AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 22 MAY 2024

Meeting held at Granton Campus, Boardroom

Start time: 15:30

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

In attendance: Ian McLaughlan; Bridget Mauro (Mazars); Claire Robertson (BDO); Michael Speight (Mazars); Marcus Walker (Clerk); Alan Williamson

1   WELCOME AND APOLOGIES

1.1   No apologies were received.

1.2   The Chair welcomed Ian McLaughlan, a Non-Executive Member of the Board, to the Audit & Risk Assurance Committee. The Committee NOTED that, as Chair of the Remuneration Committee, Mr McLaughlan had been invited to attend the Committee to promote alignment between committees of the Board.

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 6 March 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 (Minute 6.3.5/11.10.23 refers)*

The Committee NOTED that committees of the Board and their terms of reference would be reviewed before the start of the next academic year, in line with recommendations with the 2024 Board Effectiveness Review. The Clerk advised the Committee that quarterly reporting to committees on policies and KPIs would be clarified as part of the review process.

4.1.3 *Cyber Security Risk Matrix Update (Minute 6.3.2/06.03.24 refers)*

The Committee NOTED update to the Cyber Security Risk Matrix, inline with Members's comments at its last meeting. The Committee AGREED that a key should be included on the matrix to help the reader navigate the document.

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 cycle.

5   INTERNAL AUDIT REPORTS

5.1   SUMMARY OF INTERNAL 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 2020/21, 2021/22, 2022/23 and 2023/24.

5.1.2   The Committee DISCUSSED progress relating to 'Succession Planning' recommendations, and the focus placed on management and business critical posts. The Chief Operating Officer advised the Committee that the 2024 Voluntary Severance (VS) Scheme would not impact upon succession planning, as all VS applications would require approval based on business rationale from the Executive Team.

5.1.3   The Committee DISCUSSED the format of the Summary of Internal Audit Recommendations Report and the presentation of 'Forecast / Actual Completion' dates within the document. The Committee AGREED that the format of the summary report should be changed to indicate whether a completion date had been revised by the Senior Management Team.

5.2   INTERNAL AUDIT REPORT: GENERAL FINANCIAL CONTROLS

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 the general financial controls of the College. The Internal Auditor advised the Committee that the audit covered controls and processes relating to income, purchases, cash, and fixed assets.

5.2.2   The Committee NOTED that the internal audit had identified three findings, of which two were assessed as 'Medium' significance and one as 'Low'.

5.2.3   The Committee DISCUSSED the audit methodology and the inherent limitations of sample testing, which meant that BDO could not provide full assurance over all financial controls processes within the College.

5.2.4   The Committee NOTED that a review of procurement system access rights took place every six-months, whilst procurement activity was reviewed every quarter (Paragraph 5.3 refers). The Chief Operating Officer highlighted that the rationale behind this was due to the increased activity experienced by the Procurement Team, hence more regular reviews were required.

5.3   INTERNAL AUDIT REPORT: PROCUREMENT

5.3.1   The Committee NOTED that the purpose of the Procurement internal audit was to provide assurance over the design and operational effectiveness of key controls relating to the purchasing of goods and services from external sources. The Internal Auditor advised the Committee that the review covered all aspects of procurement, including: Strategy; Policies and Procedures; Application of Procedures; Analysis; Contract Register; Monitoring Supplier Performance; and, Annual Reporting.

5.3.2   The Committee NOTED that Edinburgh College was part of the Edinburgh Regional Procurement Hub and, as a public sector institution, the College was required to ensure that its purchasing was consistent with legislative requirements. Internal Audit advised the Committee that whilst the College had a generally sound system of internal controls in place, there were opportunities to improve documentation relating to procurement procedures.

5.3.3   The Committee DISCUSSED the completion of Procurement Request Forms, which were not consistently completed across the small sample collated by the internal auditors. The Internal Auditor advised the Committee that this lack of consistency could have a contingent effect on contract management as the form included a supplier risk assessment.

5.3.4   The Committee NOTED that BDO, as part of its 'follow-up audit' at the end of the financial year, would review internal controls again to ensure that a more consistent approach had been implemented. The Chair informed the Committee that the Internal Audit Follow-up Report would be presented to the Committee at its next meeting.

5.4   INTERNAL AUDIT REPORT: STUDENT SUPPORT

5.4.1   The Committee NOTED that, in accordance with its 2023/24 Internal Audit Plan, the Internal Auditors had agreed to undertake a review of student support arrangements within Edinburgh College. The Internal

Auditor advised the Committee that the review focussed on the Student Advice Team and Learning Development Tutors.

5.4.2 The Committee NOTED that the College, as outlined in the Internal Report, had adequate controls in place that ensured that students were made aware of how to access student support services. The Internal Auditor advised the Committee that roles and responsibilities were clearly documented in College handbooks and staff were aware of their obligations to students.

5.4.3 The Committee welcomed the Report and DISCUSSED the level of consultation with Edinburgh College Students' Association (ECSA) relating to the Management Responses. The Committee AGREED that the Assistant Principal Student Experience should be asked to ensure that ECSA are consulted in relation to audit recommendation responses and the development of the 2024/25 operational plans for Student Experience.

5.5 DRAFT INTERNAL AUDIT PLAN 2024/25

5.5.1 The Committee NOTED the Draft Internal Audit Plan 2024/25, as presented by BDO.

5.5.2 The Committee DISCUSSED the following points related to the proposed Internal Audit Plan:

   i. The consideration of data protection controls within the Cyber Security Review.
   ii. The Risk Management Audit and need to align risk appetite statements with the top-level risk register.
   iii. The number of days required to deliver the programme of audits; and,
   iv. The Executive Team's contentment with the proposed Internal Audit Plan.

5.5.3 The Committee AGREED that it was content with the Internal Audit Plan 2024/25 and would continue to monitor progress against the Plan at future meetings.

6. RISK ASSURANCE REPORT

6.1 RISK MANAGEMENT UPDATE

6.1.1 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 6 March 2024.

6.1.2 The Committee NOTED that the Risk Management & Assurance Group (RMAG), on 2 May 2024, 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'* could be reduced from its RAG rating of 'Red' to 'Green' as the College had achieved over 98% of its 2023/24 activity target.

6.1.3 The Committee NOTED that the RMAG had deliberated on the integration of diversity and equality considerations into the College's risk assessment process. The Committee DISCUSSED the proposed approached and the challenges related to the scoring of diversity and equality risks. The Chief Operating Officer advised the Committee that the Senior Management Team would consider the matter further and put forward an appropriate recommendation to the RMAG in due course.

6.1.4 The Committee NOTED an updated Critical Incident Management Policy and Procedure, following its annual review by the Senior Management Team to ensure accuracy and relevance. Further to this, the Committee NOTED that Business Continuity Plans relating to '*Terrorist Attack or Threat'* and '*Pandemic'* had also been updated as part of the annual review process.

6.2 REPORTABLE DATA BREACH INCIDENT & CYBER ATTACKS UPDATE

6.2.1 The Committee NOTED that no reportable data breach incidents had taken place at the College from 1 February 2024 to 30 April 2024.

6.3 ANNUAL RISK APPETITE STATEMENTS REVIEW

6.3.1 The Committee NOTED that it was good practice for boards of management to review their risk appetite statements on an annual basis. The Chief Operating Officer advised the Committee that, given that the College's Risk Appetite Statements were agreed in October 2023, it had been decided that a light touch review would take place in the current academic year – with committees of the Board reviewing statements within their remit.

6.3.2 The Committee DISCUSSED the Risk Appetite Statements relating to *Cyber & Information Governance*; *Regulation & Compliance*; and *Reputation*. The Committee NOTED that no proposed amendments were put forward by Members to the Board of Management beyond changes put forward to the *Cyber & Information Governance* statement by a Non-Executive Board Member with expertise in cyber security.

7. EXTERNAL AUDIT: 2023/24 ANNUAL AUDIT PLAN

7.1 The Committee NOTED an Annual Year End Audit Plan for the year ending 31 July 2024, as presented by Mazars, 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 approach of the External Audit Team and how it would complement the work of the internal audit function. The External Auditor advised the Committee that Mazars would consider the work carried out by the internal auditors over the academic year as a guide to inform their approach.

7.4 The Committee DISCUSSED the Annual Audit Plan for the year ending 31 July 2024 and its Mazars considerations relating to financial sustainability - within the context of the college sector. The Committee AGREED it was content with the scope and timings of the planned audit work and the proposed audit fee as determined by Audit Scotland.

8. REVIEW OF COMMITTEE OPERATION 2023/24

8.1 The Committee NOTED that at the end of each academic year the Committee is required to review its annual activity. The Committee Chair advised the Committee that the same evaluation form, which asked members to consider the committee's operation and its performance monitoring and strategic roles, would be completed by all committees of the Board.

8.2 The Committee AGREED that its operation was compliant with its terms of reference, as outlined in 'Part 1' of the evaluation form. The Committee DISCUSSED the Committee's agenda layout and AGREED that risk management items should be presented before Internal and External audit matters.

8.3 The Committee DISCUSSED its performance over the academic year and AGREED that Members' feedback should be relayed (via email) directly to the Chair and the Board Secretary, prior to a finalised version of the report being recirculated to the Committee (out-with the meeting cycle) for approval.

8.4 The Committee NOTED that any points of action arising from the review would be considered at its next meeting.

9. ANY OTHER COMPETENT BUSINESS

9.1 HORIZON SCANNING UPDATE

9.1.1 The Committee NOTED a verbal update from the External Auditor on the transfer of Capital Departmental Expenditure Limit (CDEL) to Resource Departmental Expenditure Limit (RDEL) for the Financial Year 2024/25. The Director of Finance & Infrastructure advised the

Committee that the SFC had communicated its intention to the College, on 20 February 2024, to end its current policy arrangements towards the use of Capital lifecycle maintenance and high priority backlog funding. The Committee NOTED that discussions were continuing between the SFC, Scottish Government and Colleges Scotland on the impact of such a changes on the college sector's financial sustainability, and associated future deterioration of colleges estates without funding to cover ongoing maintenance.

9.1.2   The Committee NOTED an update on the introduction of new auditing standards from the Internal Auditor. The Committee DISCUSSED new International Standard on auditing, one of which required the Internal Audit function to formally clarify its roles and responsibilities to Committee Members. The Committee AGREED that BDO should provide such a presentation to the Committee in the new academic year.

10.   FOR INFORMATION

10.1 COMMITTEE PROGRAMME OF WORK 2023/24

10.1.1   The Committee NOTED its proposed programme of work for the upcoming academic year.

11.   FOR CIRCULATION

11.1 EDINBURGH COLLEGE GOVERNANCE EFFECTIVENESS REVIEW 2024

11.1.1   The Committee NOTED the 2024 Governance Effectiveness Review Report, as approved by the Board of Management on 26 March 2024.

12.   DATE OF NEXT MEETING

12.1 To be confirmed.

Meeting closed at 17:30