

CAPITAL CITY COLLEGE GROUP**AUDIT COMMITTEE****Minutes of the Meeting held on 13th June 2017**

PRESENT	Leslie Brissett, Joel Featherman (via telephone, left 19:07), Mike Magras, Fiona Thompson (Chair)
IN ATTENDANCE	Graham Drummond (Director of Governance), Marcus Holder (Interim Group Finance Director), Caireen Mitchell (Group Director Planning and Performance), Simon Evans (Director of Financial Planning) (for items 1 – 7b & 14), Neill Scott (Director of Estates) (for items 1-4), Graeme Clarke (Mazars, Internal Auditors), Julie Ellis (Governance Officer), Claire Collins (Group Director of HR &OD) (for items 1 - 7c)
APOLOGIES	Michael Bradley

The Chair welcomed the new attendees to the Audit Committee meeting:

- Simon Evans, the Director of Financial Accounting;
- Neill Scott, the Director of Estates;
- Marcus Holder, the Interim Group Finance Director. As he is new to the organisation, he informed the Committee that he had an FE background, had worked at an outstanding college for 7 years and was now undertaking interim assignments.

Reports for approval or discussion

- | 1. MEMBERSHIP | Action |
|---|---------------|
| <p>A draft advertisement for a co-opted member to join this committee was received and considered. The committee noted:</p> <ul style="list-style-type: none"> • Michael Bradley had tendered his resignation as a member, opening up this vacancy. The Chair wished to thank Mr Bradley for his robust service to the committee and asked that this be noted as the committee had been unable to extend its gratitude in person; • The committee had deferred recruiting a second co-opted member pending the decision on merger with the College of North East London. This continues to move forward and the committee would expect that a member of CONEL will join; • The advert would more accurately reflect the scope of the committee's role if it read at paragraph 3 "Committee members are also responsible for monitoring and scrutinising the risk management framework and risk register"; • All present were asked to distribute the advert to their networks. The Group had found this approach more effective in the past than press advertisements. The advert will be distributed to Islington, Camden and Westminster Councils, and other suitable sites for posting may include the NED Exchange and Women on Boards. | ALL |
| 2. MINUTES OF THE MEETING HELD ON 21st MARCH 2017 | |
| The minutes were agreed and signed by the Chair as a correct record. | |
| 3. MATTERS ARISING | |
| It was noted that: | |
| <ul style="list-style-type: none"> • With respect to item 3, p3 the sub-contracting manual has been approved by the Group Leadership Team; • With respect to item 4 on page 3, the target date for the new structure for the Business Intelligence and Registry Team to be in place by May has been deferred in the light of the departure of the Director of Business Information and Registry and his replacement with an interim manager; • With respect to item 6 on page 5, there has been a recent incident resulting in the death of a City and Islington College student; counselling and support has been offered to staff and | |

- students who may have been affected;
- With respect to item 7 on page 5, The Director of Human Resources and Operational Development has acquired insurance suitable for employment–related legal claims that are considered high-risk.

4. ANNUAL HEALTH AND SAFETY REVIEW

The annual health and safety report was considered and received. The Committee noted:

- The Group is fully compliant with respect to controls for hazardous substances after a seven year period where there had been gaps in compliance, for example, the maintenance of an annual asbestos register. It is unclear why this situation had arisen, but may be due to lack of awareness by managers of regulatory controls;
- To ensure compliance, the Group have instructed Britsafe to conduct three audits per year; the Group will be assessed against a standardised FE college benchmark;
- The Group employes a full time Health and Safety Manager who is a member of the Health and Safety Institute;
- Following the recent tendering process, facilities have been outsourced to Kier. Authority can be delegated under the Construction and Design Regulations, but not legal responsibility. Kier will have to show that they are compliant with all regulations, at the risk of a 10% forfeit of their payment in default;
- Measures for critical incident management, disaster recovery and emergency evacuation have been reviewed;
- Consideration should be given to reporting accidents separately to incidents. There were four reportable incidents between 2015-2017; the Health and Safety Executive took no further action on these;
- New Sentencing Council guidelines for health and safety offences indicate that tougher sentencing can be expected on conviction for both corporate bodies and individuals.

The Committee noted that Health and Safety Committees exist at each of the two Colleges, and that a member of the Board attends the Health and Safety Committee meetings for WKC. The Chairs' Group had been informed of the Audit Committee's recommendation that a Governor for CIC should also be appointed.

GD/FT

5. EXTERNAL AUDIT APPOINTMENT

The Director of Financial Accounting presented a confidential report to the committee. The Committee noted:

- The tenure of Buzzacott was due to expire on 1 August 2017, so a competitive process was commenced for a new agreement;
- An invitation to tender issued to 12 suppliers resulted in five bids which were shortlisted down to three. A panel of the Group Director of Finance, the Director of Financial Accounting, the audit committee chair and another committee member interviewed and assessed the bids;
- The panel would ask the committee to recommend that Buzzacott be re-appointed as the Group's external audit service. Their presentation was competent, they have a good knowledge of the merged college and a positive reference has been returned.

GD

The committee **AGREED** to recommend to the Board the re-appointment of Buzzacott.

6. REVIEW OF FINANCIAL REGULATIONS

The Director of Financial Accounting presented a report to the committee. The Committee noted:

- The regulations adopted for the Group were based on those from WKC;
- Changes were either cosmetic, entirely new or relating to issues that had arisen;
- The whistleblowing regulations were attached. As this document had been considered previously by the Chairs' Group at its meeting of 27th April and a marked copy of the document indicating the most recent changes was attached, the matter needed no further detailed analysis at this meeting (see point 12 post for the annual whistleblowing report);
- In the light of Peter Lauener's letter to college accounting officers dated 13th April 2017 on Financial Management, to be shared with Governors, the detail required and how frequently the regulations needed to be reviewed by the Committee and the Board was considered. The

auditor recommended reviewing these annually, producing an exceptions report and tracked changes to governors.

To avoid the risk of overloading Governors with too much detail, it was agreed that an annual summary of the status of the regulations be distributed, with the regulations available to those who wish to scrutinise them further, as was the case with this meeting.

7. INTERNAL AUDIT 2016/17

Four reports were considered and received:

7a. A summary audit recommendation tracking report was produced as Appendix 1. Further detail is available as Appendices 2 and 3. The Committee noted:

- Of the 44 outstanding recommendations:
 - 13 of the 23 dating from pre-merger, have been implemented with 10 in progress;
 - 8 of the remaining 21 have been implemented with 13 in progress;
- It was noted that the speed with which the Group responds to audit recommendations will be a KPI.

It was agreed that the format of this report should be reviewed with the aim of improving clarity especially in relation to progress made.

SE

7b. With respect to a report on the **General Ledger**, the Committee noted that:

- An overall rating of adequate assurance had been awarded with respect to the effectiveness of internal controls, with correct levels of responsibility assigned and user access controls in place, though there remained opportunities for further improvement. The transition appeared to be going well and there were good systems in place. Journals are being appropriately recorded and management accounts produced in a timely manner. The Group's experience of merger has made it better placed to harmonise extant systems and avoid errors in any future merger.
- The auditors used Data Analytics Tools to assess data for evidence of the duplication of journals since the merger.

7c. With respect to a report on **HR New Starter Process**, the Committee noted that:

- The focus of the review was on controls and processes surrounding pre-employment checks and the subsequent induction and monitoring process. An overall assessment giving limited assurance was included within the report;
- The HR Department has faced challenging conditions such as the loss of high-quality staff, and the harmonisation of different college HR practices; the internal audit had been requested by the Department as a result.
- The merger integration fund had been fully utilised by September; there was some discussion as to whether some funding could be diverted from capital expenditure to HR;
- To mitigate, the Group has hired an external consultant to advise on how use of the employee information system can be maximised from its current utilisation level of 30%, and casual staff transferring have either been made permanent or released;
- Areas where controls are operating reliably include the introduction of a training plan and corporate inductions; compulsory training modules are in line with AoC and Government best practice;
- Areas for improvement include recording of DBS numbers and associated risk assessments, timing of safeguarding training, and the issue of starter contracts and sample checking of HR files.

The Committee noted the actions to be taken and requested an update at the next Committee meeting, or earlier if the mitigating actions were not having the desired effect.

CC

7d. With respect to a draft report on **Corporate Governance and Risk Management**, the Committee noted that:

- The focus of the review was the risk management framework and the appropriateness of the Corporate Governance Framework following the merger of WKC and CIC in 2016. An overall assessment giving adequate assurance was made;
- Management has not yet had the opportunity to comment on the recommendations; the final

- version could be considered outside the meeting;
- Areas where controls are operating reliably include:
 - key governance documentation and associated policies are in place;
 - Board and committee papers are appropriate and provide adequate information for decisions to be taken;
 - the risk register is regularly reviewed and challenged at committee level;
- Recommendations for improvement include:
 - A review of the the formal induction process for new Governors so that it includes more information about governance processes;
 - the skills matrix indicated that some Governors might benefit from more training on working with Trade Unions, minority communities and estates matters;
 - the terms of reference should include reference to the procedure in the Governors handbook to be followed if a conflict of interest arises;
 - a Risk Management Strategy should be developed;
 - risk management training should be available for the GLT.

8. UPDATE ON APPOINTMENT OF LEARNER NUMBER SYSTEMS AUDITORS

An oral update was presented on the internal funding and assurance review. The Committee noted:

- Following the SFA Audit Review in October 2016 it had been decided that an SFA appointed audit service (rather than that of Mazars, the current internal auditors) would be used to carry out a funding assurance audit. After a tender process, the Group has appointed KPMG for this purpose and they will be available from the third week in June to commence work;
- The Group expects that it will receive notification by the end of July from the ESFA of any intention to conduct another audit, with the audit itself taking place in August and September.

9. RISK REGISTER AND OPERATIONAL PLAN

The Group Director of Planning and Performance presented the new WKIC Risk Register. The Committee noted that:

- The Register is closely aligned to the Group's Operational Plan, but joint consideration of both will take place at the end of June;
- The take-up of apprenticeships has been adjusted upward in terms of risk. Despite action taken in mitigation, it is expected that final delivery will be down £1.22m on a budget of £4.69m. Interviews for a new Managing Director of the Training Arm have been taking place and an announcement is expected in the near future;
- The risk associated with other sources of income such as ESF, HE and Commercial being under budget remain high;
- The outdated IT infrastructure remains a high risk; though a significant capital expenditure on the Local and Wide Area Networks is expected to deliver improvements in connectivity by the end of August;
- With regards to teaching and learning, there was a disappointing survey of CIC students, but a positive lesson observation profile for both colleges.

10. SELF-ASSESSMENT

The Director of Governance presented a report on Self-Assessment. Attached were the Committee's Terms of Reference, draft KPIs and a Qualitative Performance Assessment. The Committee noted:

- The Chairs' Group has asked the all committees to self-assess their roles against the terms of reference agreed at the start of the academic year;
- The committee is required to include within its annual report to the Board a review of its own effectiveness to ensure compliance with the revised Joint Audit Code of Practice;
- The self-assessment will include feedback from a questionnaire issued and the results will be reported back to the Board in October;
- The committee will assess the performance of its internal and external auditors in its November meeting and report the results to the Board as part of the annual review prior to the finalisation of the accounts;

- CIPFA updated recommendations indicate that audit committees should be monitoring KPIs for the performance of the Group in relation to audit and risk matters. This includes the design and operation of the control framework. In addition, it includes an assessment of the Group's approach to and aspirations for audit and risk processes more generally, such as how well the Group responds to recommendations, the number or seriousness of recommendations, the embedding of risk management, and the governance framework etc.. The difficulty of compiling a generic set of KPIs to apply across college operational areas was acknowledged. Accordingly, the performance measurement document includes a small number of KPIs that are quantifiable and a larger number of indicators that could be qualitatively assessed. It was agreed that the committee should aim to include an assessment of these broader measures of performance in the annual report.

Reports for information

11. COMMITTEE SCHEDULE OF BUSINESS

The Committee's Schedule of Business was included within the papers for reference. It was noted that:

- An extra committee meeting might be required earlier in the academic year to get through the business, though some matters could be dealt with outside of meetings.
- The presentation of the external audit plan scheduled for this meeting could not take place due to the audit tender and would be followed up by the Chair and the Group Finance Director once the auditors had been appointed.

12. ANNUAL WHISTLEBLOWING REPORT

The Annual Whistleblowing Report was included within the papers for reference (the regulations governing whistleblowing are referred to at point 6 above). It was noted that:

- In the two investigations that have taken place since September 2016, no fraud was identified. Requirements specified/recommendations made in the course of these are being followed up by the Director of Performance and Planning.

13. FINANCE & RESOURCES COMMITTEE MINUTES OF MEETING OF 27th FEBRUARY 2017 and 9th MAY 2017

The minutes of the meeting held on 27th February and 9th May 2017 were considered and received.

14. ADDITIONAL AUDITS: ANNUAL TEACHERS' PENSIONS CONTRIBUTIONS AUDIT

A report was noted and received for reference.

The next meeting will take place on 21 November 2017, venue to be confirmed.

Signed as a correct record: _____

Fiona Thompson, Chair of the Committee