

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 2 OCTOBER 2024

Meeting held via Microsoft Teams

Start time: 15:00

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

In attendance: Ian Deed; Gordon Hope; Bridget Mauro (Mazars); Gemma MacLeod (BDO); Michael Speight (Mazars); Marcus Walker (Clerk); Alan Williamson

1. WELCOME AND APOLOGIES

- 1.1 The Committee NOTED apologies from the Principal & Chief Executive, Audrey Cumberford.
- 1.2 The Committee NOTED that, on 28 June 2024, Sue Cook (a Non-Executive Board Member and Chair of the Audit & Risk Assurance Committee) had stepped down from the Edinburgh College Board of Management with immediate effect – following her appointment by the Scottish Government as Chair of West Lothian College Board of Management. The Chair, on behalf of the Committee, thanked Sue Cook for her contribution to the Audit & Risk Assurance Committee.
- 1.3 The Committee NOTED that, further to Sue Cook's departure from the Board, it had been agreed by the Board of Management – via correspondence - that Bill Troup, a Non-Executive Member, would act as Interim Chair of the Audit & Risk Assurance Committee. The Chair advised the Committee that a decision on longer-term arrangements would be taken following the implementation of a proposed committee restructure.
- 1.4 The Committee NOTED that a recruitment round seeking two non-executive members with "*a professional qualification and/or equivalent experience in the fields of Accountancy, financial management, audit, risk management and internal controls, compliance and/or corporate governance*" had concluded on 30 September 2024. The Chair advised the Committee that proposed candidates' names had been put forward to members of the Board, for endorsement, prior to their submission to the Scottish Government.

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 22 May 2024 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 two items.

4.1.2 *Internal Audit - International Standards on Quality Management [Ref. 5.2.3/22.11.23]*

The Committee NOTED an update from the Director of Finance & Infrastructure on the impact of the new ISQM and ongoing discussions taking place at a national level to ensure best value for the sector. The Committee DISCUSSED the arrangements implemented to ensure internal audits were undertaken by the College in a cost-effective manner and AGREED that this action should be marked as 'completed' - since it was now the responsibility of the Funding Council to take further action.

4.1.3 *Internal Audit Follow-up: Student Support Ref [Ref. 5.4.3/22.05.24]*

The Committee NOTED that the Vice Principal Innovation, Planning & Performance would, through monthly meetings, engage with Edinburgh College Students' Association (ECSA) on audit recommendation responses and the development of operational plans relating to Student Experience. The Committee DISCUSSED the action and AGREED that the Vice Principal's response was appropriate.

4.2 BUSINESS COMMITTEES OF THE BOARD UPDATES

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

4.3 AUDIT SCOTLAND: SCOTLAND'S COLLEGES 2024

4.3.1 The Committee NOTED that Audit Scotland's 2024 Scotland's College Report had been circulated to Members – for information. The Chair highlighted that, as outlined in the Report, Scottish Government funding for colleges had reduced by £32.7 million in cash terms in 2024/25.

Further to this, funding had reduced by 17 per cent in real terms since 2021/22.

- 4.3.2 The Committee DISCUSSED the Report and NOTED Audit Scotland's statement that financial challenges and staffing reduction could mean that colleges may not be able to offer the same learning experience to students as in the past. The Chief Operating Officer informed the Committee that the Report was due to be considered by the Scottish Parliament's Public Audit Committee on 3 October 2024.

5. INTERNAL AUDIT REPORTS

5.1 INTERNAL AUDIT FOLLOW-UP REPORT

- 5.1.1 The Committee NOTED an Internal Audit Follow-Up Report 2023/24, which aimed to provide assurances that internal audit actions agreed during prior years, in accordance with the Annual Internal Audit Report, had been implemented satisfactorily.
- 5.1.2 The Committee NOTED that, of the 82 recommendations due to be implemented, 50 recommendations had been categorised as 'fully implemented', 15 as 'partially implemented', 3 as 'not implemented', and 4 were 'superseded'. The Internal Auditor advised the Committee that the remaining 10 recommendations were not currently due for implementation.
- 5.1.3 The Committee DISCUSSED the 'good progress' made by the College against internal audit actions, and welcomed assurances provided by the Internal Auditor. The Internal Auditor advised the Committee that, as part of a more consistent approach to follow-up reporting, exception reporting on incomplete actions had been included within the commentary.

5.2 INTERNAL AUDIT REPORT: ESTATES MANAGEMENT

- 5.2.1 The Committee NOTED that, in accordance with its 2023/24 Internal Audit Plan, the Internal Auditors had agreed to undertake a review of Estates maintenance management controls of the College. The Internal Auditor advised the Committee that the audit covered controls and processes relating to maintenance planning, reactive works, monitoring and reporting.
- 5.2.2 The Committee NOTED that the controls implemented by the College in relation to Estates maintenance management were generally robust in design. The Internal Auditor informed the Committee that the report highlights five recommendations, of which four were assessed as 'medium' significance and one 'low'.
- 5.2.3 The Committee DISCUSSED the recording of completion times by engineers on the College maintenance system and how actions were followed up with contractors. The Director of Finance & Infrastructure

advised the Committee that he would attend quarterly meetings between Procurement and ISS, a facilities management company, to ensure that the College maintained an accurate overview of maintenance activity and statutory compliance, and had arranged for the recording of completion times to be reviewed. Further to this, the Committee NOTED that the Director of Finance & Infrastructure, on an ad hoc basis, would also attend weekly operational meetings with ISS - to continue to develop the current partnership working arrangements.

5.2.4 The Committee DISCUSSED best practice with regards to working with third party contractors and Senior Managers' level of satisfaction with current providers. The Director of Finance & Infrastructure informed the Committee that he was content with current partnership working arrangements and their prioritisation of reactive maintenance work based on level of urgency.

5.3 INTERNAL AUDIT REPORT: LEARNING & DEVELOPMENT

5.3.1 The Committee NOTED that, in accordance with its 2023/24 Internal Audit Plan, the Internal Auditors had agreed to undertake a review of the learning and development arrangements in place at the College. The Internal Auditor advised the Committee that the audit covered: Strategy; Guidance; Training and development for individuals; Digital upskilling; and Monitoring.

5.3.2 The Committee NOTED that the internal audit had identified one finding assessed to be of 'high' significance, three findings of 'medium' significance, and one of 'low' significance. The Internal Auditor informed the Committee that deficiencies were identified in relation to staff completion of the College's core mandatory training, manager required training, and in relation to the College's Enhance review process.

5.3.3 The Committee DISCUSSED the Internal Audit Report and NOTED that mandatory training had been heavily impacted by the prolonged period of industrial action. The Chief Operating Officer advised the Committee that the Enhance Framework, the College's annual staff personal development process, had also been impacted by both industrial action and wider trade union relations.

5.3.4 The Committee NOTED that the College's CPD Policy for lecturers remained under discussion with EIS-FELA and once agreed, would be shared with Lecturers. The Committee DISCUSSED the implications relating to personal liabilities and a breach of contract associated with non-completion of mandatory training and AGREED that these concerns should continue to be communicated to all College staff.

5.3.5 The Committee NOTED that, in agreement with the Internal Auditor, College management would produce a 12-month follow-up report outlining progress against the highlighted recommendations. The Chair informed the Committee that internal audit recommendation would be shared with the Risk Management & Assurance Group (RMAG), who

would consider whether current risk scoring related to staff development remained appropriate.

- 5.3.6 The Committee AGREED that both Internal Audit Reports (Minutes 5.2 and 5.3 refer) should be shared with the Planning & Resources Committee – for information.

5.4 INTERNAL AUDIT ANNUAL REPORT 2024/25

- 5.4.1 The Committee NOTED an annual report on internal audit activity carried out during 2024/25. The Internal Auditor provided a statement on the internal audit coverage achieved from 1 August 2023 to 31 July 2024, and a summary of audit opinion on the College’s control environment and systems of internal control.
- 5.4.2 The Committee NOTED that, in the opinion of the Internal Auditor, five of the six audits performed provided reasonable, but not absolute, assurance that the related risk management, control, value for money and governance objectives were achieved for the period. The Internal Auditor advised the Committee that the Learning and Development, internal audit was unable to provide reasonable assurance over the operational effectiveness of the controls.
- 5.4.3 The Committee welcomed the Report and DISCUSSED the audit opinion provided. The Committee AGREED that the Internal Auditor should review the statement of assurance, and strengthen it, by removing the word ‘should’.

6. RISK ASSURANCE REPORT

6.1 THREE LINES OF DEFENCE ANNUAL REVIEW

- 6.1.1 The Committee NOTED an annual update on control, assurance, and risk management arrangements, which were part of the Edinburgh College ‘Three Lines of Defence’ Framework. The Chief Operating Officer advised the Committee that all the arrangements identified in the Framework continued to operate effectively.
- 6.1.2 The Committee NOTED that no gaps had been identified in the Framework, following significant efforts over the academic year 2023/24 to maintain arrangements across all three lines of defence.
- 6.1.3 The Committee DISCUSSED the Framework and AGREED that, at its next point of review, the Chief Operating Officer should provide further written commentary to clearly highlight any changes in the document.
- 6.1.4 The Committee DISCUSSED the use of a limited number of overseas agents by the Commercial Team and the vetting process implemented by the College. The Committee AGREED that the Chief Operating Officer should include a direct reference to the vetting procedure for overseas agents within future versions of the Framework.

6.2 RISK MANAGEMENT UPDATE

- 6.2.1 The Committee NOTED a risk management update as provided by the Chief Operating Officer, which highlighted progress in relation to risk management and reporting since the last meeting of the Committee on 22 May 2024.
- 6.2.2 The Committee NOTED that the RMAG, on 20 August 2024, had reaffirmed the following three top risks for the College: (i) *National bargaining impact on college operations*; (ii) *Financial sustainability (insufficient budget / funding to cover cost of living, job evaluation, employer pension contribution increases)*; and (iii) *Cyber security breaches within the college*. The Chief Operating Officer advised the Committee that the RMAG had agreed that the risk related to 'Failure to meet SFC funded activity targets and fees' had been elevated from its RAG rating of 'Green' to 'Amber' due to current uncertainty around enrolment numbers at the start of the academic year.
- 6.2.3 The Committee NOTED that the Risk Management Policy & Procedure had undergone its annual review by key managers and the Senior Management Team to ensure its accuracy and relevance. The Committee welcomed the inclusion of Equality, Diversity, and Inclusion considerations (and associated compliance requirements) within the updated Policy & Procedure and DISCUSSED the document.
- 6.2.4 The Committee AGREED that the terms of reference of the Audit & Risk Assurance Committee should be reviewed, as part of the wider committee restructure process, to include a more detailed risk management commentary as presented in the updated Policy & Procedure.
- 6.2.5 The Committee APPROVED the updated Risk Management Policy & Procedure, subject to the consideration of contextual comments - submitted via Independent Members - by the Chief Operating Officer.

6.3 DATA BREACH INCIDENT & CYBER ATTACKS ANNUAL REPORT

- 6.3.1 The Committee NOTED an Annual Report on Data Breach Incidents and Cyber Attacks for 2023/24. The Chief Operating Officer advised the Committee that the annual report enabled both the Senior Management Team and the Audit & Risk Assurance Committee to identify areas of risk and respond accordingly.
- 6.3.2 The Committee NOTED that over the academic year 2023/24, the College's Information Management Team were notified of, and investigated, 26 data incidents to evaluate whether personal data breaches had occurred - in line with the breach definition provided by the Information Commissioners Office (ICO). The Digital Infrastructure Lead advised the Committee that no data breaches had been determined as reaching the threshold for reporting to the ICO.

- 6.3.3 The Committee DISCUSSED the College’s approach to AI, and whether any AI products had been blocked by the Digital Infrastructure Team. The Digital Infrastructure Lead informed the Committee that the College did not block any AI products, but upgrades had been made to detection engines to help identify any instances of plagiarism or cheating. The Committee NOTED the importance of ensuring that mandatory training reflected developments to AI and highlighted the need for vigilance when sharing personal or sensitive data with such products.
- 6.3.4 The Committee DISCUSSED the sharing of data between Scottish colleges relating to data breach incidents and cyber-attacks. The Committee AGREED that the Digital Infrastructure Lead should consider whether there was any appetite amongst colleges to share such data, then report back to a future meeting.

7. EXTERNAL AUDIT: ANNUAL AUDIT PLAN YEAR ENDING 31 JULY 2024

7.1 COMPLIANCE WITH THE CODE OF GOOD GOVERNANCE

- 7.1.1 The Committee NOTED the governance arrangements in-place across the College and their compliance with the 2024 Code of Good Governance for Scotland’s Colleges (‘the Code’), which had recently been updated to take account of the addition of trade union nominees on boards of management following a recent legislative change.
- 7.1.2 The Committee NOTED assurances that the governance arrangements at the College were compliant overall. The Board Secretary outlined to the Committee an overview of the areas of governance with which the Code is concerned, and how the College complies in each instance.
- 7.1.3 The Committee DISCUSSED areas of enhancement to governance arrangements relating to the publication of an externally facilitated 2024 Board Effectiveness Review, which stated that *“the Board of Management was compliant with the Code and wider regulatory requirements”*. The Committee NOTED several enhancements implemented by the Board during the academic year, in relation to the Code, and were content with the broad level of compliance outlined.

7.2 INTERNAL CONTROL ASSURANCE STATEMENTS

- 7.2.1 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 Chief Operating Officer, on behalf of the Principal & Chief Executive, informed the Committee that these statements enabled the Chief Executive Officer to provide assurances to both the Board and the SFC that appropriate internal controls within the College were in-place.

- 7.2.2 The Committee DISCUSSED the internal control assurance statement provided by the Principal and were content with the level of assurance illustrated.
- 7.3 DRAFT OF UN-AUDITED ANNUAL REPORT & FINANCIAL STATEMENTS TO 31 JULY 2024
- 7.3.1 The Committee NOTED an un-audited draft of the Annual Report and Financial Statements for the period ended 31 July 2024.
- 7.3.2 The Committee DISCUSSED the following in relation to the unaudited draft document:
- (i) The Year-to-Date Adjusted Operating Position.
 - (ii) The current cash position of the College, and the challenges faced within the college sector around liquidity.
 - (iii) The land and buildings valuation following a recent indexation exercise.
- 7.3.3 The Committee NOTED that an updated draft Annual Report and Financial Statements for the period ended 31 July 2024 would be presented to its next meeting on 20 November 2024. The Director of Finance & Infrastructure advised the Committee that the narrative within the Annual Report and Financial Statements would be reviewed further to enhance its readability and overall understanding.
- 7.4 EXTERNAL AUDITOR BRIEFING
- 7.4.1 The Committee NOTED an update from Mazars on progress (to date) relating to the audit of the Annual Report and Financial Statements to 31 July 2024. The External Auditor advised the Committee that the College had provided good quality information during the initial fieldwork period, with the audit process progressing as planned.
- 7.4.2 The Committee DISCUSSED the current positive pension scheme asset value position and the move to a capped asset ceiling level.
- 7.4.3 The Committee NOTED that SFC guidance relating to Job Evaluation which had only recently been received and there remained question marks around the required accounting treatment. The External Auditor advised the Committee that Mazars were currently awaiting further written guidance from the SFC on this matter.
- 7.4.4 The Committee NOTED a letter provided by the External Auditor which summarised the requirements placed upon the Committee, under International Auditing Standards, in respect of preventing fraud in the annual accounts, compliance with laws and regulations, litigation and claims, and going concern. The Committee DISCUSSED the letter and AGREED that a formal written response, on behalf of the Committee, would be presented to its next meeting.

8. ANY OTHER COMPETENT BUSINESS

8.1 HORIZON SCANNING UPDATE

8.1.1 The Committee NOTED a verbal update from the External Auditor on upcoming changes in guidance relating to asset disposal.

8.1.2 The Committee NOTED an overview of a Board Briefing document produced by ECIIA, entitled *Risk in Focus: Hot Topics for Internal Auditors*. The Board Secretary agreed to circulate the Briefing document to the Committee for reference.

9. FOR INFORMATION

9.1 AUDIT & RISK ASSURANCE COMMITTEE TERMS OF REFERENCE

9.1.1 The Committee NOTED its current terms of reference. The Chair advised the Committee that the Board would consider a proposal for a restructure of its committees in due course, which would lead to the development of new and/or updated terms of reference.

9.2 COMMITTEE PROGRAMME OF WORK 2024/25

9.2.1 The Committee NOTED its proposed programme of work for the 2024/25 academic year.

10. FOR CIRCULATION

10.1 INTERNAL AUDIT: ANNUAL AUDIT PLAN 2024/25

10.1.1 The Committee NOTED, for reference only, the Internal Audit Annual Plan 2024/25 as previously approved by Members on 22 May 2024.

11. DATE OF NEXT MEETING

11.1 The Committee NOTED that the next meeting of the Audit & Risk Assurance Committee was scheduled to take place on 20 November 2024.

Meeting closed at 17:00