Edinburgh College

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 22 NOVEMBER 2023

Meeting held in the Room 4.02, Milton Road Campus, 15:00hrs

Present: Kenneth Brooker (Independent Member); Peter Burns (Independent Member); Sue Cook (Chair); Kerry McCormack; Bill Troup

In attendance: Audrey Cumberford; Ian Deed; Bridget Mauro (Mazars); Claire Roberston* (BDO); Michael Speight* (Mazars); Marcus Walker (Clerk); Alan Williamson

Joined via Microsoft Teams

1.   WELCOME AND APOLOGIES

1.1   No apologies were received.

1.2   The Chair welcomed Michael Speight (Audit Director) and Bridget Mauro (Audit Manager) the external auditor, Mazars.

1.3   The Chair welcomed Claire Robertson (Audit Director, BDO) to the Audit & Risk Assurance Committee as a representative of the internal auditors.

1.4   The Committee NOTED that members had held their annual private meetings with the internal and external auditors in advance of the meeting. The Chair highlighted to the Committee that the External Auditors had commended the quality of the paperwork presented to them over the annual audit period.

2.   DECLARATIONS OF INTEREST

2.1   No declarations of interests were received.

3.   MINUTES OF PREVIOUS MEETING

3.1   The Committee APPROVED the minutes from 11 October 2023 as an accurate record of the meeting.

4.   MATTERS ARISING

4.1   MATTERS ARISING REPORT

4.1.1 The Committee NOTED that actions from the previous meeting were complete, overtaken or on the agenda, except for the following:

4.1.2 *INTERNAL AUDIT RECOMMENDATION: DATA RETENTION [REF. MINUTE 5.1.2/24.05.23]*

The Committee NOTED that the Senior Management Team had approved an approach for the retention and destruction of student data on 26 October 2023. The Chief Operating Officer advised the Committee that unsuccessful (and withdrawn) applications would be stored for the current academic year -plus one year - before being deleted. The Committee NOTED that the first round of deletions would commence in May 2024.

4.2 BUSINESS COMMITTEES OF THE BOARD UPDATES

4.2.1 The Committee NOTED verbal updates from members of each of the business committees of the Board on key matters considered during the most recent Board meetings cycle.

5 INTERNAL AUDIT REPORTS

5.1 SUMMARY OF AUDIT RECOMMENDATIONS

5.1.1 The Committee NOTED a report on progress against internal audit recommendations previously reported to the Audit & Risk Assurance Committee in 2018/19, 2020/21, 2021/22 and 2022/23. The Chief Operating Officer highlighted the completed audit items which would be removed from the next iteration of the summary report.

5.1.2 The Committee NOTED that actions relating to the Cyber Security 2019/20 Audit had been marked as complete. The Committee DISCUSSED the various College systems protected via Multi Factor Authentication (MFA) and whether any gaps in coverage existed. The Chief Operating Officer provided assurance to the Committee based on the outcome of a review of the critical applications led by the Digital Infrastructure Service Lead, which identified those systems with MFA options, those applications moving to the Cloud with MFA, and those applications requiring intervention to include MFA.

5.1.3 The Committee DISCUSSED progress against actions as part of recent Cyber Review, which were presented to the Audit & Risk Assurance Committee on 11 October 2023. The Chief Operating Officer advised the Committee that satisfactory progress had been made over the past month, with all 47 associated actions on target to be completed by the end of the next calendar year, to date 20 actions have been completed. The Committee AGREED that a more detailed overview of progress would be reported upon at the next meeting of the Audit & Risk Assurance Committee.

5.2 FES RETURN 2022/23

5.2.1 The Committee NOTED that Anderson, Anderson & Brown Audit LLP had conducted a review of the Edinburgh College Further Education Statistical (FES) data return in accordance with the audit guidance for colleges issued on 31 May 2022.

5.2.2 The Committee NOTED that current systems and procedures within the College were adequate to collect and record data in respect of the FES and fee waiver returns.

5.2.3 The Committee noted that the new ISQM (International Standards on Quality Management) had restricted the Internal Auditors, BDO, from providing cost-effective third-party assurance in relation to the FES, therefore Anderson, Anderson & Brown Audit LLP had been commissioned to conduct the required audit. The Committee DISCUSSED the impact of the new ISQM and ongoing discussion between colleges, auditors, and the SFC to ensure best value for the sector. The Committee AGREED that, once known, an update on the outcome of discussions should be provided to the Committee.

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5.3 STUDENT SUPPORT FUND AND EDUCATION MAINTENANCE ALLOWANCE AUDITS 2022/23

5.3.1 The Committee NOTED that Anderson, Anderson & Brown Audit LLP had conducted a Student Support Fund (SSF) and Education Maintenance Allowance (EMA) Audit for the academic year 2022/23, in September 2023, in accordance with the requirements set out in SFC's audit guidance.

5.3.2 The Committee NOTED that systems and procedures within the College were adequate to promote the accurate collection and recording of data in respect of the aggregated student support funds return.

5.3.3 The Committee NOTED that systems and procedures within the College were adequate to promote the accurate collection and recording of data in respect of the EMA return.

5.3.4 The Committee DISCUSSED the FES, SSF and EMA Returns and AGREED that the Director of Finance & Infrastructure and Anderson, Anderson & Brown Audit LLP should consider the narrative to be provided with future reports to ensure that the audit outcomes are clearly communicated.

6. **RISK ASSURANCE REPORT**

6.1 RISK MANAGEMENT UPDATE

6.1.1 The Committee NOTED that the next meeting of the Risk Management & Assurance Group (RMAG) would take place on 7 December 2023. The Chair advised the Committee that Bill Troup, a Non-Executive Member, would be attending the RMAG on behalf of the Audit & Risk Assurance Committee.

6.2 RISK APPETITE STATEMENT DEVELOPMENT

6.2.1 The Committee NOTED that the Board of Management, via correspondence in October 2023, had approved a series of risk appetite statements linked to several risk categories within the College's operating environment. The Chief Operating Officer advised the Committee that the risk appetite statements clarified the College's approach to striking the right balance between risk and reward in pursuit of its strategic objectives, as outlined in the new Edinburgh College Strategic Plan.

6.2.2 The Committee NOTED that following further feedback from a Non-Executive Member of the Board with expertise in cyber-resilience, the statement relating to 'Cyber & Information' would be revisited and any proposed changes presented to the Board of Management,

6.2.3 The Committee welcomed the risk appetite statements outlined and NOTED that each statement was 'live' and could be reviewed to suit the strategic needs of the College. The Chair informed the Committee that it was the intention of the Board of Management to formally review the Risk Appetite Statements again before the end of the academic year.

6.2.4 The Committee DISCUSSED the incorporation of risk appetite statements into the Risk Management Policy & Procedure and the Risk Control Matrix. The Chief Operating Officer advised the Committee that all appropriate corporate documentation would be updated in due course.

6.3 NATIONAL FRAUD INITIATIVE

6.3.1 The Committee NOTED the outcome of the counter-fraud exercise undertaken by the National Fraud Initiative (NFI) in Scotland. The Director of Finance & Infrastructure outlined the process and the role of Audit Scotland in leading the exercise and publishing the subsequent report.

6.3.2 The Committee DISCUSSED the results summary and NOTED that the College had performed strongly in the exercise. The Director of Finance & Infrastructure advised the Committee that through the process only one minor error - relating to the overpayment of VAT - was recorded.

6.3.3 The Chair welcomed the participation of the College in the NFI counter-fraud exercise, and the appropriate steps taken by the College in response to the outlined findings.

7. ANNUAL REPORT AND FINANCIAL STATEMENTS

7.1 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2023

7.1.1 The Committee NOTED a draft Annual Report and Financial Statements for the period ended 31 July 2023. The Committee DISCUSSED minor contextual amendments to the Annual Report, and updates in response to points raised by Mazars.

7.1.2 The Committee commended the Chief Operating Officer, the Vice Principal Corporate Development, the Director of Finance & Infrastructure, and their teams for improvements made to the Annual Report and Financial Statements based on feedback from members and the External Auditors.

7.2 DRAFT 2022/23 ANNUAL AUDIT REPORT

7.2.1 The Committee NOTED a Draft 2022/23 Annual Audit Report submitted by the External Auditors. The Audit Director advised the Committee that Mazars expected to issue an unqualified opinion, without modification, on the Financial Statements to 31 July 2023.

7.2.2 The Committee DISCUSSED the following in relation to the Annual Accounts and Financial Statements (Minute 7.1 refers), the Independent Auditor's Report and the Letter of Representation (Minute 7.3 refers); and the 2022/23 Annual Audit Report:

(i) The positive report provided by the external auditors under challenging circumstances for the college and the college sector.
(ii) The valuation of pension assets and the assurances outlined by Mazars.
(iii) The recent land and buildings valuation, which added £4.5m to the value of the College's fixed assets since the last valuation.
(iv) Committee members' concerns relating to the financial sustainability of the College, and the wider college sector, and the assurances provided by the SFC and the Scottish Government.
(v) The External Auditor's satisfaction with the financial planning undertaken by the College in response to immediate and long-term challenges and its financial sustainability.

7.2.3 The Committee DISCUSSED an internal control recommendation highlighted in the Report, which related to a '*cut off value for a late transaction related to year end income*'. The Committee AGREED the External Auditors should review the wording of the recommendation to ensure the extrapolation methodology used to explain the potential risks associated with the error were clearly explained.

7.2.4 The Committee AGREED that the External Auditors should review, for accuracy, statements within the document relating to the 'Internal Auditor's Opinion'.

7.2.5 The Committee AGREED to recommend the approval of the Annual Report and Financial Statements to 31 July 2023 and the Letter of Representation to the Board on 12 December 2023.

7.3 DRAFT INDEPENDENT AUDITOR'S REPORT AND LETTER OF REPRESENTATION

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

7.3.2 The Committee NOTED that its members had not been made aware of any serious weaknesses in the internal control environment, significant fraud, or major accounting or other control breakdowns.

7.3.3 The Committee NOTED the proposed Letter of Representation as provided by Mazars for sign-off by the Principal, subject to the approval of the Annual Accounts and Financial Statements to 31 July 2023 by the Board on 12 December 2023.

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 DISCUSSED and AGREED that the annual report should highlight the following matters to the Board:

(i) Financial sustainability and the College's ability to manage its activities and deliver its outcomes within its funding limits.
(ii) The concerns of the College in relation to the SFC funding model and the need for greater equity between colleges in terms of credit pricings.
(iii) The continued progress made in improving cyber security at the College, and the need for continued vigilance and investment in both cyber security and data protection.
(iv) The need for continued strong partnership working between management, unions, and the Scottish Government through national bargaining.
(v) The robust review of risk appetite statements undertaken by the Board of Management to match the ambitions of the Edinburgh College Strategic Plan.

8.3 The Committee NOTED that the Chair's Annual Report would be presented to the Board on 12 December 2023, with the Annual Accounts and Financial Statements to July 2023.

9. ANY OTHER COMPETENT BUSINESS

The Internal Auditor left the meeting

9.1 HORIZON SCANNING UPDATE

9.1.1 The Committee NOTED verbal horizon scanning updates from both the Internal and External Auditors.

9.2 EVALUATION OF INTERNAL AUDIT FUNCTION 2022/23

9.2.1 The Committee NOTED a consolidated response to an evaluation of the internal audit function in the 2022/23 academic year. The Chair advised the Committee that the consolidated response included feedback from members of the Committee and senior management.

9.2.2 The Committee NOTED the key messages arising from the evaluation and AGREED that the Chair should discuss the recommendations with the internal auditors, including their feedback from the wider college sector in future horizon scanning updates.

9.2.3 The Committee DISCUSSED the evaluation form used to assess the internal audit function and AGREED that the Board Secretary should review questions within the document.

10.   DATE OF NEXT MEETING

10.1 The next meeting of the Audit & Risk Assurance Committee will take place on 6 March 2024.

Meeting closed at 16:40