

AUDIT & RISK ASSURANCE COMMITTEE

AGENDA

A meeting of the Audit & Risk Assurance Committee will be held at 16:00 hours on Monday, 30 November 2015 in the Boardroom, Milton Road Campus.

| | | Lead Speaker | Paper |
|--|--|---------------------|--------------|
| 1 | WELCOME & APOLOGIES | Chair | |
| 2 | DECLARATIONS OF INTEREST | Chair | |
| 3 | MINUTES OF PREVIOUS MEETING <i>for approval</i> | Chair | A |
| 4 | MATTERS ARISING | Chair | B |
| 5 | FINANCIAL ACCOUNTS | | |
| | 5.1 Annual Accounts to July 2015 ¹ <i>for approval</i> | KPMG | C |
| | 5.2 Internal Control Assurance Statement | A Bruton | D |
| | 5.3 Compliance with the Code of Good Governance attached | P Davis | E |
| 6 | FINANCIAL REPORT | | |
| | 6.1 Delegated Financial Authority ² <i>for approval</i> | A Williamson | F |
| 7 | RISK ASSURANCE | | |
| | 7.1 Risk Management Update | A Williamson | G |
| | 7.2 Enrolments, SUMs and Credits 2014/15 and 2015/16 | A Williamson | H |
| | 7.3 IT Functions, Business Continuity and Security | T Trundley | I |
| <i>Item 7 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.</i> | | | |
| 8 | INTERNAL AUDIT | | |
| | 8.1 Non-SFC Income Report | Scott-Moncrieff | J |
| | 8.2 Workforce Management Report | Scott-Moncrieff | K |
| | 8.3 Review of 2014/15 SUMs Return | Scott-Moncrieff | L |
| | 8.4 Summary of Audit Recommendations | A Williamson | M |
| | 8.5 Internal Audit Annual Report 2014/15 | Scott-Moncrieff | N |

¹ The Annual Accounts & Financial Statements to July 2015 as approved by the Board on 08 December 2015.

² The approved Delegated Financial Authority limits can be found under *Section 16; Other Income-Generating Activity* of the Edinburgh College Financial Regulations.

8.6 Internal Audit Plan 2015/16 **for approval**

Scott-Moncrieff O

Item 8 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.

9 REPORTING TO THE BOARD

9.1 Chair's Annual Report to the Board

Chair

P

10 ANY OTHER COMPETENT BUSINESS

10.1 Audit Scotland Statutory Charges 2015/16

A Williamson

Q

11 DATE OF NEXT MEETING: Tuesday, 25 February 2016

COMPLIANCE WITH THE CODE OF GOOD GOVERNANCE

Purpose of Report

To provide the Audit & Risk Assurance Committee with assurance that the College's governance arrangements are compliant with the Code of Good Governance for Scotland's Colleges, and that there has been review and improvement to that end over the past year.

This report includes a summary of the areas of governance with which the Code is concerned, and a list of developments that are relevant in the context of the Code's introduction.

Action Required

The Audit & Risk Assurance Committee is asked to NOTE the governance arrangements in place, and their compliance with the Code of Good Governance for Scotland's Colleges.

Strategic Implications

| Risk | Yes \ No | Details |
|---------------------------|-----------------|--|
| Governance \ legal | Yes | The Board of Management is required to ensure that effective internal controls are in place. |
| Financial | Yes | Explicit in purpose of paper. |
| Executive Approval | Yes \ No | Details |
| Reviewed by Executive | No | |
| Other | Yes \ No | Details |
| Equality Impact | No | |

Introduction

The Further and Higher Education (Scotland) Act 2005, as amended in 2013, makes provision for the Funding Council to require colleges to comply with “principles of governance which appear to the Council to constitute good practice”.

The Code of Good Governance for Scotland’s Colleges was developed by the sector in partnership with the Funding Council and other stakeholders. It was published in December 2014 and circulated to the Board at that time.

The Code operates on a ‘comply or explain’ basis. In that respect, it has replaced the UK Code on Corporate Governance: Colleges must now state in their annual financial statements that they have complied with the Code of Good Governance and explain any practice that is not consistent.

Compliance with the Code

Prior to the introduction of the new Code, Edinburgh College’s governance arrangements were consistent with principles of good governance found in the UK Code on Corporate Governance, the Standard’s Commissioner’s model Code of Conduct, and elsewhere. There has, however, been modest change and development to bring arrangements more fully in line with the new Code.

To provide the Audit & Risk Assurance Committee with assurance that governance arrangements are compliant overall, and that there has been review and improvement to that end over the past year, the following is a) a summary of the areas of governance with which the Code is concerned and b) a list of developments that are relevant in the context of the Code’s introduction.

Overview of the Code

Section A Leadership and Strategy

Principles A.1-7 concern the Board’s responsibility for determining and upholding the College’s values, articulating vision, setting strategy, ensuring effective performance management, and negotiating the Regional Outcome Agreement.

Principles A.8-12 refer to corporate social responsibility, and ensuring that the College fulfils its responsibilities to staff, students and the wider community, including in relation to equality and diversity.

Section B Quality of the Student Experience

Principles B.1-5 describe the Board’s role in relation to students: ensuring the student voice is heard through ongoing engagement, consultation and surveys, ensuring coherent provision and promoting employability through partnership with external stakeholders, and ensuring appropriate mechanisms are in place for quality monitoring and enhancement.

Section C Accountability

Principles C.1-8 concern the Board's accountability to its stakeholders, maintaining a register of interests, and establishing structures and systems that support effective decision-making and controls. The requirement for Audit, Remuneration and Nominations committees is stated here and the need for a scheme of delegation, along with effective arrangements for communication among Board Members and for reporting of Committees to Board.

Principles C.7-C.13 focus on risk management and audit: the Board's role in setting risk appetite and balancing risk with opportunity, ensuring effective risk management and business continuity arrangements, the role of Audit committees in reviewing assurances and the control framework, the committee's required expertise and independence, and its relationship to auditors and the executive.

Principles C.14-16 outline the Board's role in ensuring financial and institutional sustainability, compliance with the Financial Memorandum and SPFM, the economic, efficient and effective use of funds, and refer to Members' status as charity trustees.

Principles C.17-20 concern employee relations and ensuring the College meets its duties to staff through policy, effective dialogue and consultation with staff and trade unions, and compliance where relevant with national bargaining arrangements.

Section D Effectiveness

Principles D1.-2 describe the Chair's leadership role and responsibility for the effective operation of the Board, and ensuring a balance of expertise among the membership of the Board and its committees.

Principles D.3-5 describe the collective responsibility of Board Members to make decisions in the best interests of the College, the full members status of Staff and Student Members, and the need for the scheme of delegation to define individual roles and responsibilities.

Principles D.6-13 refer to the Principal and Chief Executive who must be appointed by the Board through an open and transparent process including staff and students. The Principal's executive responsibilities are outlined, the need for effective communications with Chair, Board and Board Secretary, and the role of the Board in challenging Principal and Executive. A process, involving staff and students, must be put in place for performance management by the Chair, and remuneration, determined by a committee comprising non-executive members, should also take account of staff and student views.

Principles D.14-16 concern the Board Secretary who is an appointment of the Board and reports directly to the Chair in governance matters, in relation to advising Board and Executive, ensuring the quality of reporting to Board, and ensuring compliance with relevant legislation.

Principles D.17-20 outline Board appointment, induction and training: the need for recruitment to comply with Ministerial guidance, for suitable arrangements being in place for student and staff election/nomination, and for robust, relevant induction and development.

Principles D.21-24 concern the need for evaluation including review of individual members' performance in the context of Ministerial guidance, externally facilitated evaluation every 3-5 years, review of committees including committee chairs, and review of the Board Chair led by a Senior Independent Director.

Section E Relationships and Collaboration

Principles E.1-4 relate to partnership working, consultation and collaboration with stakeholders including business and public sector bodies as the basis for planning and securing coherent provision across the region.

Principles E.5-6 concern openness and transparency in external communications and compliance with freedom of information legislation.

Principles E.7-11 refer to the need for a strong and independent students' association that operates fairly and has clear guidelines on relationships and communications, and a constitution which is reviewed at least every five years by the Board. The Board should be aware of staff and recognised unions' views on relevant matters, including through staff surveys, and the Principal must embed governance standards throughout the College.

Relevant Developments since December 2014

The following is an outline of developments in the College's governance arrangements since the introduction of the Code that have been in response to, or are otherwise specifically relevant to, provisions in the new Code (numbers refer to the Code).

- A.8-12 A paper outlining how the College is fulfilling its role in relation to Corporate Social Responsibility was taken to the Policy & Resources Committee on 26 November 2015 to provide assurance and an opportunity for discussion of the Board's strategic approach to CSR.
- B.1. In its recent committee restructuring, the Board has retained student membership on three of its committees - Academic Council, External Engagement, and Nominations - despite a reduction in the overall number of committees. (Note: in line with best practice, only Non-Executives may serve on an interview panel to make appointments to the Board.)
- C.5 A revised Scheme of Delegation, taking account of recent changes in the legislative and regulatory framework, was approved by the Board in June 2015.
- C.14 Revised Financial Regulations, taking account of recent changes and specifically the revised Financial Memorandum and the requirements of the Scottish Public Finance Manual were approved by the Board on the recommendation of the Audit Committee in March 2015.
- D.7 The process to recruit a new principal in January 2015 involved both staff and student board members. A student panel comprising the College's four sabbatical officers conducted their own interview of shortlisted candidates and fed back to the main panel; staff members had the opportunity to participate in a presentation/Q&A session with candidates from which feedback was passed to the main panel.

- D.9 In establishing performance objectives and measures for the Principal, the Chair sought the views of all board members including staff and student members.
- D.17 Processes to appoint new non-executive members conducted in 2014-15 have adhered strictly to the new Ministerial guidance.
- D.21 Evaluation of individual board members has been enhanced in 2015 including the introduction of objectives for the coming academic year against which performance may be measured.
- D.23 The enhanced 2015 evaluation process made allowance for feedback on committee chairs.
- D.24 The Board shared its 2014 report on the Chair's performance (for 2013-14) with Scottish Ministers for the purposes of their evaluation.
- E.3 In its 2015 committee restructuring the Board has created an External Engagement sub-group for the purpose of promoting and developing beneficial networks.
- E.8 Recognising the period of significant change since the Students' Association constitution was approved in late 2012, a review paper will be brought to the December 2015 Board.