAG) on 08 May. The Committee DISCUSSED national pay bargaining and AGREED that the RMAG may wish to consider the possible breakdown of Risk 9 into separate parts in order to support improved monitoring.

6.1.4 The Committee NOTED updates to the risk narrative provided to *Risk 24; Cyber Security Breaches within the College*, with the inherent impact and residual scores remaining 'Red'. The Head of Corporate Development advised the Committee that the 'Red' rating was due to the increasingly sophisticated cyber-attacks being exploited, and the need for the college to constantly review its mitigations.

6.2 SCOTTISH GOVERNMENT CYBER ESSENTIALS REPORT

6.2.1 The Committee NOTED results of a college Cyber Essentials Plus Pre-Assessment undertaken by ID Cyber Solutions Ltd, a Cyber Essentials Certification Body. The Chief Operating Officer advised the Committee that the pre-assessment covered the following elements of cyber security; email, internet access and external / internal vulnerability scans, with most

vulnerabilities related to Microsoft products for which patches had been received.

6.2.2 The Committee NOTED that the recommendation from the Cyber Essentials assessor was that the college should go ahead with its Cyber Essentials Plus Assessment. The Chief Operating Officer informed the Committee that it was expected that the assessment would be undertaken after scheduled work had been completed by the IT Department over the summer period.

6.2.3 The Committee DISCUSSED cyber resilience and the challenges faced by the college in terms of patch management. The Chief Operating Officer informed the Committee that achieving Cyber Essentials, followed by Cyber Essentials Plus, certification would enhance the reputation of the college and provide assurance to students and stakeholders that necessary steps were being taken to reduce and mitigate cyber risks.

6.3   COMMERCIAL INCOME REPORT

The Head of Commercial joined the meeting

6.3.1 The Committee NOTED a report outlining the risks and opportunities associated with commercial income at Edinburgh College. The Chair advised the Committee that a 'Shortfall in Commercial Income' was currently presented on the Top Risk Register as Risk 3.

6.3.2 The Committee NOTED an overview of the Commercial Strategy 2017-22, as provided by the Head of Commercial, and the key challenges associated with achieving the commercial and international targets outlined in the document. The Head of Commercial advised the Committee that the External Engagement Committee had reviewed and approved the Strategy in February 2018, and would continue to monitor delivery against strategic targets on a quarterly basis.

6.3.3 The Committee DISCUSSED the following points in relation to commercial risks and opportunities:

(i)   The elements of risk associated with commercial courses and their contents, clients and delivery;
(ii)   the benefits of improved engagement with individual faculties around their commercial offer;
(iii) the current level of collaboration and competition with other colleges and universities;
(iv)   the engagement of the college with the Department for International Development (DFID), and the potential for further collaboration towards international activity;
(v)   the agility of commercial and international products to meet the changing demands of the market;
(vi)   the balance between SFC and non-SFC funding, and the importance of commercial income to help the college grow.

6.3.4 The Committee welcomed the opportunity to consider risks relating to Commercial income, and AGREED that the Top Risk Register should be

updated appropriately in light of discussions under Minutes 6.3.3 - particularly with reference to the agility of the college.

6.4 FRUAD AND ANTI-CORRUPTION POLICY

6.4.1 The Committee NOTED that following recent changes to regulations relating to fraud, bribery and corruption the college's Fraud and Anti-Corruption Policy had been reviewed. The Head of Finance highlighted the key changes to the extant policy following the implementation of the Criminal Finances Act (CFA) 2017, which came into force in September 2017.

6.4.2 The Committee DISCUSSED the proposed changes to the Fraud and Anti-Corruption Policy, and the benefits of regularly reviewing such policies.

6.4.3 The Committee APPROVED the Fraud and Anti-Corruption Policy, subject to the inclusion of clarification that potential conflicts of interest would be declared in writing to the college.

7. **AUDIT SCOTLAND: EDINBURGH COLLEGE ANNUAL AUDIT PLAN 2017/18**

7.1 The Committee NOTED an annual audit plan 2017/18, as presented by Audit Scotland, which outlined the planned scope and timing of the audit. The External Auditor 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 Auditor 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 DISCUSSED the following points in relation to the annual audit plan:

(i) The key risks highlighted in the audit plan and the potential overlap between risks related to financial sustainability;
(ii) the significant fee for the 2017/18 audit and the determining factors behind the quoted fee bracket;
(iii) the approach of Audit Scotland, and the use of internal audit reporting to inform the external audit.

7.4 The Committee NOTED that it was content with the proposed annual audit plan 2017/18.

8. ANY OTHER COMPETENT BUSINESS

8.1 REVIEW OF COMMITTEE OPERATION 2017/18

8.1.1 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.

8.1.2 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 enhancement would support its operation going forward:

(i) An opportunity to review the terms of reference of the Committee in early 2018/19;
(ii) the assessment of whether the 'three lines of defence' model would provide a useful mechanism for reviewing the control environment;
(iii) the establishment of an effective working relationship with the new internal auditors;
(iv) a review of the operation of the committee against the updated Audit and Assurance Committee Handbook published by Scottish Government in March 2018;
(v) the consideration of the relationships between committee as part of the upcoming governance review.

8.1.3 The Committee AGREED that the Internal Auditors should provide a list of changes between the old and new Audit and Assurance Committee Handbook for further consideration by members.

8.1.4 The Committee DISCUSSED 'Part 2' of the review form, and AGREED that the Committee Chair and Clerk to the Board would finalise the evaluation form - prior to its recirculation to Committee members.

The Chair of the Board and the Principal left the meeting.

8.2 HORIZON SCANNING REPORT

8.2.1 The Committee NOTED a proposal from the Head of Corporate Development on the further enhancement of a horizon scanning report for the college. The Head of Corporate Development advised the Committee that the outlined report aimed to enable the Board and its committee, the Executive Team and the Senior Management Group to co-produce information that would improve the strategic planning of the college.

8.2.2 The Committee NOTED that the proposed horizon scanning report would be structured around the five strategic aims of the Strategic Plan 2017-2022 and Blueprint. The Head of Corporate Development informed the Committee that the report would be developed through the ECSA, the Senior Management Group and the Executive, prior to its presentations as a standalone item to each

committee of the Board for comment and refinement. A final version of the horizon scanning report would then be brought forward to the Board for discussion and (if appropriate) agreement on requisite strategic actions.

8.2.3 The Committee DISCUSSED the proposal, and AGREED that it would welcome the opportunity to review the newly developed horizon scanning report at its next meeting.

9 FOR INFORMATION

9.1 DATA BREACH INCIDENT UPDATE

9.1.1 The Committee NOTED that no data breach incident had taken place at the college during April to May 2018.

10 DATE OF NEXT MEETING

10.1 To be confirmed.

Meeting closed at 17:20