

**AUDIT & RISK ASSURANCE COMMITTEE**

**MINUTES OF MEETING OF 29 NOVEMBER 2024**

**Meeting held in the Boardroom, Sighthill Campus, 09:30hrs**

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

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

*\*Joined via Microsoft Teams*

**1. WELCOME AND APOLOGIES**

* 1. No apologies were received.
	2. The Committee NOTED that Members had held their annual private meetings with the internal and external auditors in advance of the meeting.

**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 2 October 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:

 4.1.2 *POLICY REGISTER [REF. MINUTE 6.3.5/11.10.23]*

 The Committee NOTED that the development of a policy register was being considered alongside the restructuring of the Board’s committees. The Board Secretary informed the Committee that the Board of Management, on 10 December 2024, would be asked to consider new committee terms of reference, prior to a new structure being implemented.

 The Committee NOTED that the role and remit of the Audit & Risk Assurance Committee would remain unchanged.

 4.1.3 *MANDATORY TRAINING [REF. MINUTE 5.3.4/02.10.24]*

 The Committee NOTED that notifications, advising staff of the consequences should they not complete mandatory training, were carried when required. The Chief Operating Officer advised the Committee that it was expected that mandatory training completion rates would continue to increase over the next quarter, as the local EIS-FELA Branch were supportive of management’s approach towards non-completion by lecturing staff.

 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. RISK ASSURANCE REPORT**

 5.1 RISK MANAGEMENT UPDATE

 5.1.1 The Committee NOTED that the next meeting of the Risk Management & Assurance Group (RMAG) would take place on 2 December 2024. The Chair advised the Committee that Kerry McCormack, a Non-Executive Member, would be attending the RMAG on behalf of the Audit & Risk Assurance Committee.

 5.2 NATIONAL FRAUD INITIATIVE UPDATE

 5.2.1 The Committee NOTED an update on 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.

 5.2.2 The Chair welcomed the participation of the College in the NFI counter-fraud exercise, and the expectation that a 2024 NFI Report would be presented to the next meeting of the Committee.

**6. INTERNAL AUDIT REPORTS**

 6.1 SUMMARY OF AUDIT RECOMMENDATIONS

 6.1.1 The Committee NOTED a report on progress against internal audit recommendations previously reported to the Audit & Risk Assurance Committee in 2018/19, 2021/22, 2022/23 and 2023/24. The Chief Operating Officer highlighted the completed audit items acknowledged by BDO, which would be removed from the next iteration of the summary report.

 6.1.2 The Committee NOTED that, out of the 31 outstanding actions, management had closed off a further 11 actions since the Audit & Risk Assurance Committee meeting on 2 October 2024. The Committee welcomed the progress outlined by the Chief Operating Officer and commended the development of an internal audit portal to allow both BDO and management to track progress against actions in real-time.

 6.2 FES RETURN 2023/24

 6.2.1 The Committee NOTED that Anderson, Anderson & Brown (AAB) 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 27 June 2023.

 6.2.2 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. The Director of Finance & Infrastructure advised the Committee that the College had achieved 98.6% of its 2023/24 credits target, as outlined within the accompanying certificate signed by the Principal and submitted to the SFC, and had therefore avoided any risk of financial clawback from the Funding Council.

 6.2.3 The Committee DISCUSSED the presentation of the AAB Audit LLP report, and the technical terminology used. The Committee AGREED that the Director of Finance & Infrastructure should work with AAB Audit LLP to develop their reporting to include further analytical interpretation of the data provided in the reports.

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

 6.3.1 The Committee NOTED that AAB Audit LLP had conducted a Student Support Fund (SSF) and Education Maintenance Allowance (EMA) Audit for the academic year 2023/24, in accordance with the requirements set out in SFC’s audit guidance.

 6.3.2 The Committee NOTED that systems and procedures within the College were adequate to promote the accurate collection and recording of data in respect of both the aggregated SSF and EMA Returns.

 6.3.3 The Committee DISCUSSED the FES, SSF and EMA Returns and AGREED that the Director of Finance & Infrastructure and AAB Audit LLP should consider the narrative provided within future reports to ensure that constructive feedback, including potential areas for improvement, were highlighted to both the Senior Management Team and the Audit & Risk Assurance Committee.

**7. ANNUAL REPORT AND FINANCIAL STATEMENTS**

 7.1 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2024

 7.1.1 The Committee NOTED a draft Annual Report and Financial Statements for the period ended 31 July 2024. The Chair advised the Committee that due to an extremely late amendment to the first SFC accounts direction for the Job Evaluation accounting treatment, and then further to the amended SFC’s accounts directions (and subsequent Audit Scotland technical brief), the circulation of papers relating to the Annual Report and Financial Statements had been delayed.

 7.1.2 The Committee DISCUSSED the issues highlighted in response to the Job Evaluation accounting treatment and the adverse impact the delay had upon Members’ ability to review the circulated documentation. The Committee AGREED that the circulated reports were to be considered by Members, but final endorsement would need to be provided, in writing, via email by midday on Monday 2 December 2024.

 7.1.3 The Committee DISCUSSED the history of the Job Evaluation exercise and the funding arrangements the college sector had previously agreed with the SFC, prior to the Scottish Government (SG) taking responsibility for the previously ring-fenced funds following a transfer of the funds from the SFC to SG. The External Audit Director informed the Committee that, as stated in the Draft Letter of Representation (Minute 7.3 refers), Mazars were unaware of the change in funder at the time of signing off the 2023 financial statements. However, the External Audit Director confirmed that the provision included within the 2024 financial statements represented an accurate expectation of the expected economic outflow based on all available information.

 7.1.4 The Committee commended both the Chief Operating Officer and the Director of Finance & Infrastructure, and their work in relation to the Annual Report and Financial Statements. The Committee NOTED that (as agreed under Minute 7.1.2) Members’ comments would be fed back to the Board Secretary, prior to a finalised version of the document being re-circulated.

 7.2 DRAFT 2023/24 ANNUAL AUDIT REPORT

 7.2.1 The Committee NOTED a Draft 2023/24 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 2024.

 7.2.2 The Committee DISCUSSED the following in relation to the 2023/24 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 materiality assessment and, in response to the amended SFC Accounts Direction, its impact on income relating to the Job Evaluation Accrual.

 7.2.3 The Committee NOTED that, inline with Minute 7.1.2, a finalised version of the 2023/24 Annual Audit Report would be endorsed by the Committee via correspondence.

 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 errors 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 2024 by the Board on 10 December 2024.

**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. The Chair advised the Committee that an appendix to the Report included a response to 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.

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

1. Financial sustainability and the College’s ability to manage its activities and deliver its outcomes within its funding limits.
2. 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.
3. 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.

8.3 The Committee DISCUSSED the response provided to the External Auditor’s letter and AGREED that minor amendments in response to Members’ feedback should be incorporated into the report and recirculated along with the updated Annual Accounts and Financial Statement, External Auditors Report, and Letter of Representation.

8.4 The Committee NOTED that the Chair’s Annual Report would be presented to the Board on 10 December 2024, with the Annual Accounts and Financial Statements to July 2024.

**9. ANY OTHER COMPETENT BUSINESS**

9.1 HORIZON SCANNING UPDATE

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

***The Internal Auditor left the meeting***

9.2 EVALUATION OF INTERNAL AUDIT FUNCTION 2023/24

 9.2.1 The Committee NOTED their consolidated response to an evaluation of the internal audit function in the 2023/24 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 DISCUSSED the key messages arising from the evaluation and AGREED that the Chair should discuss the recommendations with the internal auditors.

***The Internal Auditor returned to the meeting***

9.3 FUTURE RISK DEEP DIVES

 9.3.1 The Committee NOTED opportunities at its upcoming meetings to conduct risk deep dives into areas not covered within the annual internal audit plan. The Committee DISCUSSED potential deep dives and AGREED that the use of Artificial Intelligence at the College, and its implications for teaching and assessment, would be a particular area of interest to Members.

 9.3.2 Further to this, the Committee AGREED that workforce planning and development, and employer relations would also be an appropriate area to consider as part of a deep dive. The Chair advised the Committee that both suggested deep dives would be added into the Committee Programme of Work for 2024/25.

9.4 DEPARTURE OF A NON-EXECUTIVE MEMBER

 9.4.1 The Committee NOTED that Kerry McCormack, a Non-Executive Member of the Board and its Audit & Risk Assurance Committee, would be stepping down from the Board of Management on 16 December 2024. The Chair, on behalf of the Committee, thanked Ms McCormack for her service to the Committee over the past 3 years.

**10. DATE OF NEXT MEETING**

 10.1 The next meeting of the Audit & Risk Assurance Committee will take place on 5 March 2025.

***Meeting closed at 11:25***