## CAPITAL CITY COLLEGE GROUP

AC 21/11/17 **ITEM: 1b**

### AUDIT COMMITTEE

#### Minutes of the telephone conference held on 27th September 2017, 4pm

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| **DIALLING-IN** | Leslie Brissett (left 4:30pm, during item 2), Joel Featherman (from 4:20pm), Lee Newman (Mazars), Katherine Patel (Buzzacott), Fiona Thompson (Chair), Andy Wilson |
| **PRESENT** | Mike Magras, Graham Drummond (Director of Governance),Marcus Holder (Interim Group Finance Director), Caireen Mitchell (Group Director Planning and Performance), Julie Ellis (Governance Officer), Claire Collins (Group Director of HR &OD)  |
| **APOLOGIES** | None |

The Chair welcomed everyone to this telephone conference. This extraordinary meeting of the Audit Committee was convened to deal with items of business that required attention at an earlier stage of the 2017/18 academic year than the scheduled first meeting in November.

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| Reports for approval or discussion |
| **1.** | EXTERNAL AUDIT PLAN | Action |
|  | The External Audit Plan for the audit of financial statements, the regularity assurance and the Teachers’ Pensions Scheme for the year ending 31st July 2017 by Buzzacott was considered. This item had been deferred from the meeting of the 13th June pending the appointment of auditors. The committee noted:* There are no major changes to the reporting requirements, as compared to previous years;
* The financial statements being drafted will be the first to be compiled in respect of the merged colleges, though as the colleges aligned their accounting policies last year, no difficulties are envisaged in this area;
* There remain some inconsistencies in the treatment of transactions between the colleges and the harmonisation of accounting changes would require extra focus. For example, City and Islington College had not recognised fee debtors in the financial statements until 2015/6, and some misunderstandings had arisen over the treatment of capital and revenue items;
* The auditors are under a duty to report any material financial misstatements. The recent regularity audit identified no areas of concern. The external auditor partner would check if recent work on VAT would have any effect on the audit plan.
* In the light of the year-end results, problems with MIS, and a number of staffing changes, the committee was seeking assurance in particular on the cut-off points for accruals and balance sheet items, including in respect of redundancy settlements;
* The Committee discussed the additional website reporting required under the new gender pay legislation and the extra scrutiny attached to payroll disclosures in the accounts generally. The Group has conducted a gender pay audit at a general level, which has disclosed no gender-based pay disparities. This will be scrutinised at the individual level and the results reported to the next audit meeting.
* The Chair and KP agreed to meet separately to discuss any issues in more detail, including levels of materiality.

The External Audit Plan was **APPROVED**.  | **KP****FT/KP** |
| **2.** | INTERNAL AUDIT PLAN |  |
|  | The Internal Audit Plan compiled by Mazars was considered. The committee noted:* The highest risks for the Group are around IT, HR’s new starter process, safeguarding, financial planning, compliance with the General Data Protection Regulation (GDPR) and sub-contracting. Detail of the focus and timing in respect of these areas appears at Appendix A1 of the Plan;
* The new permanent Director of Finance will be in post with effect from 1st November which aligns well with the target start date for the review of the financial planning, monitoring and reporting, budget setting and control aspects of the core financial systems of 13th November. This was an area of particular focus as there was considerable divergence between the forecast for revenue from loans and commercial income and the revenue generated last academic year. In the meantime, the Interim Director of Finance will work with Mazars to draft terms of reference for this workstream;
* The Chair queried whether sufficient resources were invested in the internal audit. The internal auditors assured the Committee that the Plan provided good coverage of areas of risk over a 2-year cycle, as delineated in Appendix A2 (Strategic Audit Plan), was aligned with risks identified in the Risk Register, and was in line with the arrangements of other colleges;
* If more resources were dedicated, the auditors would focus more closely on GDPR and would conduct the audit slightly earlier in the cycle; however 10 days are earmarked to monitor compliance (see Item 3 post).

 The Internal Audit Plan was **APPROVED.** | **MH** |
| **3.** | DATA PROTECTION – UPDATE ON GDPR PREPARATIONS |  |
|  | A paper was received and considered on the Group’s response to the adoption into domestic law of the GDPR EU Directive in May 2018. A proposal for Internal Audit involvement in GDPR readiness was attached. It was noted that:* The directive which will be put into UK law, will increase the regulation of data protection currently governed by the Data Protection Act 1998;
* The existing law focusses on the measures necessary to protect data held; the new regime will require organisations to be able to justify why data is held at all, and to obtain specific consent for its use in particular circumstances;
* Breaches, which will be prosecuted by the Information Commissioner’s Office, are liable to be punished by substantial fines;
* The onus will be on a named Data Protection Officer to report any default to the Information Commissioner in specified circumstances;
* The Group will need to update its data protection and privacy policies and procedure and the first meeting of a steering group has taken place. This group was composed of:
* The Director of Governance (Chair);
* The Head of MIS;
* The Head of HR;
* The Head of IT;
* Teaching staff.

 It is expected that representatives of the finance and marketing teams will attend future meetings;* The internal audit will be in two phases of five days, with the first starting in December and the dates of the second to be confirmed; the first phase will focus on compliance with basic data protection principles;
* Ensuring that personal data held by the Group is secure will form an important part of the preparations for GDPR.

It was the view of the committee and the internal audit service that the Group would benefit from external expert advice to ensure that its policies, procedures and processes are compliant with the new requirements. |  |
| **4.** | **RISK MANAGEMENT POLICY** |  |
|  | The draft risk management policy was considered and received. The Committee noted:* The policy was consistent with recommendations from the internal audit service and complies with ISO standard 31000 on risk management;
* Each part of the Group has its own risk register, with systems in place to ensure risk identification and mitigation were escalated as appropriate;
* At the Chairs’ Group meeting of 19th September, terms of reference giving responsibility for oversight of the individual College risk registers to the College Boards were agreed;
* The Group’s Risk Register is presented to the Board annually as an appendix to the auditor’s report, and the Risk Framework is the responsibility of the Board as a whole;
* The policy was generally positively received. The committee indicated that the document would be improved if:
* Reference to the annual review of the risk register by the Board of the Group’s be amended to read “at least annually”;
* The flow chart on the operation process in Section 3 on risk assessment incorporates how issues arising from the monitoring and review stage would be dealt with;
* The agreement of the Framework will allow the procedures outlined to be implemented formally. There will be a programme of training for senior managers on the policy across the Group; the Interim Director of Finance agreed to share examples of scoring matrices he has dealt with at other colleges to assist in evaluating the process.

  | **CM****MH** |
| **5.** | **INTERNAL AUDIT: CORPORATE GOVERNANCE AND RISK ASSESSMENT**  |  |
|  | The final version of the Internal Audit Report on Corporate Governance and Risk Management, incorporating the management response, was received and considered. The Committee noted:* Adequate assurance was issued in respect of the effectiveness of controls for corporate governance and risk management;
* The specific recommendations were set out in section 04 of the report.
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| **6.** | **CO-OPTED MEMBER UPDATE** |  |
|  | The Committee were updated on endeavours to fill this vacancy. It was noted:* Michael Bradley had tendered his resignation as a member, opening up this vacancy. Mr Bradley had a London Borough audit background. The circulation of the vacancy to local boroughs to attract a candidate with similar experience has not, to date, yielded any interest;
* A draft advertisement for a co-opted member to join this committee was received and considered at the last audit committee meeting of 13th June. This was registered with the School Governors One-Stop Shop (SGOSS) and Women on Boards websites; no applications have as yet been received from these sources;
* The Audit Committee of the College of North East London had an experienced committee member and a co-opted member, who may be suitable candidates if the merger with the College of North East London proceeds. In the meantime, all present would be asked to distribute the details of the vacancy to their networks and its advertisement should be renewed. A revised advertisement would be circulated to facilitate this.
 | **All****GD** |

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